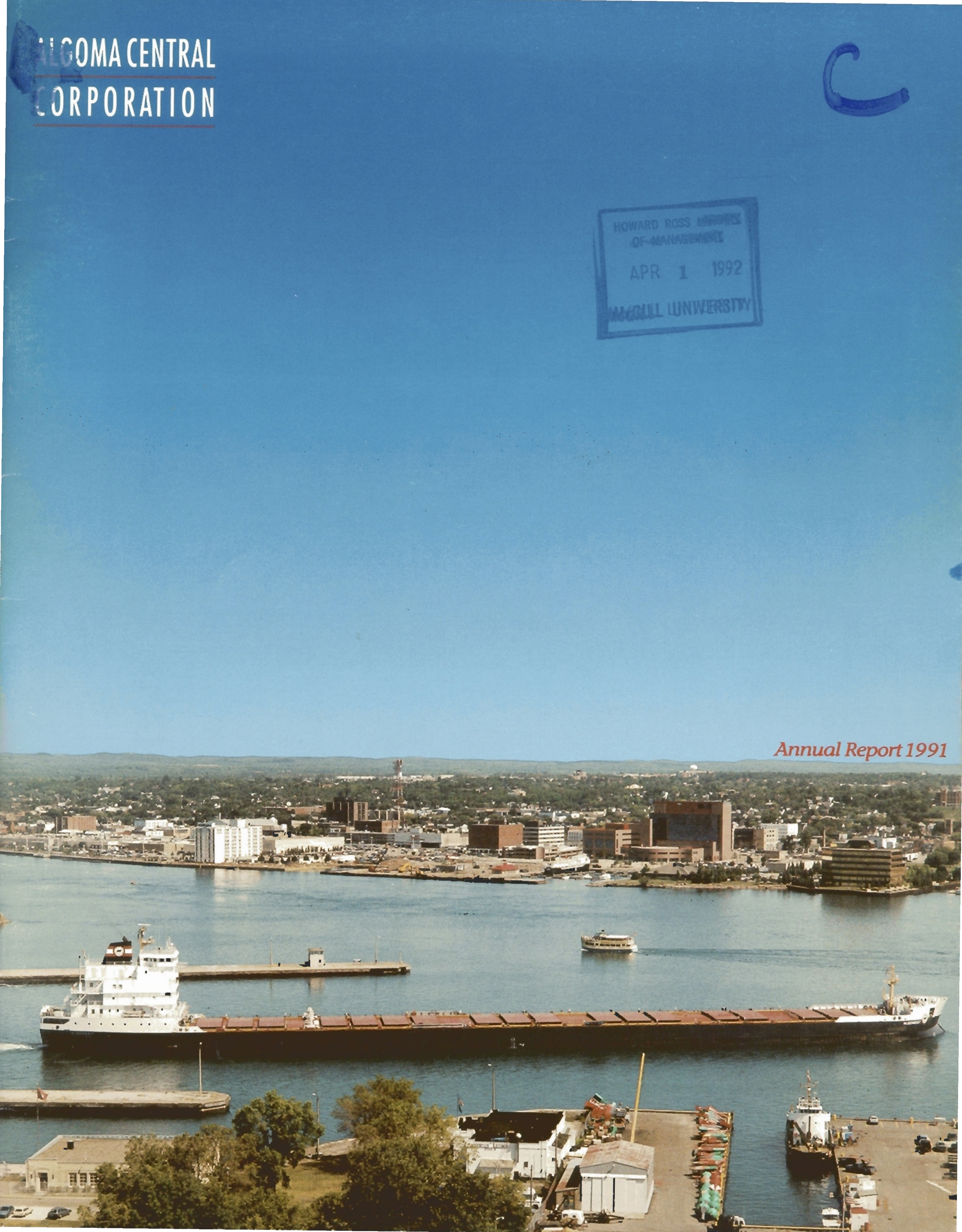
ALGOMA CENTRAL CORPORATION

Annual Report 1991



Cover:
M/V Algowest departing locks, downbound, at
Sault Ste. Marie, Michigan. Sault Ste. Marie, Ontario appears in background.

Printed on recycled paper.

ABOUT THE COMPANY

The company was originally incorporated in 1899 by a Special Act of the Parliament of Canada as Algoma Central Railway Company. The name was changed to The Algoma Central and Hudson Bay Railway Company in 1901, Algoma Central Railway in 1965 and Algoma Central Corporation on April 30, 1990. In 1986, the company was continued under the Canada Business Corporations Act.

Algoma Central Corporation has three operating groups. Marine Group operates the company's modern fleet of 18 dry-bulk-cargo vessels. Fifteen of these ships operate exclusively within the Great Lakes and the St. Lawrence Seaway; two also operate along the east coast of North America and into the Caribbean Sea and the Gulf of Mexico; and one also operates in the Gulf of St. Lawrence. The group's customers are shippers of bulk commodities such as iron ore, coal, grain, salt and aggregates. In addition, Marine Group operates ship-repair and marine-engineering businesses, located in southern Ontario.

Algoma Central Railway operates the company's railway in the Algoma region of northern Ontario. Its main line runs 295 miles north from Sault Ste. Marie to Hearst. A branch line runs 26 miles from Hawk Junction to Wawa and to Michipicoten Harbour on Lake Superior. The railway serves natural resource, manufacturing and tourist industries in the region with freight and passenger trains.

Real Estate Group has developed and manages the company's real estate complexes in Sault Ste. Marie and Elliot Lake, Ontario. The group also manages the company's approximately 850,000 acres of land, including mineral and timber rights, in the Algoma region.

Locomotive 104 pulling a mixed train of freight and passenger cars north from Searchmont. Circa 1940.

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ANNUAL MEETING

The Annual Meeting of Shareholders will be held Tuesday, April 28, 1992 at 11:00 a.m. at the Holiday Inn, Sault Ste. Marie, Ontario.

COMPARATIVE HIGHLIGHTS

For the Year	1991	1990
Revenue	$ 165,778,000	$ 162,097,000
Net income	$ 3,346,000	$ 4,982,000
Operating ratio	89%	85%
Cash provided from operations	$ 30,695,000	$ 16,967,000
Fixed asset additions	$ 5,745,000	$ 10,575,000
Average number of common shares outstanding	3,891,211	3,889,296
Earnings per common share	$ 0.86	$ 1.28
Dividends paid per common share	$ —	$ 0.15
Cash provided from operations per common share	$ 7.89	$ 4.36

At December 31	1991	1990
Total assets	$ 252,778,000	$ 324,553,000
Shareholders' equity	$ 51,227,000	$ 47,807,000
Long-term debt	$ 71,132,000	$ 105,630,000
Long-term debt as a % of shareholders' equity	139%	221%
Common shares outstanding	3,891,211	3,891,211
Equity per common share	$ 13.16	$ 12.29
Working capital (deficit)	$ (11,807,000)	$ 5,969,000

REPORT TO SHAREHOLDERS

Consolidated operating results for 1991 were unsatisfactory — largely reflecting the impact of the recession on marine shipping. Consolidated revenue increased 2% to \$165,778,000 in 1991. But income from operations decreased 23% from \$23,934,000 in 1990 to \$18,432,000 in 1991. Interest expense (net of interest income) declined \$6,070,000 because of reduced borrowing and lower interest rates. In 1990, we benefited from an unusual gain of \$1,780,000. Net income declined 33% from \$4,982,000 in 1990 to \$3,346,000 in 1991.

The major cause of reduced operating income is poor results from our self-unloader vessels, as described in the Marine Group section of this annual report.

Our railway, operating as Algoma Central Railway, is plagued with chronic underutilization. While the railway is not profitable at the levels of traffic and freight rates which were available in 1990 and 1991, subsidies received from the Province of Ontario in both years enabled us to operate the railway without incurring cash losses. Continued operation of the railway depends, in part, on the survival of The Algoma Steel Corporation, Limited and its iron-ore mining and sintering operations at Wawa, Ontario.

The successful reorganization of Algoma Steel, currently under court protection from creditors, is important also to Marine Group and Real Estate Group. Algoma Steel is a large customer of our Marine Group for shipment by water of raw materials. The employees of Algoma Steel form a significant portion of the Sault Ste. Marie community and the customer base for retail tenants of the Real Estate Group.

Operating income for Real Estate Group declined 5% in 1991, as discussed in the Real Estate Group section of this annual report. Considering the economic conditions in both Sault Ste. Marie and Elliot Lake, these results were satisfactory. The closure of several uranium mines in Elliot Lake causes us concern because of our investment there.

The company's main business, and its future, is marine shipping. For some time now, we have recognized that the potential for expansion of shipping capacity on the Great Lakes/St. Lawrence Seaway system is limited. In fact, the total number of vessels within Canadian fleets, and their overall carrying capacity, has declined in recent years. Notwithstanding the foregoing, we have determined a need for increased self-unloader capacity and hence the reason for the conversions which we have undertaken in recent years, converting bulkers to self-unloaders, thus reducing our bulker capacity.

A new horizon has now been recognized within our marine activities, and that involves ocean shipping, outside the Great Lakes/St. Lawrence Seaway. More particularly, we see an opportunity for the application of our unique self-unloading capability to certain ocean trades, where heretofore this technique has not been applied.

We are actively exploring this new potential, initially by utilizing the *M/V Algobay* on the east coast of North America, the Caribbean and the Gulf of Mexico, and additional opportunities are being explored, with a view that this could represent a whole new enterprise for our Marine Group.

During 1991, the Board of Directors created an Environmental Committee which meets regularly with senior management. Under the direction of this committee, we adopted a company-wide environmental policy for the guidance of all employees. In addition, we have undertaken an environmental audit of our properties and operations with the objective of reducing or eliminating any environmental hazards.

In December, Mr. Jackman resigned as chairman and a director of the company. He was subsequently installed as the Lieutenant Governor of the Province of Ontario on December 11, 1991. The Honourable Henry N. R. Jackman, C.M., LL.D. had been a director of the company for 20 years and chairman since 1980. We congratulate him on his vice-regal appointment.

The board then elected The Honourable F. S. Miller, P. Eng. as chairman. Mr. Miller has been a director of the company since 1988 and is a former premier of Ontario.

The board also elected The Honourable John B. Aird, O. C., Q. C., as honorary chairman in recognition of his many contributions to the affairs of the company throughout a long association. He was first elected to the board in 1959, is a former chairman of the company and continues as a director. Mr. Aird is also a former lieutenant governor of Ontario.

Left to right:
The Honourable Henry N.R. Jackman,
Peter R. Cresswell, The Honourable Frank S. Miller.

Conrad M. Black and Arthur J. Little are not standing for re-election to the board at the forthcoming annual meeting. We extend our sincere appreciation for the valued counsel each has rendered as a director.

On behalf of the Board of Directors, we wish to sincerely acknowledge the support of our customers, suppliers and shareholders and the dedication of our employees during these difficult times.

P Cresswell

President and Chief Executive Officer

Frank S Miller

Chairman of the Board

MARINE GROUP

ABOUT MARINE GROUP

Marine Group operates the company's modern fleet of 18 dry-bulk-cargo vessels. Fifteen of these ships operate exclusively within the Great Lakes and the St. Lawrence Seaway; two also operate along the east coast of North America and into the Caribbean Sea and the Gulf of Mexico; and one also operates in the Gulf of St. Lawrence. Twelve of the ships self-unload cargos by means of shipboard conveyor-belt systems (self-unloaders), while the other six are unloaded by means of shore-based equipment (bulkers). Twelve of the ships are maximum-size which permits transit of the complete St. Lawrence Seaway system — the others are smaller. Seventeen of the ships are of Canadian and one is of Liberian registry.

The group's customers are shippers of bulk commodities such as iron ore, coal, grain, salt and aggregates. The shipping season in the Great Lakes is generally restricted because of ice, to the period from late March to late December.

In addition, Marine Group operates ship-repair and marine-engineering businesses, located in southern Ontario.

Although operating results for our bulker fleet (bulk carriers without self-unloading equipment) continued to improve over both 1990 and 1989, overall operating results for Marine Group were very disappointing. The main reason for these disappointing results was the performance of our self-unloader fleet (bulk carriers with self-unloading equipment).

In 1991, total revenue was $119,499,000, a decrease of 3% from 1990 and total tons carried, as shown on the accompanying table, was 21,689,000, also a decrease of 3%. Our fleet of six bulkers generated revenues in 1991 which were 22% above those of 1990 while tons carried improved by 8%. Conversely, our fleet of 12 self-unloaders generated revenues which were 9% below those of 1990 and tons carried were down by 6%.

There are a number of reasons for the increased revenue and tonnage for our bulker fleet. The major reason was the strong movement, in the spring and early summer of 1991, of Canadian grain due to inventories of grain carried over from the 1990 harvest. In addition, the partnership, which we entered in January 1990 with USS Corporation in respect to joint traffic and marketing operations of our respective bulker fleets, continues to be very successful. The combined fleet, operating as Seaway Bulk Carriers, was able to maintain a good balance between downbound movements of grain from both Canada and the U.S.A. and upbound movements of iron ore to steel mills in both countries.

Our bulker fleet would have enjoyed even better results if the movement of Canadian grain had not been subject to two significant disruptions. Both occurred in the fall of 1991 and had a negative impact on our fourth-quarter earnings. First were lengthy work stoppages at Thunder Bay grain elevators by inspectors and weighers and inside elevator workers. These strikes resulted in Thunder Bay elevators being shut down for a total of 24 days. Secondly, we encountered significant delays at St. Lawrence River transfer elevators because those grain elevators were congested with grain. Due to credit restrictions, the Russian fleet was unable to provide sufficient ocean-going vessels to remove grain as fast as it was being delivered by lake vessels.

The poor results of the self unloaders can be attributed directly to the recession which has severely affected the operations of the majority of our customers in Canada and the U.S.A. In particular, the movement of aggregates used in road and building construction decreased by

M/V Algosteel off-loading iron ore at Algoma Steel, Sault Ste. Marie, Ontario

1,723,000 tons or 29%. Other commodities affected by the sluggish economy are gypsum, used in the manufacture of wallboard, and potash, used in the production of fertilizers. These two commodities decreased by an average of 29% in 1991 compared to 1990.

While reduced volume, due to the recession which we are currently struggling through, is a concern, of even greater concern is the depressed level of freight rates. As previously mentioned, the self-unloader revenue decreased by 9% from the previous year and a full 66% of this decrease was accounted for by reduced freight rates. As the self-unloader fleet becomes older, maintenance requirements increase significantly and, as a result, our repair costs are increasing faster than inflation. In 1991, repair costs increased by 17% over 1990. It is evident that freight rates have not kept pace with the actual cost increases or even inflation. This is the challenge facing our sales and marketing personnel—to convince our customers of the need for compensatory rates that reflect the reality of our cost base.

We are continually searching for ways to reduce our operating costs in order to dampen the effects of inflation on freight rates. We have committed significant capital dollars to two projects which we are confident will result in reduced operating costs.

The first project, commenced in February 1991, is the fuel conversion program on four diesel-burning vessels to allow these ships to burn heavier, less expensive fuel. The initial conversion, on the *M/V Algobay*, was completed in April 1991 at a cost of $1,500,000. The next conversion is currently underway on the *M/V Algoport* and is expected to be completed by the start of the 1992 navigation season. This conversion is expected to cost $1,200,000. The third and fourth conversions, of the *M/V Algolake* and *M/V Algosoo*, will be undertaken during the winters of 1993 and 1994.

The second project, which was commenced in January 1992, is the installation of computer hardware and software in order to have on-board computerization of planned maintenance, inventory control and purchasing systems. We are confident these systems will improve on-board management of our ships and control of operating costs. The total cost of this system for our 18 vessel fleet is expected to be $1,200,000, although we only anticipate having eight vessels computerized by the end of 1992.

Our outlook for 1992 is surrounded by uncertainty. We feel we are in a strong position to take advantage of opportunities as they develop but the current recession and its effect on our customers, the uncertainty surrounding the eastern movement of grain via the St. Lawrence Seaway system, and potential labour disruptions pose dark clouds on the horizon.

It should be noted that a major customer of Marine Group, Algoma Steel, is currently operating under protection of the Companies Creditors Arrangement Act. Algoma Steel has filed a Plan of Arrangement with the Ontario Court of Justice that describes a reorganization of Algoma Steel which is designed to establish the company as an independent corporation with majority employee ownership. The stakeholders have until April 30, 1992 to accept or reject this Plan of Arrangement. We are hopeful all parties concerned will make the necessary decisions and sacrifices to enable Algoma Steel to continue as a viable entity.

In addition, two contracts with Ontario Hydro for moving steam coal are terminating at the end of 1992. We are confident that we will be able to renew these contracts and continue to be a major supplier of water transportation for Ontario Hydro.

On the labour side, one of the three unions representing our shipboard personnel has a contract which expires May 31, 1992. This union, the Seafarers International Union, is the largest of the three unions and represents the majority of our unionized personnel. The other two unions, the Canadian Merchant Service Guild and the Canadian Marine Officers Union, have contracts which extend through to May 31, 1993. Negotiations are currently underway between the Seafarers International Union and our industry-wide representatives and we are hopeful that a settlement which is reflective of the state of our industry can be reached.

Fraser Ship Repairs, which provides ship repair, steel fabricating and chandlery services and Marine Consultants and Designers (Canada) Limited, which provides naval-architectural and marine engineering services, continue to give valuable assistance to our operations. In addition, both Fraser and Marine Consultants continue to offer their expertise to other ship operators on the Great Lakes and to land-based industrial customers.

MARINE

Net tons carried, in thousands

	1991	1990	1989	1988	1987
Ore	4,803	3,915	3,652	2,851	3,603
Coal & Coke	3,642	3,590	4,057	4,097	3,657
Grain	2,831	1,895	1,886	2,229	2,716
Salt	3,953	4,128	3,588	3,596	2,943
Aggregates	4,202	5,925	4,658	3,083	3,870
Other	2,258	3,014	3,047	3,044	2,842
Total	21,689	22,467	20,888	18,900	19,631

ALGOMA CENTRAL RAILWAY

ABOUT ALGOMA CENTRAL RAILWAY

Algoma Central Railway operates the company's railway in the Algoma region of northern Ontario. Its main line runs 295 miles north from Sault Ste. Marie to Hearst. A branch line runs 26 miles from Hawk Junction to Wawa and to Michipicoten Harbour on Lake Superior. The railway serves natural resource, manufacturing and tourist industries in the region with freight and passenger trains, including the well-known Agawa Canyon Tour.

Rail freight tonnage rose to the highest level for the past six years with our major shipper having resumed operations following an extended work stoppage in 1990. However, due to difficult economic circumstances, passenger travel declined by 7%. Financial assistance of $6,500,000 from the Province of Ontario was required to maintain the financial integrity of the railway. (A small portion of this funding applies to the first quarter of 1992.)

Rail revenues in 1991 rose to $32,647,000, 27% over 1990 with freight accounting for 77% of revenues and passenger 21% in comparison with 72% and 27% experienced in 1990 when freight shipments were depressed. The pattern in 1991 is in keeping with normal proportions.

Freight attributable to Algoma Steel was about 74% of total freight revenues with its ore division accounting for 57%, which is the normal pattern. This contrasts with 66% and 48% respectively in 1990.

The accompanying chart shows that rail tonnage improved 47% over the last year which is in sharp contrast with the 32% deterioration in 1990. Mining rose 55%, manufacturing 49% and forestry 21% in spite of a decline in woodchips, paper and steel rails.

During 1991 there was considerable uncertainty about the future of Algoma Steel and its iron-ore sintering operation, which we serve, at Wawa, Ontario. The steel company is presently negotiating a restructuring plan with its stakeholders. In addition, Algoma Central Railway is working with its employees and the Province of Ontario toward arrangements that will permit freight rates which are required to sustain both the sintering operations and railway. The railway, under its present cost structure, cannot meet the freight rates that are contemplated in the Algoma Steel restructuring plan.

In the event of loss of the iron ore movement as a consequence of the closure of Algoma Steel's ore division at Wawa, Ontario, we would require increased rates from other freight and tour and passenger patrons which we expect would result in the loss of this business and ultimately the termination of rail services. Authorization of the National Transportation Agency would be required before the railway could be liquidated.

With the depressed economy it does not appear that business prospects, which could bring new freight to the railway, will mature within the next few years.

Economic conditions in north central United States, coupled with a continuing perception that Canada is an expensive place to visit, appear to be the main factors in passenger travel deteriorating for the fourth consecutive year although there were over 230,000 one-way trips between the tour and regular-passenger services. The Snow Train declined by 11%, point-to-point travellers by 9% and the Agawa Canyon Tour Train by 6%. While tourism declined, increased fares and a 6% increase in subsidy payments (80% of passenger train losses) from the National Transportation Agency held total passenger revenues at 1990 levels. This resulted in the regular-passenger train accounting for 12% of rail revenues and the tour trains 9%, which compares with normal levels of 10% for each of these services.

The order for us to continue regular passenger train service is subject to review by the National Transportation Agency in 1992.

While three additional passenger cars were removed from service during 1991 due to

Southbound into Agawa Canyon.

mechanical and electrical conditions, it appears that 24 replacement cars will be acquired through the Ontario Northland Transportation Commission during 1992.

Inflation is not expected to affect our rail business to a greater extent than it will affect the general economy.

We expect that the forthcoming embargo on the interlining of plain-bearing freight cars after 1993 will be managed by changes in the use of existing equipment.

Capital expenditures during 1991 were held to $2,007,000 with track and bridge ties accounting for $1,204,000, the radio system $608,000 and $195,000 on other miscellaneous projects. The 1992 program of about $3,700,000 anticipates $2,125,000 for rail, $1,145,000 for ties and $275,000 to complete the radio system.

All nine labour contracts expired December 31, 1991 and negotiations are continuing to renew them.

Restructuring considerations by Algoma Steel creates a great uncertainty for 1992 and the future of the railway. Projections anticipate that the continuing depressed economy will reduce freight tonnage by 11% but that tourism will hold at 1991 levels.

The final payment under the five-year Canada-Ontario Tourism Development Agreement was received during 1991. Unless ongoing dealings with the Province of Ontario result in continuing financial assistance, railway operations will phase out during 1992.

RAIL

Net tons carried, in thousands

	1991	1990	1989	1988	1987
Mining	1,569	1,013	1,677	1,443	1,529
Manufacturing	1,406	944	1,355	1,222	1,071
Forestry	437	361	354	421	437
Total	3,412	2,318	3,386	3,086	3,037

Replacing railway ties.

REAL ESTATE GROUP

ABOUT REAL ESTATE GROUP

Real Estate Group has developed and manages the company's real estate complexes in Sault Ste. Marie and Elliot Lake, Ontario. The complexes include two shopping centres, two hotels, office space and an apartment building.

The group also manages the company's approximately 850,000 acres of land, including mineral and timber rights, in the Algoma region.

In addition, Real Estate Group has built and sold 376 condominiums in Florida. This business will be discontinued when the existing project is complete.

Canada

Overall revenue remained flat in 1991 compared to 1990. We experienced a 1% decease in commercial and residential rental income, which accounts for 90% of total revenue for the Real Estate Group, and a 14% decrease in our Algo Inn hotel operation at Elliot Lake, Ontario. These decreases were offset by a 9% increase in timber sales, mining-exploration fees and land leasing revenues.

Revenues from Station Mall in Sault Ste. Marie, Ontario remained constant in 1991 compared to 1990. The shopping centre is currently 97% leased. Due to the current economic conditions, it is difficult to lease all vacancies. In addition, further vacancies may arise because of current difficulties in the retail business sector. In neighbouring Sault Ste. Marie, Michigan, a 350,000-square foot retail mall, originally proposed to open in 1990, has been rescheduled to open at the end of 1992. This would have minimal impact on our 1992 operations but, looking to the future, it would provide increased competition in our market area and further stimulate cross-border shopping.

We experienced an 8% decrease in revenue in 1991, compared to 1990, from our Sault Ste. Marie hotel property which is leased by, and operated as, Holiday Inn. This decrease is attributable to further declines in both tourist and business travel to the area. With a substantial influx of government offices into the downtown area, we are cautiously optimistic that business has stabilized and that the future holds opportunities for growth.

The April 1992 scheduled closure of uranium mining operations by Denision Mines Limited, with an estimated 1,000 permanent layoffs, will further add to the economic strain in Elliot Lake which experienced closures in 1990 of the Panel and Quirke uranium mines. The Stanleigh Mine, owned by Rio Algom Limited, will be the only remaining uranium mine operating in the area. Our Algo Centre complex in Elliot Lake consists of a hotel and commercial office and retail space. Commercial rents comprise 83% of the centre's revenue and decreased 2% in 1991 compared to 1990, although, it is fully leased. The continued business downturn, high unemployment and the likelihood of a further population decrease in Elliot Lake provide a setting for further revenue decreases in all areas of operation. Demand for retail space has decreased significantly and we have converted some retail space into commercial offices.

Capital expenditures in 1992 are expected to be approximately $500,000 for commercial-building renovations, tenant improvements and general upgradings.

Timber-harvesting revenue from our forest lands increased by 5% in 1991, although, there was a 29% decrease in the volume of timber harvested. The continued weak market, a customs bond required on softwood lumber entering the United States from Canada, and a substantial increase during 1991 in the stumpage rates which we charge have severely impacted demand for timber on our forest lands. The Canada-Ontario Forest Resource Development Agreement which provided funding for necessary silvicultural programs, terminated March 31, 1991 and there is currently no effective replacement program for our type of operation. For this reason, we have significantly increased the stumpage rates to help defray the costs of our silvicultural work.

Although mining-exploration revenue increased in 1991, we expect 1992 opportunities will be very limited due to market conditions. Our recreational-land leasing program for wilderness properties continued to expand in 1991 but at a slower rate than in 1990. We expect that growth, if any, will be minimal in 1992.

Florida

Island Dunes is the name of our real estate project on Hutchinson Island near Stuart, Florida. We have built a total of 376 condominium units in three buildings, in addition to recreational facilities and supporting services at the site. All condominium units have been sold and delivered and all sale proceeds received.

There are two remaining sites available for further residential and commercial development. However, we have decided to discontinue the land development business in Florida and the remaining property is listed with a real estate broker for sale. We expect to sell most of this property in 1992.

The method of accounting for this project is described in Note 7 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Consolidated revenue increased 2% to $165,778,000 in 1991 but income from operations decreased 23% to $18,432,000. Interest expense (net of interest income) declined $6,070,000 because of reduced borrowing and lower interest rates. In 1990, we benefited from an unusual gain of $1,780,000. Net income declined 33% to $3,346,000 in 1991.

Consolidated revenue increased 6% to $162,097,000 in 1990 and income from operations increased 71% to $23,934,000. However, the significant cost to service our increased debt arising from the payment in October 1989 of a special dividend of $20 per common share (about $78,000,000 in total) more than offset the increase in operating income. Net income increased 13% to $4,982,000 in 1990.

Administrative and general expense increased 35% in 1991 to $9,439,000. The main factor contributing to the increase is the provision in 1991 of $2,228,000 for noncollection of amounts owing from Algoma Steel. There was no such provision in 1990.

In 1991, Marine Group operating income declined 29% from 1990 mainly because the self-unloaders operated at less than full capacity, although the utilization of bulkers increased. Tonnage carried by the total fleet declined 3%, reflecting the effects of recession generally and disruptions to the grain-handling delivery and receiving systems served by our ships. Freight rates continued to be depressed because of excess carrying capacity in the industry.

Marine Group operating income improved 147% in 1990 over 1989 largely because the self-unloader portion of our fleet operated at virtually full capacity and because of the benefits of having placed, at the beginning of 1990, the bulker portion of our fleet in Seaway Bulk Carriers. One ship, newly converted from a bulker, operated the full shipping season as a self-unloader. Tonnage carried by the total fleet increased 8%, although, freight rates were depressed and the bulkers did not operate at full capacity.

In 1991 and 1990 Algoma Central Railway was not profitable at the levels of traffic carried and freight rates charged in those years. This situation is not expected to change in the foreseeable future. Subsidies were received in both years from the Province of Ontario that kept the railway from incurring cash losses.

Continued operation of the railway depends on Algoma Steel and its iron-ore mining and sintering operations, and/or on continued government support. Algoma Steel is currently under court protection from creditors until May 1, 1992. We have an agreement with the Province of Ontario to operate the railway at present freight rates and passenger fares until March 31,1992. Without a new agreement, which must include further government support, we will be compelled to increase prices April 1, 1992. We expect that, as a consequence, this would result in traffic being withdrawn by customers and the discontinuance of rail operations within a few months. This could occur in 1992, although, the Algoma Steel Plan of Arrangement dated January 21, 1992 anticipates continued operation of Algoma Central Railway for another five years.

We believe the proceeds from liquidating railway assets would offset the costs of terminating the business.

In 1991, operating income for Real Estate Group in Canada decreased 5% from 1990 largely reflecting economic recession and major layoffs of employees in our market areas. Operating income in 1990 for the Real Estate Group increased 20% over 1989 basically because of the completion in March 1990 of the Stage III expansion of Station Mall shopping centre.

The retail markets for our tenants in both Sault Ste. Marie (population 81,000) and Elliot Lake (population 13,000) are subject to significant uncertainties and shrinkage because of difficulties that the major employers in those centres are experiencing. Algoma Steel is one of those employers. In Elliot Lake, two uranium mines ceased operating in the fall of 1990. A third is scheduled to close in April 1992, leaving only one uranium mine in operation. The net book value of our properties at December 31, 1991 in Elliot Lake is $11,937,000.

Operating income in 1991 and 1990 was not affected by the Florida real estate project as all such revenues and costs are being deferred pending final disposition.

Proceeds from sales of condominiums at our real estate project in Florida were invested in short-term investments in the United States. At the end of 1990, such funds, including interest thereon, totalled $56,065,000. In February 1991, these funds were used to reduce borrowings.

Accounts payable and accrued charges at December 31, 1989, 1990 and 1991 were $22,463,000, $18,230,000 and $22,269,000 respectively. The fluctuation of amounts arises from the normal timing of transactions. The fluctuations have significant impact on net change in noncash operating working capital in 1990 and 1991.

Typically, the company has little working capital because cash balances are kept to a minimum through application against bank loans and because the company does not have trade inventories. At December 31, 1991, the company has a working capital deficiency of $11,807,000 largely because of the current portion of long-term debt.

Generally the company meets its annual cash requirements from operations. At the same time, cash flow from operations is not spread evenly throughout the year. Usually, funds are borrowed to finance operations during the first half of a year and are repaid in the second half.

Most long-term debt of the company is subject to floating interest rates, although interest on $30,000,000 at December 31, 1991, and $40,000,000 at February 21, 1992, was effectively converted to fixed rates through interest-rate swaps which expire at various dates in 1995 and 1996.

The company is exposed to foreign exchange fluctuation on the real estate development in Florida. The book value of this project at December 31, 1991 was a deferred credit of $2,345,000.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The consolidated financial statements of the company in this annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates which have been made using careful judgement.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Financial and operating data elsewhere in the annual report are consistent with the information contained 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 the financial records are reliable.

The Board of Directors carries out its responsibility for the financial statements principally through its Audit Committee which consists solely of nonmanagement directors. The Audit Committee meets periodically with management and with the auditors to review the results of audit examination and financial reporting matters. The auditors have full access to the Audit Committee with and without management present.

AUDITORS' REPORT

To the Shareholders of Algoma Central Corporation:

We have audited the consolidated balance sheets of Algoma Central Corporation as at December 31, 1991 and 1990 and the consolidated statements of income and retained income and of changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1991 and 1990 and the results of its operations and the changes in its financial position for the years then ended, in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants
Toronto, Ontario
February 21, 1992

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED INCOME

Algoma Central Corporation

Years Ended December 31	**1991**	1990
Revenue		
Marine	**$ 119,499,000**	$ 122,710,000
Rail	**32,647,000**	25,709,000
Real Estate	**13,632,000**	13,678,000
	165,778,000	162,097,000
Expenses		
Operations	**117,818,000**	111,829,000
Depreciation and amortization	**20,089,000**	19,345,000
Administrative and general	**9,439,000**	6,989,000
	147,346,000	138,163,000
Income from Operations	**18,432,000**	23,934,000
Interest Expense	**(12,057,000)**	(21,490,000)
Interest Income	**564,000**	3,927,000
Gain on Insured Loss - Note 3	**—**	1,780,000
Income before Income Taxes	**6,939,000**	8,151,000
Income Taxes - Note 4	**3,593,000**	3,169,000
Net Income	**3,346,000**	4,982,000
Retained Income, Beginning of Year	**27,912,000**	23,513,000
	31,258,000	28,495,000
Dividends	**—**	583,000
Retained Income, End of Year	**$ 31,258,000**	$ 27,912,000
Earnings per Share	**$ 0.86**	$ 1.28

CONSOLIDATED BALANCE SHEETS

Algoma Central Corporation

December 31	1991	1990
Assets		
Current Assets		
Cash and short-term deposits	$ 1,273,000	$ 57,259,000
Accounts receivable	20,432,000	21,095,000
Materials and supplies	6,945,000	7,236,000
Prepaid expenses	1,866,000	2,407,000
Deferred income taxes	2,494,000	2,184,000
	33,010,000	90,181,000
Forest Lands - at nominal value	1,000	1,000
Fixed Assets - Note 5	218,985,000	233,280,000
Long-Term Receivables and Deferred Charges	782,000	1,091,000
	$ 252,778,000	$ 324,553,000
Liabilities		
Current Liabilities		
Bank indebtedness	$ 4,056,000	$ 1,561,000
Accounts payable and accrued charges	22,269,000	18,230,000
Current portion of provision for vessel maintenance	818,000	1,629,000
Current portion of long-term debt	11,281,000	58,987,000
Income taxes payable	4,167,000	1,426,000
Dividends payable	2,226,000	2,379,000
	44,817,000	84,212,000
Deferred Income Taxes	74,829,000	75,566,000
Long-Term Debt - Note 6	71,132,000	105,630,000
Florida Real Estate Project - Note 7	2,345,000	3,824,000
Other Noncurrent Items - Note 8	8,428,000	7,514,000
	201,551,000	276,746,000
Shareholders' Equity - Note 9		
Share Capital		
Issued – 1991 - 3,891,211 common shares; 1990 - 3,891,211	8,319,000	8,319,000
Contributed Surplus	11,917,000	11,917,000
Retained Income	31,258,000	27,912,000
Unrealized Foreign Exchange Loss	(267,000)	(341,000)
	51,227,000	47,807,000
	$ 252,778,000	$ 324,553,000

Approved by the Board of Directors:

Thad S Miller — Director

[illegible signature] — Director

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Algoma Central Corporation

Years Ended December 31	1991	1990
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating		
Net income	**$ 3,346,000**	$ 4,982,000
Items not affecting cash		
Depreciation and amortization	**20,089,000**	19,345,000
Deferred income taxes	**(1,549,000)**	1,243,000
Other	**32,000**	(2,302,000)
Net change in noncash operating working capital	**8,777,000**	(6,301,000)
	30,695,000	16,967,000
Investing		
Additions to fixed assets	**(5,745,000)**	(10,575,000)
Florida real estate project		
Development costs	**(1,825,000)**	(8,304,000)
Proceeds from sales	**345,000**	13,067,000
Proceeds from sale of fixed assets	**56,000**	1,896,000
Other	**197,000**	(101,000)
	(6,972,000)	(4,017,000)
Cash before financing activities	**23,723,000**	12,950,000
Financing		
Increase in long-term debt	**—**	19,226,000
Repayment of long-term debt	**(82,204,000)**	(11,861,000)
Dividends paid	**—**	(568,000)
Dividends reinvested	**—**	59,000
	(82,204,000)	6,856,000
(Decrease) Increase in Cash	**(58,481,000)**	19,806,000
Cash Position, Beginning of Year	**55,698,000**	35,892,000
Cash Position, End of Year	**$ (2,783,000)**	$ 55,698,000
Cash Position Comprises		
Cash and short-term deposits	**$ 1,273,000**	$ 57,259,000
Bank indebtedness	**(4,056,000)**	(1,561,000)
	$ (2,783,000)	$ 55,698,000

Changes in Noncash Operating Working Capital		
Decrease (increase) in accounts receivable	**$ 663,000**	$ (1,432,000)
Decrease (increase) in materials and supplies	**291,000**	(643,000)
Decrease (increase) in prepaid expenses	**541,000**	(583,000)
Increase (decrease) in accounts payable and accrued charges	**4,039,000**	(4,876,000)
Increase in income taxes payable	**3,243,000**	1,233,000
	$ 8,777,000	$ (6,301,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Algoma Central Corporation - December 31, 1991 and 1990

1. **Significant accounting policies**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, comprise the accounts of Algoma Central Corporation and its subsidiary companies, and reflect the following policies:

Bulker fleet operations

The operations of the Company's bulkers are pooled with those of an unrelated company, ULS Corporation. The Company's bulkers, crewed and operated by the Company, as well as all operating costs excluding voyage costs, are included in the consolidated financial statements. In addition, the Company's proportionate share of the revenues, expenses, assets and liabilities of the pooled fleet are included in the consolidated financial statements.

Materials and supplies

Materials and supplies are stated at cost determined on a weighted average basis.

Fixed assets and depreciation

Fixed assets other than railway fixed assets are stated at cost less related investment tax credits. Interest incurred on funds borrowed to finance fixed asset acquisitions is capitalized during the construction period. For railway fixed assets, the Company follows the method of accounting as prescribed by the National Transportation Agency (NTA) of Canada. Generally, major additions and replacements are capitalized and interest costs are expensed.

Fixed assets other than land are depreciated on a straight-line basis, except for buildings and site improvements owned by the Canadian real estate subsidiary. These latter assets are depreciated on the sinking-fund basis over 35 years at 5% compounded annually.

The rates of depreciation used for other significant assets are:

Vessels	5%
Rail rolling stock	2.9% to 5%
Track materials	1.3% to 6.7%

For railway properties, the rates used are those authorized by the NTA. When railway depreciable property is retired or disposed of, the book value, less net salvage, is normally charged to accumulated depreciation.

Repair and maintenance costs

Repair and maintenance costs on transportation equipment are expensed as incurred, except for the estimated cost of future repairs and maintenance to vessels arising from current operations. These latter costs are provided for over the current operating season and charged against the provision for vessel maintenance at the time incurred.

Foreign currency translation

Gains or losses on translation of foreign currencies are included in the determination of income, except for gains or losses on translation of the accounts of foreign subsidiaries, which are accumulated in a separate component of shareholders' equity and deferred until realized.

Pensions

The Company maintains defined benefit pension plans for significant groups of its employees. The cost of pension benefits earned by employees is determined actuarially using the projected benefit method prorated on service and assumptions made by management for the factors required in the calculation. Any differences between pension fund assets at market value and projected pension benefits and any adjustments arising from amendments to the plans are amortized over the expected average remaining service lives of the respective employee groups.

Funding is determined by independent actuaries. The actuarial assumptions used for funding may differ from those used for accounting and, consequently, pension expense in these financial statements may differ from the funding amounts paid to the pension funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Algoma Central Corporation - December 31, 1991 and 1990

2. Government assistance

Pursuant to the Railway Act, the Company is required to provide passenger train service between Sault Ste. Marie and Hearst, Ontario. Eighty per cent of any losses incurred in providing this service is recoverable from the Government of Canada and included in revenue. The amounts included in revenue in 1991 and 1990 are $3,077,000 and $2,909,000, respectively.

In 1987, the Company entered into agreements for three and five years with the governments of Canada and the Province of Ontario, respectively, pursuant to the Canada-Ontario Tourism Development Agreement to continue certain rail services. The agreements provided for total financial assistance of $15,000,000, of which the entire amount has been received to December 31, 1991. The assistance amounted to $1,500,000 in both 1991 and 1990 and was deducted from current operating expenses.

The Province of Ontario provided the Company with financial assistance amounting to $5,000,000 in both 1991 and 1990 to help maintain its nonpassenger railway operations. Of the $5,000,000 received in 1991, $4,768,000 was deducted from current operating expenses and the balance deferred to 1992. The $5,000,000 received in 1990 was deducted from current operating expenses.

3. Gain on insured loss

During 1990, the Company lost two locomotives in a derailment. The net proceeds from the insurance covering this loss exceeded the net book value of the locomotives by $1,780,000.

4. Income taxes

The effective income tax rate applicable to the Company is as follows:	**1991**	1990
Combined federal and provincial statutory income tax rate	**44.3 %**	44.3 %
Permanent differences	**0.8**	1.7
Lower effective tax rate of foreign subsidiaries	**1.4**	(5.0)
Large corporation tax	**(0.7)**	2.4
Nontaxable portion of capital gains	**—**	(2.5)
Additional provision on foreign exchange gains deferred in prior years and realized in current year	**4.4**	—
Consolidation adjustment	**2.5**	—
Items taxable in the year for which deferred income taxes were previously provided at higher rates	**(3.6)**	(2.6)
Other	**2.7**	0.6
	51.8 %	38.9 %

Timing differences creating deferred income taxes result primarily from claiming capital cost allowances in excess of depreciation in the accounts. Deferred income taxes included in current assets are in respect of other timing differences related to current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Algoma Central Corporation - December 31, 1991 and 1990

5. Fixed assets

	1991			
	Land	**Depreciable Assets**	**Accumulated Depreciation**	**Net**
Marine	**$ 69,000**	**$315,443,000**	**$179,719,000**	**$135,793,000**
Rail	**447,000**	**91,840,000**	**52,926,000**	**39,361,000**
Real Estate	**1,001,000**	**51,578,000**	**9,182,000**	**43,397,000**
Corporate	**—**	**656,000**	**222,000**	**434,000**
	$ 1,517,000	**$459,517,000**	**$242,049,000**	**$218,985,000**

	1990			
	Land	Depreciable Assets	Accumulated Depreciation	Net
Marine	$ 69,000	$ 311,855,000	$ 163,680,000	$ 148,244,000
Rail	448,000	90,101,000	50,327,000	40,222,000
Real Estate	1,001,000	51,433,000	8,146,000	44,288,000
Corporate	—	764,000	238,000	526,000
	$ 1,518,000	$ 454,153,000	$ 222,391,000	$ 233,280,000

6. Long-term debt

	1991	1990
Bank loans and acceptances		
Secured revolving term loans expiring in January 1993	**$ 916,000**	$ 17,132,000
Secured nonrevolving term loans expiring in December 1999	**81,000,000**	99,000,000
Secured nonrevolving U.S. dollar term loans	**—**	47,601,000
Obligations under capital leases, bearing interest rates of 12.8% to 14.2% expiring at various dates to 1994	**497,000**	884,000
	82,413,000	164,617,000
Less current portion	**11,281,000**	58,987,000
	$ 71,132,000	$ 105,630,000

The weighted average interest rate on the bank loans and acceptances outstanding at December 31, 1991 is 9.3%.

The Company has interest-rate swap agreements with its banker effectively converting the interest on bank loans and acceptances of $30,000,000 from floating rates to a fixed rate of 9.3% per annum payable on a quarterly basis. These agreements expire in 1996.

Interest on long-term debt amounted to $12,050,000 in 1991, none of which was capitalized, and to $21,902,000 in 1990, of which $449,000 was capitalized.

Required principal repayments during the five years subsequent to 1991, assuming refinancing of bank loans and acceptances under the revolving term credit, are $11,281,000 in 1992 and $11,000,000 annually for the years 1993 to 1996.

7. Florida real estate project

The Company intends to dispose of the Florida real estate project which was commenced in a prior year. All revenues and costs are currently being deferred pending final disposition. The balance at December 31, 1991 and 1990 represents the excess of the proceeds from the sale of condominium units over costs incurred (less amounts previously written off).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Algoma Central Corporation - December 31, 1991 and 1990

8. Other noncurrent items	**1991**	1990
Provision for vessel maintenance	**$ 6,998,000**	$ 6,009,000
Provision for workers' compensation	**1,430,000**	1,505,000
	$ 8,428,000	$ 7,514,000

The provision for workers' compensation is an actuarial present value of unfunded liabilities payable under the Ontario Workers' Compensation Act.

9. Shareholders' equity

Share capital

Common shareholders, other than those resident in the United States of America, may elect, under the Dividend Reinvestment Plan, to reinvest cash dividends in common shares or, under the Stock Dividend Plan, to receive dividends in the form of common shares. During 1990, 4,397 shares were issued pursuant to these plans for an aggregate consideration of $59,000. No dividends were paid in 1991.

Dividend restrictions

Dividends, other than stock dividends, on the common shares are restricted pursuant to the Company's credit agreement with its banker. At December 31, 1991, consolidated shareholders' equity not subject to this restriction was $9,989,000.

10. Pension plans

At December 31, 1991 and 1990, the actuarial present value of the accrued pension benefits of employees for services rendered to date amounted to $56,764,000 and $46,361,000, respectively, and the market value of the pension fund assets amounted to $61,274,000 and $53,197,000, respectively.

11. Commitments

At December 31, 1991, the Company has outstanding commitments of approxiately $1,635,000 due for payment in 1992.

12. Segmented information

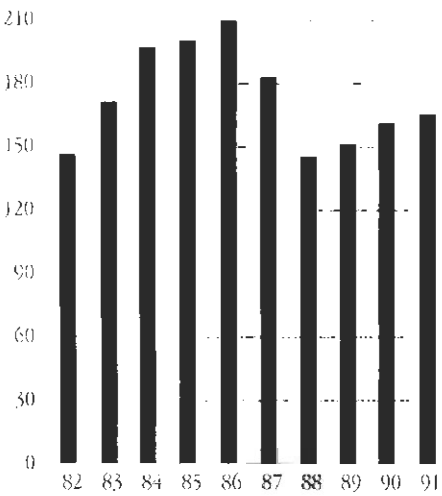
	Canada			**U.S.A.**	
1991	**Transportation**	**Real Estate**	**Corporate**	**Real Estate**	**Total**
Revenue	**$152,146,000**	**$ 13,632,000**	**$ —**	**$ —**	**$165,778,000**
Income from operations	**$ 12,729,000**	**$ 5,703,000**	**$ —**	**$ —**	**$ 18,432,000**
Assets	**$205,587,000**	**$ 43,533,000**	**$ 3,287,000**	**$ 371,000**	**$252,778,000**
Capital expenditures	**$ 5,580,000**	**$ 151,000**	**$ 14,000**	**$ —**	**$ 5,745,000**
Depreciation and amortization	**$ 18,877,000**	**$ 1,135,000**	**$ 77,000**	**$ —**	**$ 20,089,000**

	Canada			U.S.A.	
1990	Transportation	Real Estate	Corporate	Real Estate	Total
Revenue	$ 148,419,000	$ 13,678,000	$ —	$ —	$ 162,097,000
Income from operations	$ 17,584,000	$ 6,350,000	$ —	$ —	$ 23,934,000
Assets	$ 217,965,000	$ 46,184,000	$ 3,417,000	$ 56,987,000	$ 324,553,000
Capital expenditures	$ 9,423,000	$ 1,135,000	$ 17,000	$ —	$ 10,575,000
Depreciation and amortization	$ 18,192,000	$ 1,073,000	$ 80,000	$ —	$ 19,345,000

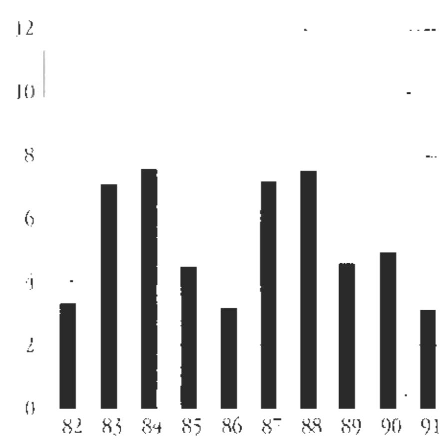
TEN-YEAR SUMMARY

(Dollars in thousands except per share data)

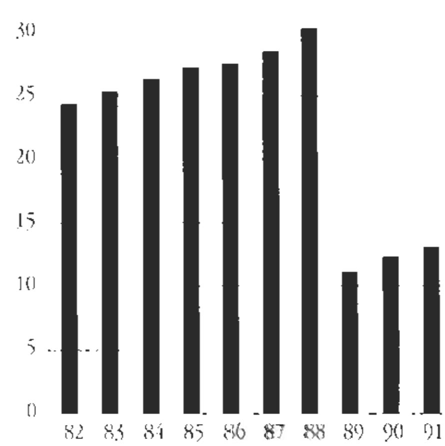
Revenue
millions of dollars



Income before extraordinary items
millions of dollars



Shareholders' equity per share
$ per share



		1991	1990
Revenue			
Marine	$	**119,499**	122,710
Rail	$	**32,647**	25,709
Real Estate - Canada	$	**13,632**	13,678
- Florida	$	**—**	—
Other	$	**—**	—
	$	**165,778**	162,097
Net income			
Before extraordinary items	$	**3,346**	4,982
After extraordinary items	$	**3,346**	4,982
Depreciation and amortization	$	**20,089**	19,345
Dividends paid	$	**—**	568
Fixed asset additions			
Marine	$	**3,573**	7,728
Rail	$	**2,007**	1,695
Real Estate	$	**151**	1,135
Corporate	$	**14**	17
Other	$	**—**	—
	$	**5,745**	10,575
Net fixed assets			
Marine	$	**135,793**	148,244
Rail	$	**39,361**	40,222
Real Estate	$	**43,397**	44,288
Corporate	$	**434**	526
Other	$	**—**	—
	$	**218,985**	233,280
Long-term debt (LTD)	$	**71,132**	105,630
Shareholders' equity	$	**51,227**	47,807
LTD as % of net fixed assets		**32%**	45%
LTD as % of shareholders' equity		**139%**	221%
Dividends as % of income before extraordinary items (excluding special $20.00 dividend in 1989)		**—**	12%
Operating ratio		**89%**	85%
Working capital ratio		**0.74/1**	1.07/1
Common share statistics:			
Common shares (000)			
- end of year		**3,891**	3,891
- average		**3,891**	3,889
Net income			
First quarter	$	**(0.38)**	(0.62)
Second quarter	$	**0.31**	0.58
Third quarter	$	**0.22**	0.59
Fourth quarter	$	**0.71**	0.73
Total before extraordinary items	$	**0.86**	1.28
Total after extraordinary items	$	**0.86**	1.28
Quoted market value			
High	$	**8.38**	15.25
Low	$	**7.75**	7.00
Dividends	$	**—**	0.15
Shareholders' equity	$	**13.16**	12.2[illegible]

1989	1988	1987	1986	1985	1984	1983	1982
108,332	103,286	103,468	89,864	89,688	101,374	94,240	78,295
32,104	30,788	29,593	32,601	35,891	32,740	32,557	27,937
12,048	11,341	12,293	11,266	10,621	10,364	9,744	9,164
—	—	—	10,334	5,791	65	—	—
—	—	38,079	65,723	60,172	52,584	36,066	32,100
152,484	145,415	183,433	209,788	202,163	197,127	172,607	147,496
4,672	7,619	7,112	3,206	4,678	7,533	7,029	3,289
4,415	8,233	6,842	2,909	5,192	7,533	7,415	2,216
19,259	17,940	18,728	19,522	17,220	17,740	16,977	14,947
78,258	2,576	1,622	2,440	2,982	2,780	2,206	3,733
16,138	12,117	1,630	31,418	2,026	949	42,712	17,188
3,467	4,203	1,318	3,086	3,042	3,493	3,458	4,068
9,289	3,626	632	302	248	327	291	165
319	253	15	18	54	241	278	—
—	—	128	3,151	4,147	6,023	654	286
29,213	20,199	3,723	37,975	9,517	11,033	47,393	21,707
155,886	155,218	157,621	170,319	152,980	169,619	181,354	150,700
41,435	40,921	31,302	32,739	32,019	33,547	32,488	32,168
44,133	35,663	32,808	32,919	33,368	33,784	34,095	34,537
616	521	351	402	450	462	263	—
—	—	—	19,965	20,497	18,920	15,024	16,297
242,070	232,323	222,082	256,344	239,314	256,332	263,224	233,702
145,375	66,556	64,526	92,312	81,424	94,162	107,892	95,360
43,377	118,783	110,027	104,880	103,969	100,765	94,543	88,076
60%	29%	29%	36%	34%	37%	41%	41%
335%	56%	59%	88%	78%	93%	114%	108%
54%	34%	23%	76%	64%	37%	31%	113%
91%	88%	87%	90%	90%	85%	85%	88%
1.62/1	1.51/1	2.01/1	1.09/1	0.92/1	1.03/1	1.23/1	1.39/1
3,887	3,879	3,867	3,857	3,829	3,783	3,720	3,650
3,884	3,871	3,862	3,843	3,807	3,748	3,683	3,586
0.25	0.06	(0.08)	(0.02)	(0.08)	(0.17)	(0.21)	(0.25)
0.64	0.73	0.76	0.18	0.48	0.60	0.65	0.29
0.73	0.47	0.42	0.18	0.37	0.97	0.82	0.56
(0.42)	0.71	0.74	0.50	0.46	0.61	0.65	0.32
1.20	1.97	1.84	0.84	1.23	2.01	1.91	0.92
1.14	2.13	1.77	0.76	1.36	2.01	2.01	0.62
43.00	25.00	24.00	24.00	23.00	20.75	20.88	18.25
14.00	22.00	18.50	19.00	18.50	14.50	14.50	13.00
20.65	0.65	0.40	0.65	0.80	0.75	0.60	1.05
11.16	30.62	28.45	27.19	27.15	26.64	25.41	24.13

ORGANIZATION OF ALGOMA CENTRAL CORPORATION

Marine Group

Algoma Central Marine
Owns 18 and operates 17 ships principally on the Great Lakes and the St. Lawrence Seaway.

Fraser Ship Repairs
Performs ship repairs and maintenance. Fabricates and repairs industrial metal products. Operations based in Port Colborne.

Algowest Shipping Ltd.
Negotiates with shippers on behalf of the company for the transportation of grain.

Marine Consultants and Designers (Canada) Limited
Provides naval-architectural and marine-engineering services.

A.C.C. Shipping (Barbados) Limited
Operates the company's *M/V Algobay* in Caribbean service.

Seaway Bulk Carriers
Partnership with ULS Corporation. Performs traffic and marketing functions for pooled bulker fleet.

Rail Group

Algoma Central Railway
Operates the company's freight and passenger railway system.

Algocen Mines Limited
(90% owned) Holds mining lease on silica-kaolin deposit north of Hearst, Ontario.

Real Estate Group

Canada

Algoma Central Properties Inc.
Owns a shopping centre, hotel, office tower and apartment building in Sault Ste. Marie, Ontario. Manages the shopping centre, office tower and apartment building. Owns and manages a shopping centre-hotel complex with office space in Elliot Lake, Ontario.

Forest Lands and Minerals
Supervises use and development of 850,000 acres of land owned by the company in the Algoma region.

United States

Algocen, Florida, Inc.
Developer of Florida real estate project.

CORPORATE INFORMATION

at December 31, 1991

Directors

The Honourable John B. Aird, O.C., Q.C.[1]
Toronto, Ontario
Senior Partner and Honorary Chairman, Aird & Berlis

Douglas A. Berlis, Q.C.
Don Mills, Ontario
Counsel, Aird & Berlis

Conrad M. Black, O.C., K.L.S., B.A., M.A., LL.L., LL.D., Litt.D.
Don Mills, Ontario
Chairman and Chief Executive Officer, Hollinger Inc.

Stan A. Black[3]
Sault Ste. Marie, Ontario
President, Algoma Central Railway, a division of Algoma Central Corporation

H. Michael Burns
King City, Ontario
President, Crownx Inc.

Peter R. Cresswell, P.Eng.[1][3]
Sault Ste. Marie, Ontario
President and Chief Executive Officer, Algoma Central Corporation

The Honourable Barnett J. Danson, P.C.[3]
Toronto, Ontario
Consultant and Corporate Director

George C. Hitchman[2]
Toronto, Ontario
Corporate Director

Bruce J. Jodrey
Windsor, Nova Scotia
Chairman and Chief Executive Officer, CKF Inc.

Radcliffe R. Latimer[2]
Toronto, Ontario
Chairman,
Prudential Corporation

Arthur J. Little, F.C.A.[2]
Toronto, Ontario
Corporate Director

The Honourable Frank S. Miller, P.Eng.[1][3]
Bracebridge, Ontario
Chairman,
District Municipality of Muskoka

Leonard N. Savoie, P.Eng.[1]
Sault Ste. Marie, Ontario
Vice Chairman,
Algoma Central Corporation

[1] Member of Executive Committee
[2] Member of Audit Committee
[3] Member of Environmental Committee

Principal Officers

The Honourable Frank S. Miller, P.Eng.
Chairman

The Honourable John B. Aird, O.C., Q.C.
Honorary Chairman

Leonard N. Savoie, P.Eng.
Vice Chairman

Peter R. Cresswell, P.Eng.
President and Chief Executive Officer

W. S. Vaughan
Secretary

Stan A. Black
President, Algoma Central Railway

Robert G. Topp, C.A.
Vice President, Finance

Robert E. Leistner, C.A.
General Manager,
Algoma Central Properties Inc.

Fred C. Huneault
General Manager,
Fraser Ship Repairs

Algoma Central Corporation

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Fraser Ship Repairs
(416) 834-4549
1 Chestnut Street
Port Colborne, Ontario L3K 1R3

Algowest Shipping Ltd.
Suite 830
360 Main Street
Winnipeg, Manitoba R3C 3Z3
(204) 942-0638

Marine Consultants and Designers (Canada) Limited
39 Queen Street
St. Catharines, Ontario L2R 5G6
(416) 684-6080

Algocen, Florida, Inc.
P.O. Box 3350
Tampa, Florida 33601

A.C.C. Shipping (Barbados) Limited
Alleyne House
White Park Road
Bridgetown, Barbados

Banker
The Bank of Nova Scotia

Auditors
Deloitte & Touche

Solicitors
Aird & Berlis

Transfer Agent
The R-M Trust Company

Stock listed on The Toronto Stock Exchange — Symbol "ALC"

Dividend Reinvestment and Stock Dividend Plans
The R-M Trust Company
Corporate Trust Services
5th Floor
393 University Avenue
Toronto, Ontario
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