

This short form prospectus is a base shelf prospectus that has been filed under legislation in all provinces of Canada that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

SHORT FORM BASE SHELF PROSPECTUS

New Issue

January 8, 2002

stelco
STELCO INC.

\$300,000,000

Debt Securities (unsecured)

Subordinated Debt Securities (unsecured)

Series A Convertible Common Shares

Stelco Inc. (the "Corporation") may offer to the public from time to time debt securities ("Debt Securities"), subordinated debt securities ("Subordinated Debt Securities") and Series A Convertible Common Shares ("Series A Shares", and collectively with the Debt Securities and Subordinated Debt Securities, the "Securities") up to a total initial offering price of \$300,000,000 (or its equivalent in U.S. dollars or any other currency or currency unit used to denominate the Securities) during the 25-month period that this short form base shelf prospectus (the "Prospectus"), including any amendments hereto, remains valid.

The specific variable terms of any offering of Securities will be set forth in a prospectus supplement (a "Prospectus Supplement") including, where applicable and without limitation: (i) in the case of Debt Securities, the title of the Debt Securities, any limit on the aggregate principal amount of the Debt Securities, the currency or currency unit for which the Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Debt Securities will bear interest, the interest rate or method of determining the interest rate, whether any conversion or exchange rights are attached to the Debt Securities, whether the Corporation may redeem the Debt Securities at its option and any other specific terms; (ii) in the case of Subordinated Debt Securities, the title of the Subordinated Debt Securities, any limit on the aggregate principal amount of the Subordinated Debt Securities, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, maturity, premium, the initial public offering price, whether the Subordinated Debt Securities will bear interest, the interest rate or method of determining the interest rate, the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Corporation, whether any conversion or exchange rights are attached to the Subordinated Debt Securities, whether the Corporation may redeem the Subordinated Debt Securities at its option and any other specific terms; and (iii) in the case of Series A Shares, the number of shares offered, the offering price and any other specific terms. The Corporation reserves the right to include in a Prospectus Supplement specific variable terms pertaining to the Securities that are not within the options and parameters set forth in this Prospectus.

The outstanding Series A Shares are currently listed and posted for trading on the Toronto Stock Exchange. Unless otherwise specified in the applicable Prospectus Supplement, neither the Debt Securities nor the Subordinated Debt Securities will be listed on any securities exchange.

The Securities offered hereby, if issued on the date hereof, would be eligible for investment under the *Income Tax Act* (Canada) and would not be precluded as investments under certain other statutes. See "Eligibility for Investment".

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

The Corporation may sell the Securities to or through underwriters or dealers purchasing as principals pursuant to applicable statutory exemptions, and may also sell the Securities to one or more purchasers directly or through agents. See "Plan of Distribution". The Prospectus Supplement relating to a particular offering of Securities will identify each underwriter, dealer or agent engaged in connection with the offering and sale of such Securities, and will set forth the method of distribution of such Securities, including the proceeds to the Corporation and any fees, discounts or any other compensation payable to underwriters, dealers or agents, and any other material terms of the plan of distribution. Each offering of Securities will be subject to the approval of certain legal matters on behalf of the Corporation by McCarthy Tétrault LLP.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Documents Incorporated by Reference	2	Description of Series A Shares	12
Special Note Regarding Forward-Looking Statements	3	Eligibility for Investment	12
Stelco	4	Risk Factors	13
Recent Developments	4	Plan of Distribution	16
Use of Proceeds	5	Legal Matters	16
Earnings Coverage	6	Auditors	16
Description of Debt Securities	6	Transfer Agent and Registrar	16
Description of Subordinated Debt Securities . .	11	Purchasers' Statutory Rights	17
		Certificate of Stelco Inc.	18

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, filed with the various securities commissions or similar authorities in each of the provinces of Canada, are specifically incorporated by reference in and form an integral part of this Prospectus:

- (a) Consolidated annual financial statements of the Corporation, and the related notes thereto, as at and for the years ended December 31, 2000 and 1999, and the Auditors' Report dated February 1, 2001 thereon set out at pages 29 to 47 of the Corporation's 2000 Annual Report;
- (b) Management's discussion and analysis of financial condition and results of operations of the Corporation for the year ended December 31, 2000, set out at pages 21 to 27 of the Corporation's 2000 Annual Report;
- (c) Management Proxy Circular dated March 16, 2001 prepared in connection with the Corporation's annual meeting of shareholders held on May 1, 2001 (excluding those portions that, pursuant to National Instrument 44-101 of the Canadian Securities Administrators, are not required to be incorporated by reference herein);
- (d) Annual Information Form of the Corporation dated May 1, 2001 for the year ended December 31, 2000;
- (e) Consolidated interim financial statements (unaudited) of the Corporation for the three-month periods ended March 31, 2001 and 2000 and the related notes and Management's discussion and analysis thereto set out in the Corporation's Quarter 1, 2001 report to shareholders;
- (f) Consolidated interim financial statements (unaudited) of the Corporation for the three-month and six-month periods ended June 30, 2001 and 2000 and the related notes and Management's discussion and analysis thereto set out in the Corporation's Quarter 2, 2001 report to shareholders; and
- (g) Consolidated interim financial statements (unaudited) of the Corporation for the three-month and nine-month periods ended September 30, 2001 and 2000 and the related notes and Management's discussion and analysis thereto set out in the Corporation's Quarter 3, 2001 report to shareholders.

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference herein may be obtained on request without charge from the Corporate Secretary, 100 King Street West, P.O. Box 2030 Hamilton, Ontario L8N 3T1, telephone (905) 528-2511. For the purpose of the Province of Québec, this simplified Prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained from the Corporate Secretary at the above-mentioned address and telephone number. Copies may also be obtained through the internet at www.SEDAR.com.

Any documents of the type referred to above, any material change reports (excluding confidential material change reports), any Prospectus Supplement disclosing additional or updated information and any exhibit to financial statements of the Corporation or Prospectus Supplement containing earnings coverage ratios subsequently filed by the Corporation with the securities regulatory authorities in Canada after the date of this Prospectus and prior to the termination of the offering shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Upon a new Annual Information Form and the related annual financial statements being filed by the Corporation with, and where required, accepted by, the applicable securities regulatory authorities during the currency of this Prospectus, the previous Annual Information Form, the previous annual financial statements, all interim financial statements (including the management discussion and analysis in respect thereof), material change reports and information circulars filed by the Corporation prior to the commencement of the Corporation's fiscal year in which the new Annual Information Form was filed shall be deemed no longer to be incorporated into this Prospectus for purposes of future offers and sales of Securities hereunder.

A Prospectus Supplement containing the specific terms of an offering of Securities, updated disclosure of earnings coverage ratios, if applicable, and other information relating to the Securities, will be delivered to prospective purchasers of such Securities together with this Prospectus and will be deemed to be incorporated into this Prospectus as of the date of such Prospectus Supplement only for the purpose of the offering of the Securities covered by that Prospectus Supplement.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus, and the documents incorporated herein by reference, contain forward-looking statements which reflect management's expectations regarding the future growth, results of operations, performance and business prospects and opportunities of the Corporation and, where applicable, those of its wholly-owned subsidiaries and jointly owned corporate entities. Wherever possible, words such as "anticipate", "believe", "expects", "intend" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Corporation's management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Prospectus, and the documents incorporated herein by reference, are based upon what management believes to be reasonable assumptions, the Corporation cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this Prospectus, and the Corporation assumes no obligation to update or revise them to reflect new events or circumstances.

STELCO

The Corporation, directly through divisions and indirectly through wholly-owned subsidiaries and jointly owned corporate entities (collectively referred to as “Stelco”), is Canada’s largest steel producer and is in the business of producing and marketing rolled and fabricated steel products. Stelco operates two integrated steel-producing business units: Hilton Works in Hamilton, Ontario, and Lake Erie Steel Company in Nanticoke, Ontario; and two mini-mill steel-producing subsidiaries: Stelco-McMaster Ltée in Contrecoeur, Quebec, and AltaSteel Ltd. in Edmonton, Alberta. Stelco also operates a number of manufactured products businesses. Steel products supplied by Stelco’s businesses to the North American market include hot rolled, cold rolled and coated sheet, plate, bars and rod, and manufactured products, such as wire and wire products, and pipe and tubular products.

RECENT DEVELOPMENTS

Market Conditions in 2001

The demand for steel in North America weakened significantly with the onset of a slowdown in the manufacturing sector that began in mid-2000 and has continued through 2001. The slowdown in the manufacturing sector was followed by a broader economic slowdown beginning in the second half of 2001. North American steel markets have also been experiencing an oversupply of steel products as a persistently high volume of imports of dumped steel products has continued to enter the North American marketplace. In addition, reorganizations of steel companies have recently increased through bankruptcies and creditor protection proceedings, further increasing downward pressure on prices in steel markets as many of these companies have continued to operate. Primarily as a result of these factors, North American selling prices for key steel products have recently been at their lowest level in 20 years.

Import Statistics

Commencing in 1997, imports of steel products into North America began to increase substantially. Most of the increase in imports can be attributed to the international oversupply of steel. See “Recent Developments — Trade Developments”. Statistics Canada figures show imports represented 36% of total apparent Canadian steel consumption for the first nine months of 2001 and 44% for the comparable period in 2000. Both levels are significantly higher than the annual average of approximately 26% for the 1990-1996 period.

Impact on Stelco

As a result of the above factors and their effect on the selling prices of steel products, Stelco’s average revenue per ton declined by \$76 per ton to \$546 in the first nine months of 2001, compared to an average of \$622 per ton for the comparable period in 2000. Consequently, Stelco has experienced losses for each of the past five quarters beginning in the third quarter of 2000.

Consolidation, Strategic Alliances and Rationalization

Three European steel producers, Aceralia Corporacion Siderurgica S.A., Arbed S.A. and Usinor S.A., are scheduled to merge in February of 2002, which will create the world’s largest steel producer with annual estimated production of approximately 46 million metric tons. Consolidation is occurring in Asia with the recent announcement that NKK Corporation and Kawasaki Steel Corporation Group have agreed to merge. In addition, steel producers in Japan and Europe and, to a lesser extent, the United States are increasingly entering into cooperative alliances of various kinds. Consolidation discussions are also underway in the United States among United States Steel LLC, Bethlehem Steel Corporation and other steel producers.

In addition to consolidation, some contraction in capacity may occur in the U.S. steel industry as LTV Corporation, the fourth largest steel company in the U.S., has recently announced that it intends to exit the steel-making business by idling and putting its mills up for sale.

Recently, the Organization for Economic Cooperation and Development (“OECD”) initiated a process to deal with worldwide steel industry excess capacity issues. Meetings of the OECD Steel Committee have recently included discussion on methods to reduce worldwide steel production capacity surplus. There is no certainty such efforts will lead to contraction of production capacity on a worldwide basis.

Trade Developments

Many steel markets around the world are unable to fully absorb the steel-making capacity in their respective regions. Significant excess capacity exists worldwide. This worldwide overcapacity has resulted in significant volumes of steel being exported to North America at unfair prices and has led to a significant number of unfair trade cases in Canada and the U.S.

Four new Canadian unfair trade investigations of steel imports were completed in 2001 which are described in Management's Discussion and Analysis for the various periods incorporated by reference herein; see "Documents Incorporated by Reference".

On June 30, 2001, at the direction of President Bush, the United States International Trade Commission ("ITC") began its investigation under sections 201 and 202 of the Trade Act of 1974 (the "U.S. 201 Investigation") into the import of thirty-three separate steel product groups from all countries to determine if the corresponding U.S. industries had been subjected to serious injury as a result of the level and price of the imports. The ITC was to provide separate assessments of injury with respect to the two partners of the United States in the North American Free Trade Agreement ("NAFTA"), Canada and Mexico. The Corporation joined with other Canadian producers in presenting testimony in respect of each of fourteen products.

The ITC ruled on October 22, 2001 that imports of a broad range of steel products had injured U.S. steel production. Imports of flat rolled steel from Canada were found not to have contributed to the injury suffered by U.S. producers. However imports of hot rolled bars from Canada were found to have contributed to injury and are included in the remedy recommendations forwarded to the President. Imports of welded tubular products from Canada were found by three of the six Commissioners to have contributed to injury. On December 7, 2001, the ITC released specific remedy recommendations for the steel industry under the U.S. 201 Investigation, including recommendations for quotas and/or tariffs. These recommendations and background material were forwarded to President Bush on December 18, 2001. Stelco's U.S. sales of the two types of product affected by these findings, welded tubular products and hot rolled bar, comprise only a small portion of Stelco's total revenue.

As a result of these findings, the Corporation is engaged with other Canadian producers in submissions to the U.S. Trade Policy Staff Committee chaired by the United States Trade Representative. Presentations are to be made early in 2002 in order to justify exclusion of Canada from the remedies to be invoked by President Bush. President Bush is expected to make his decision known by March 4, 2002. While the ITC has made recommendations with respect to remedies, the remedies will ultimately be determined by President Bush and are not known at this time. Such remedies can take the form of quotas and/or tariffs. The Corporation believes that under NAFTA provisions, if a quota remedy is to be applied to Canadian products, a quota could be imposed based on a representative period, providing for reasonable growth. If such a resolution is provided for Canada, the Corporation would expect to obtain its share of the quota in order to continue to supply its customers in the U.S. If a significant tariff is imposed on either of these two products, it would impede Stelco's sales of such product into the U.S. market. Sales of such products comprise a small portion of Stelco's total revenue.

The resolution of the U.S. 201 Investigation against countries outside of North America may well result in diversion of additional imports to Canada from those countries. The Corporation and other Canadian steel companies are engaged in discussion with the Government of Canada to determine how best to address such diversion.

USE OF PROCEEDS

The Securities will be issued from time to time at the discretion of the Corporation in an aggregate principal amount of up to \$300,000,000 in Canadian currency, or the approximate equivalent thereof if Securities are issued in foreign currencies or currency units, during the 25-month period from the date of this Prospectus. The net proceeds to be derived from the issue of the Securities offered by this Prospectus will be the issue price thereof less any commission paid in connection therewith. Unless otherwise specified in a Prospectus Supplement which accompanies this Prospectus, such net proceeds will be added to the general funds of the Corporation and used for general corporate purposes.

EARNINGS COVERAGE

The following consolidated earnings coverage ratios are calculated for the 12-month periods ended September 30, 2001 and December 31, 2000. These coverage ratios do not give effect to the issuance of any Securities that may be issued pursuant to this Prospectus and any Prospectus Supplement.

	12 months ended	
	September 30, 2001 (2)	December 31, 2000
Earnings coverage (1)	(3.99)	1.10

(1) Earnings coverage is equal to net income before interest expense on all long-term debt and income taxes divided by interest expense on all long-term debt.

(2) Based on unaudited financial information.

DESCRIPTION OF DEBT SECURITIES

The following description sets forth certain general terms and provisions of the Debt Securities. The particular terms and provisions of Debt Securities offered by a Prospectus Supplement, and the extent to which the general terms and provisions described below may apply thereto, will be described in the Prospectus Supplement filed in respect of such Debt Securities.

Unless otherwise specified in a Prospectus Supplement, the Debt Securities will be issued under a trust indenture (the “Indenture”) dated January 8, 2002 between the Corporation and CIBC Mellon Trust Company (the “Trustee”). The following is only a summary of certain terms and provisions of the Indenture and the Debt Securities and does not purport to be complete and is subject to the detailed provisions of the Indenture to which reference is made for a full description of such provisions and for other information regarding the Debt Securities.

General

The Debt Securities will be direct, unsecured obligations of the Corporation and, unless issued as Subordinated Debt Securities as described under the caption “Description of Subordinated Debt Securities”, will rank *pari passu*, except as to sinking funds, if any, with all other unsecured and unsubordinated indebtedness of the Corporation outstanding from time to time. Debt Securities may be issued as interest bearing securities at fixed or floating rates of interest determined by the Corporation from time to time or as non-interest bearing securities issued at a discount.

The Indenture does not limit the aggregate principal amount of Debt Securities that the Corporation can issue under the Indenture and does not limit the aggregate principal amount of other indebtedness that the Corporation may incur. The Corporation may issue Debt Securities from time to time in separate series. As of the date hereof, no Debt Securities are outstanding under the Indenture. Securities offered by this Prospectus will be limited to the aggregate principal amount of \$300,000,000 or the equivalent thereof in one or more foreign currencies.

The specific variable terms of any offering of Debt Securities, including the title of Debt Securities, the aggregate principal amount of Debt Securities being offered, the currency or currency unit for which the Debt Securities may be purchased, authorized denominations, the issue and delivery date, the maturity date, the issue price (at par, at a discount or at a premium), the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), any redemption provisions, any repayment provisions, any terms entitling the holder to exchange or convert the Debt Securities into other securities of the Corporation, the subordination provisions, if any, the names of the dealers, underwriters or agents engaged in connection with the offering of the Debt Securities, any commission or fee payable, the method of distribution, the actual proceeds to the Corporation and any other specific terms, will be set forth in a Prospectus Supplement or a pricing supplement which will accompany this Prospectus. The Corporation reserves the right to set forth in a Prospectus Supplement or a pricing supplement specific variable terms of Debt Securities and the offering thereof which are not within the options and parameters set forth in this Prospectus.

Unless otherwise indicated in the applicable Prospectus Supplement, the Indenture does not afford the Holders the right to tender Securities to the Corporation for repurchase, or provide for any increase in the rate or rates of interest per annum at which the Securities will bear interest, in the event that the Corporation should become involved in a highly leveraged transaction or in the event of a change in control of the Corporation.

Form, Denomination, Exchange and Transfer

Unless otherwise indicated in the applicable Prospectus Supplement, the Debt Securities of each series will be issued only in fully registered form without coupons and in denominations of \$1,000 or any integral multiple thereof, will be represented by one or more registered global securities (the “Registered Global Security”) and must be purchased or transferred through participants (“Participants”) in the depository service of The Canadian Depository for Securities Limited or a successor (collectively “CDS”), which include securities brokers and dealers, banks and trust companies. On the date of closing of an issue of Debt Securities, the Corporation will cause the Registered Global Security to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no holder of a Debt Security of any series (a “Debtholder”) will be entitled to a certificate or other instrument from the Corporation or CDS evidencing that Debtholder’s ownership thereof, and no Debtholder will be shown on the records maintained by CDS except through a book entry account of a Participant acting on behalf of such Debtholder. Each Debtholder will receive a customer confirmation of purchase from the registered dealer from which the Debt Security is purchased in accordance with the practices and procedures of that registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book entry accounts for its Participants having interests in the Debt Securities.

If (i) the Corporation determines that CDS is no longer willing or able to discharge properly its responsibilities as depository with respect to the Debt Securities of any series and the Corporation or the Trustee is unable to locate a qualified successor within 90 days, (ii) the Corporation at its option elects, or is required by law, to terminate the book entry system, or (iii) after the occurrence of an event of default under the Indenture in respect of Debt Securities of that series, Debtholders representing beneficial interests aggregating not less than 51% of the outstanding balance of the Debt Securities of that series determine that the continuation of the book entry system is no longer in the best interests of the Debtholders, then Debt Securities of that series will be issued in fully registered form to Debtholders or their nominees.

Unless otherwise indicated in the applicable Prospectus Supplement, transfers of ownership in the Debt Securities of any series will be effected only through records maintained by CDS or its nominee for such Debt Securities with respect to interests of Participants, and on the records of Participants with respect to interests of persons other than Participants. Debtholders who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interests in the Debt Securities of that series, may do so only through Participants.

The ability of a Debtholder to pledge a Debt Security of that series or otherwise take action with respect to such Debtholder’s interest in a Debt Security of that series (other than through a Participant) may be limited due to the lack of a physical certificate.

Payment

Unless otherwise indicated in the applicable Prospectus Supplement, payments of principal and premium and interest, if any, on each Debt Security of any series will be made by the Corporation to CDS or its nominee, as the case may be, as the registered holder of the Debt Securities of that series and the Corporation understands that such payments will be forwarded by CDS or its nominee, as the case may be, to Participants. As long as CDS or its nominee is the registered owner of the Debt Securities of that series, CDS or its nominee, as the case may be, will be considered the sole owner of the Debt Securities of that series for the purposes of receiving payments on the Debt Securities of that series. The responsibility and liability of the Corporation in respect of the Debt Securities of that series is limited to making payment of any principal and interest due on the Debt Securities of that series to CDS or its nominee.

Negative Pledge Covenant

Unless otherwise indicated in the applicable Prospectus Supplement, the Corporation has agreed that so long as any Debt Securities of a series remain outstanding it will not create, or permit to be created, any Lien on its undertaking, property and assets or any part thereof to secure any obligation unless in the opinion of counsel retained by the Trustee or retained by the Corporation and acceptable to the Trustee all the Debt Securities of that series then outstanding shall have been secured equally and ratably with or in priority to such obligation by the same instrument or by any other instrument in form and substance satisfactory to such counsel; provided that this covenant shall not apply: (a) to any security (except on fixed assets) given in the ordinary course of business to any bank or other lender to secure Current Debt, (b) to any Purchase Money Mortgage, or (c) to Liens not related to the borrowing of money incurred or arising by operation of law in the ordinary course of business.

Consolidation, Merger, Conveyance and Transfer

The Indenture provides that so long as any Debt Securities issued thereunder remain outstanding the Corporation will not enter into any transaction (whether by way of reorganization, reconstruction, consolidation, amalgamation, merger, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other person or, in the case of amalgamation, of the continuing corporation resulting therefrom unless:

- (a) such other person is a body corporate (herein called a “Successor Corporation”) incorporated under the laws of Canada or any province thereof;
- (b) the Successor Corporation shall execute, prior to or contemporaneously with the consummation of such transaction, such instruments as are satisfactory to the Trustee and, in the opinion of counsel retained by the Trustee or by the Corporation which is acceptable to the Trustee, are necessary or advisable to evidence the assumption by the Successor Corporation of liability for the due and punctual payment of the Debt Securities and the interest thereon and all other moneys payable thereunder and the covenant of the Successor Corporation to pay the same and its agreement to observe and perform all the covenants and obligations of the Corporation under the Indenture;
- (c) such transaction shall, to the satisfaction of the Trustee and in the opinion of such counsel, be upon such terms as substantially to preserve and not to impair any of the rights and powers of the Trustee or of the holders of Debt Securities; and
- (d) no condition or event shall exist in respect of the Successor Corporation at the time of such transaction and after giving full effect thereto which would constitute an Event of Default or which, with the giving of notice or with the passage of time or both would constitute an Event of Default.

Upon satisfaction of these conditions, the Successor Corporation shall succeed to and be substituted for the Corporation and the Successor Corporation shall possess and from time to time may exercise each and every right and power of the Corporation under the Indenture in the name of the Corporation or otherwise and any act or proceeding required by any provision of the Indenture to be done or performed by any directors or officers of the Corporation may be done and performed with like force and effect by the like directors or officers of the Successor Corporation.

Events of Default

The Indenture provides that any of the following shall constitute an Event of Default with respect to Debt Securities of any series:

- (a) if the Corporation shall make default in payment of the principal of any Debt Security of that series when the same becomes due;
- (b) if the Corporation shall make default in payment of any interest due on any Debt Security of that series and such default continues for a period of 30 days;
- (c) if the Corporation shall neglect to carry out or observe any other covenant or condition in the Indenture in respect of a Debt Security of that series on its part to be observed or performed and, after notice in writing has been given by the Trustee to the Corporation specifying such default and requiring the Corporation to put an end to the same (which notice may be given by the Trustee in its discretion and shall be given by the Trustee upon request by the holders of not less than 25% in principal amount of the outstanding Debt Securities of all series affected thereby (as one class)), the Corporation shall fail to make good such default within a period of 90 days, unless the Trustee (having regard to the subject matter of the neglect or non-observance) shall have agreed to a longer period, and in such event, within the period agreed to by the Trustee;
- (d) if the Corporation shall make default under any obligation to repay borrowed money (other than the Debt Securities of that series or any such obligation of any partnership or unincorporated joint venture of which the Corporation is a partner or a party and holds not more than 50% of the ownership interests therein) pursuant to which the Corporation has outstanding any indebtedness in an aggregate amount in excess of \$10,000,000, and such default shall have continued for a period sufficient to permit the acceleration of the maturity of such obligation, provided that such default has not been waived by the obligee prior to the Trustee taking any action pursuant to the terms of the Indenture or provided that such event of default is not

in good faith disputed by the Corporation, but in that event the Corporation shall, if the Trustee so requires, give security which, in the reasonable discretion of the Trustee, is sufficient to pay in full any amount claimed in respect of such dispute in case the acceleration of the obligation is held to be valid;

- (e) if an order shall be made or an effective resolution passed for the winding-up, liquidation or dissolution of the Corporation, except in the course of carrying out, or pursuant to, a transaction which is permitted in the Successor Corporation provisions of the Indenture;
- (f) if the Corporation shall make a general assignment for the benefit of its creditors or institute any other proceeding for relief under any bankruptcy or insolvency law, or shall be declared bankrupt, or if a custodian or a sequestrator or a receiver and manager or any other person with similar powers shall be appointed in respect of the Corporation or of all the property of the Corporation or any part thereof which, in the opinion of the Trustee, is a substantial part thereof;
- (g) if an encumbrancer shall take possession of the property of the Corporation or any part thereof which, in the opinion of the Trustee, is a substantial part thereof, or if a distress or execution or any similar process shall be levied or enforced thereagainst and remain unsatisfied for such period as would permit such property or such part thereof to be sold thereunder and in either case such possession or process has not been contested in good faith and stayed within a period of 60 days thereafter; or
- (h) any other Event of Default provided with respect to the Debt Securities of that series.

Acceleration on, and Waiver of, Default

If an Event of Default described in clause (a) or (b) above occurs and is continuing with respect to Debt Securities of any series, then in every such case the Trustee or the holders of not less than 25% in principal amount of the outstanding Debt Securities of that series may declare the principal amount of all the outstanding Debt Securities of that series and all interest thereon to be due and payable immediately, by notice in writing to the Corporation (and to the Trustee if given by holders), and upon any such declaration the same shall become immediately due and payable. If an Event of Default described in clause (c) or (h) above occurs and is continuing with respect to Debt Securities of one or more series, then in every such case the Trustee or the holders of not less than 25% in principal amount of the outstanding Debt Securities of all series affected thereby (as one class) may declare the principal amount of all the outstanding Debt Securities of such affected series and all interest thereon to be due and payable immediately, subject to any provisions for subordination of any one or more series of Debt Securities, by notice in writing to the Corporation (and to the Trustee if given by holders), and upon any such declaration the same shall become immediately due and payable, subject to any provisions for subordination of any one or more series of Debt Securities. If an Event of Default described in clause (d), (e), (f) or (g) above occurs and is continuing, then in every such case the Trustee or the holders of not less than 25% in principal amount of all outstanding Debt Securities (as a class) may declare the principal amount of all the outstanding Debt Securities and all interest thereon to be due and payable immediately, subject to any provisions for subordination of any one or more series of Debt Securities, by notice in writing to the Corporation (and to the Trustee if given by holders), and upon any such declaration the same shall become immediately due and payable, subject to any provisions for subordination of any one or more series of Debt Securities. However, at any time after a declaration of acceleration with respect to the outstanding Debt Securities of one or more series has been made and before a judgment or decree for payment of the money due has been obtained, the holders of a majority in principal amount of the outstanding Debt Securities of such series, by written notice to the Corporation and the Trustee, may, under certain circumstances, rescind and annul such acceleration, except an Event of Default arising from the failure to pay principal or interest or an Event of Default arising from the failure to redeem any Debt Security of any series tendered pursuant to a notice of redemption.

The Indenture provides that, subject to the duty of the Trustee during default to act with the required standard of care, the Trustee shall be under no obligation to exercise any of its rights and powers under the Indenture at the request or direction of any of the Debtholders, unless such Debtholders shall have offered to the Trustee reasonable indemnity. Subject to such provisions for indemnification of the Trustee and certain other limitations set forth in the Indenture, the holders of a majority in principal amount of the outstanding Debt Securities of all series affected by an Event of Default shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Debt Securities of all series affected by such Event of Default.

No Debtholder will have any right to institute any proceedings with respect to the Indenture, or for the appointment of a receiver or a trustee, or for any other remedy thereunder, unless (a) such Debtholder has previously given to the Trustee written notice of a continuing Event of Default with respect to the Debt Securities of that series, (b) the holders of at least 25% in principal amount of the outstanding Debt Securities of all series affected by such Event of Default (as a class) have made written request, and such Debtholder or Debtholders have offered reasonable indemnity, to the Trustee to institute such proceedings as trustee and (c) the Trustee has failed to institute such proceeding, and has not received from the holders of a majority in aggregate principal amount of the outstanding Debt Securities of all series affected by such Event of Default (as a class) a direction inconsistent with such request, within 60 days after such notice, request and offer. However, such limitations do not apply to a suit instituted by the holder of a Debt Security for the enforcement of payment of the principal of or any premium or interest on such Debt Security on or after the applicable due date specified in such Debt Security. The Corporation will be required to furnish to the Trustee annually a statement by an officer of the Corporation as to his or her knowledge of the Corporation's compliance with all conditions and covenants under the Indenture.

Defeasance

Defeasance of Certain Obligations

All obligations, covenants and agreements of the Corporation under the Indenture (with certain exceptions), with respect to Debt Securities of a particular series or for the benefit of the Holders thereof, shall cease, terminate and be discharged if:

- (a) the Corporation has, at least 91 days prior thereto, irrevocably deposited with the Trustee, as specific security pledged for, and dedicated solely to, the due payment and ultimate satisfaction of its obligations under the Indenture with respect to the Debt Securities of the series affected, (i) funds in the currency or currencies in which such Debt Securities are payable, and/or (ii) an amount of direct obligations of, or obligations the payment of principal of and interest, if any, on which are fully guaranteed by, the government that issued the currency or currencies in which Debt Securities of such series are payable, and that are not subject to prepayment, redemption or call, as will, together with the predetermined and certain income to accrue thereon without consideration of any reinvestment thereof, be sufficient (in the case of such obligations, through the payment of interest and principal thereunder) to pay (A) the principal of (and premium, if any) and interest on the outstanding Debt Securities of the particular series on their stated due dates or maturity, as the case may be, and (B) any mandatory prepayments on the day on which such prepayments are due and payable;
- (b) the Corporation shall have received an opinion of counsel to the effect that the holders of the Debt Securities affected will not recognize income, gain or loss for Canadian federal income tax purposes in the jurisdictions where such Debt Securities were offered for sale as a result of such deposit and defeasance in respect of the Corporation's obligations and will be subject to Canadian federal income tax in the jurisdictions where such Debt Securities were offered for sale as if such deposit and defeasance had not occurred;
- (c) such deposit will not result in a breach or violation of, or constitute a default under, the Indenture or any other material agreement or instrument to which the Corporation is a party or by which it is bound;
- (d) no Event of Default with respect to the Debt Securities of such series or event that, with notice or lapse of time, would become such an Event of Default shall have occurred and be continuing on the date of such deposit;
- (e) if the Debt Securities affected are listed on any stock exchange or securities exchange, the Corporation shall have delivered to the Trustee an opinion of counsel to the effect that such deposit and defeasance will not cause such Debt Securities to be delisted; and
- (f) the Corporation shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating compliance with all conditions precedent to the defeasance.

Other Defeasance Arrangements

If so described in the Prospectus Supplement related to Debt Securities of a specific series, the Corporation may enter into certain other arrangements providing for the due payment and ultimate satisfaction of its obligations with

respect to such series of Debt Securities by the deposit with the Trustee of funds or obligations of the type referred to under “Defeasance of Certain Obligations”. The Prospectus Supplement will more fully describe the provisions, if any, relating thereto.

Modification

The Indenture contains provisions by which certain modifications which affect a particular series of Debt Securities must be authorized by extraordinary resolution of holders of a particular series of Debt Securities so affected.

The Indenture provides that certain modifications of the Indenture and the Debt Securities and the rights of the holders of Debt Securities against the Corporation may be made if authorized by extraordinary resolution. Under the Indenture, an “extraordinary resolution”, with respect to Debt Securities outstanding thereunder or Debt Securities of a particular series outstanding thereunder, means a resolution passed at a duly constituted meeting or serial meeting, as the case may be, of holders of Debt Securities by the favourable votes of the holders of not less than 66²/₃% of the principal amount of Debt Securities represented at the meeting and voted on such resolution, or by instrument in writing signed by the holders of 66²/₃% of the principal amount of all the outstanding Debt Securities or all the outstanding Debt Securities of such series.

Definitions

“Current Debt” means indebtedness which is payable on demand or on a date not more than two years after the date it is incurred or assumed, and any renewal of indebtedness which is payable on demand or on a date not more than two years after the date of such renewal; but excludes indebtedness which is renewable at the option of the debtor to a date more than two years after the date it is incurred or assumed or renewed.

“Lien” means with respect to any property or assets any mortgage, deed of trust, hypothec, charge, pledge, lien, security interest, title retention or other encumbrance of any nature or kind whatsoever, howsoever created or arising.

“Purchase Money Mortgage” means any Lien created, issued or assumed by the Corporation to secure a Purchase Money Obligation, provided that such Lien is limited to the property acquired in connection with the creation, issue or assumption of such Purchase Money Obligation and is created, issued or assumed substantially concurrently with the acquisition of such property except in the case of immovable property on which fixed improvements are constructed or installed in which case the same shall be created or issued within a period of 18 months after the acquisition of such property, and any extensions or renewals or replacements of any such Purchase Money Mortgage upon the same property if the principal amount of the indebtedness secured thereby at the time of such extension, renewal or replacement is not increased;

“Purchase Money Obligation” means any indebtedness assumed by the Corporation as part of, or issued or incurred to provide the Corporation with funds to pay, the purchase price of moveable or immovable property, provided that such indebtedness does not exceed 100% of the purchase price of such property, and includes any extension, renewal, replacement or refunding of any such Purchase Money Obligation to the extent of the principal amount outstanding at the time of such extension, renewal, replacement or refunding. In the case of immovable property so acquired, such term shall include indebtedness issued or incurred to provide the Corporation with funds to pay, or to reimburse the Corporation for, the purchase price of such property and expenditures made for any fixed improvements constructed or installed thereon within a period of 18 months after the acquisition thereof, provided such indebtedness does not exceed 100% of the aggregate of such purchase price and of such expenditures.

DESCRIPTION OF SUBORDINATED DEBT SECURITIES

The following description of Subordinated Debt Securities sets forth certain general terms and provisions of the Subordinated Debt Securities in respect of which a Prospectus Supplement will be filed. The particular terms and provisions of Subordinated Debt Securities offered by any Prospectus Supplement will be described in the Prospectus Supplement filed in respect of such Subordinated Debt Securities. Unless otherwise specified in the applicable Prospectus Supplement, Subordinated Debt Securities will be issued as one or more series of Debt Securities under the Indenture.

The Subordinated Debt Securities will be direct, unsecured obligations of the Corporation and will be subordinated in right of payment as will be set forth in a supplemental trust indenture to the Indenture, to the payment of other indebtedness of the Corporation outstanding from time to time. Subordinated Debt Securities may be issued as interest bearing securities at fixed or floating rates of interest determined by the Corporation from time to time or as non-interest bearing securities issued at a discount. The Subordinated Debt Securities will be issued in registered form and may be represented in the form of fully registered global notes.

The specific variable terms of any offering of Subordinated Debt Securities, including the title of the Subordinated Debt Securities, any limit on the aggregate principal amount of Subordinated Debt Securities being offered, the currency or currency unit for which the Subordinated Debt Securities may be purchased, authorized denominations, the issue and delivery date, the maturity date, the issue price (at par, at a discount or at a premium), the interest rate (either fixed or floating and, if floating, the manner of calculation thereof), the interest payment date(s), the provisions for subordination of the Subordinated Debt Securities to other indebtedness of the Corporation, any redemption provisions, any repayment provisions, any terms entitling the holder to exchange or convert the Subordinated Debt Securities into other securities of the Corporation, the names of the dealers, underwriters or agents engaged in connection with the offering of the Subordinated Debt Securities, any fee or commission payable, the method of distribution, the actual proceeds to the Corporation and any other specific terms, will be set forth in a Prospectus Supplement which will accompany this Prospectus. The Corporation reserves the right to set forth in a Prospectus Supplement specific variable terms of Subordinated Debt Securities and the offering thereof which are not within the options and parameters set forth in this Prospectus.

DESCRIPTION OF SERIES A SHARES

The holders of Series A Shares are entitled to one vote in respect of each share held at all meetings of shareholders except meetings at which holders of a specified class or series of shares are entitled to vote. The holders of Series A Shares are entitled to receive dividends if, as and when declared by the Corporation's board of directors in the equal or equivalent amounts per share as are paid in respect of the Series B Convertible Common Shares (the "Series B Shares").

Series A Shares are convertible on a one-for-one basis into Series B Shares. The holders of Series B Shares are entitled to one vote in respect of each share held at all meetings of shareholders except meetings at which holders of a specified class or series of shares are entitled to vote. Dividends on the Series B Shares, if declared, may be paid by way of stock dividend in fully paid and non-assessable Series B Shares.

In the event of the liquidation, dissolution or winding-up of the Corporation, after payment of all outstanding debts and liabilities and subject to the preference of the preferred shares of the Corporation, if any, the holders of Series A Shares and Series B Shares are entitled to receive, pro rata, the remaining assets of the Corporation. The holders of the Series A Shares and the Series B Shares have no pre-emptive, subscription or redemption rights.

ELIGIBILITY FOR INVESTMENT

Eligibility of the Securities offered hereby for investment by purchasers to whom any of the following statutes apply is, in certain cases, governed by criteria which such purchasers are required to establish as policies or guidelines pursuant to the applicable statute (and, where applicable, the regulations thereunder) and is subject to the prudent investment standards and general investment provisions provided therein:

Insurance Companies Act (Canada)
Trust and Loan Companies Act (Canada)
Pension Benefits Standards Act, 1985 (Canada)
an Act respecting trust companies and savings companies (Québec) (in respect of savings companies investing their own funds and trust companies investing their own funds and deposits received by them)
an Act respecting insurance (Québec) (in respect of insurers other than guaranteed fund corporations)

Supplemental Pension Plans Act (Québec)
Loan and Trust Corporations Act (Ontario)
Pension Benefits Act (Ontario)
Pension Benefits Act (Manitoba)
Employment Pension Plans Act (Alberta)
Insurance Act (Alberta)
Loan and Trust Corporations Act (Alberta)
Financial Institutions Act (British Columbia)

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, the Securities, if issued on the date hereof, would be qualified investments under the *Income Tax Act* (Canada) for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans to which contribution payments are made by the Corporation or a person with whom the Corporation does not deal at arm's length, within the meaning of the *Income Tax Act* (Canada)).

RISK FACTORS

Before making an investment decision, investors should carefully consider the risks and uncertainties described below and in the Corporation's Management's Discussion and Analysis of financial condition and results of operations incorporated by reference herein, as contained in the Corporation's Annual Report and each of the Corporation's Quarterly Reports. These risks and uncertainties are not the only ones facing Stelco. Additional risks and uncertainties not presently known to Stelco or that Stelco currently deems immaterial may also impair Stelco's business operations. If any of such risks actually occur, Stelco's business, financial condition and operating results could be materially harmed.

Steel Supply and Prices

Among the most significant issues facing the North American steel industry is excess global steel-making capacity and exceptionally low prices. One factor driving low prices has been the entry of unfairly priced steel products into Canada. The international oversupply of steel has resulted in a continuation of unfairly priced imports entering the North American market during 2001. Although the pace of such imports during 2001 has declined when compared to 2000, it is still high by historical standards. According to Statistics Canada, during the first nine months of 2001, imports into the Canadian market totalled 4.6 million tons representing 36% of total apparent Canadian steel consumption compared with 6.8 million tons, representing 44% of total apparent Canadian steel consumption in the comparable period during 2000.

This high level of imports into Canada, the United States and Mexico, the three countries which are parties to NAFTA, has resulted in many anti-dumping complaints being filed by steel producers in all three countries. In Canada, these actions are intended to increase selling prices of unfairly priced imports to levels that are not unfair, and are based on profitable selling prices in the importers' home markets. There is no guarantee that such unfair trade cases will be successful.

The resolution of the U.S. 201 Investigation against countries outside of North America may well result in diversion of additional imports to Canada without appropriate action from the Canadian government. See "Recent Developments — Trade Developments". There can be no assurance that appropriate action will be taken by the Canadian government. In addition, tariff or quota action by the U.S. government in relation to Stelco's sales into the United States could have adverse consequences for Stelco.

Cyclicalities of the North American Steel Industry

The North American steel industry is cyclical in nature and sensitive to general economic conditions. The financial condition and results of operation of companies in the steel industry are generally affected by macroeconomic fluctuations in the United States, Canadian and global economies. Stelco is particularly sensitive to trends in cyclical industries such as the automotive, construction and oil and gas industries, which are significant markets for Stelco's products.

During the 1990 to 1992 downturn, substantial excess worldwide manufacturing capacity for steel products, combined with a worldwide economic slowdown, resulted in substantially decreased demand for steel products, increased international competition and downward pressure on steel prices. Although demand for steel products recovered and the profitability of the industry improved between 1992 and 1997, since 1997 there has been a substantial increase in steel imports to North America and resultant downward pressure on steel prices. Demand for Stelco's products remained strong through 1999 although imports continued at high levels throughout the year. The benchmark hot rolled steel spot price reached approximately U.S.\$320 per ton in the spring of 2000 due largely to unfair trade remedies put in place by both the Canadian and U.S. governments after unfair trade findings had been made. Despite these findings, significant levels of unfairly priced imports from countries not affected by unfair trade findings continued, resulting in further significant deterioration in steel prices starting in the first half of 2000 and

continuing through 2001. By the end of November, 2001, the spot price of hot rolled steel had dropped to approximately U.S.\$220 per ton, the lowest price in 20 years.

Market conditions for steel products in the North American market have been difficult since the third quarter of 2000. In the key automotive market, automotive builds in Canada and the United States are expected to decline by approximately 10% in 2001 from 2000. A significant portion of Stelco's revenues are dependent upon the automotive industry. Automotive-related sales represented 30% of revenues for Stelco in 1996, climbing to approximately 40% in 2000. Demand in other manufacturing sectors has also weakened over the last 15 months with the exception of the construction and oil and gas industries. Continued weak market conditions are expected to prevail at least through the first half of 2002 and there can be no assurance when such market conditions will improve.

Restructuring Activity

Since 1990, many North American steel companies have sought creditor protection. Many of these companies have continued to operate and have obtained significant cost advantages. Upon emergence from bankruptcy protection, these companies, or new entities that purchase these facilities through the bankruptcy process, have been relieved of certain debt, labour, retiree, environmental and other obligations. As a result, these companies are able to operate with lower costs than some of their competitors.

Variability of Operating Results

Stelco's operational and financial results may fluctuate substantially, not only due to the cyclicity of the steel industry, but also due to other factors such as specific product competition, operating performance, uncontrollable increases in prices of raw materials and utilities and difficulties or delays in capital projects. Stelco has experienced a prolonged period of low selling prices for its steel products contributing to five successive quarters of losses beginning in the third quarter of 2000. Stelco is expected to return to profitable operations when steel demand and prices return to more normal levels. No assurance can be given as to when steel demand and prices will return to more normal levels.

Currency Fluctuations

Stelco is a net purchaser of U.S. dollars with U.S. dollar denominated purchases of raw materials, supplies and equipment exceeding U.S. dollar receipts from sales by U.S.\$223 million (for the first 11 months of 2001) compared to U.S.\$284 million for the full 12 months of 2000. As a net purchaser of U.S. funds, Stelco is negatively affected by a weak Canadian currency. However, a weak Canadian dollar improves Stelco's competitive position, as well as the competitiveness of Canadian customers, over U.S.-based counterparts. The average value of the Canadian dollar in U.S. terms declined from \$0.6733 in fiscal 2000 to an average of \$0.6467 for the 11 months ended November 30, 2001.

Operating Lines of Credit and Interest Rates

Stelco had secured operating lines of credit available to it aggregating \$318 million as at September 30, 2001, of which \$250 million was available to the Corporation directly and the balance of \$68 million consisted of credit lines available to its wholly-owned subsidiaries and Stelco's share of credit lines available to its jointly owned corporate entities. Stelco's bank operating lines of credit are subject to periodic renewal with a significant number of such lines up for renewal in the next 24 months. There can be no assurance that such lines will be renewed, or if renewed, that the renewal will not occur on less favourable terms.

Stelco's operating lines of credit are made available at floating rates of interest. With the current level of Stelco's debt load, and at current interest rates, there is no abnormal interest rate risk for Stelco. If the Bank of Canada raises interest rates significantly, Stelco's interest expense on its floating rate indebtedness will increase. There also could be a negative impact on general economic activity and steel consumption as a result of an increase in interest rates.

Labour Matters

The Corporation and its wholly owned subsidiaries are party to 11 collective agreements with trade unions representing approximately 75% of Stelco's employees. The agreements are limited to single plants. Five agreements were scheduled to expire in 2002, one of which has already been renegotiated. Of the four remaining labour agreements expiring in 2002, two are material to Stelco's operations — Hilton Works and Stelco-McMaster Ltée. These two labour agreements expire July 31, 2002. No assurance can be given that labour difficulties at any of Stelco's business units will not result in a significant loss of production and revenue and have a material adverse effect on the business, financial condition or results of operations of Stelco.

Environmental Matters

Stelco's business units are required to comply with an evolving body of environmental laws and regulations concerned with, among other things, emissions into the air, discharges to surface ground water, noise control, and the generation, handling, storage, transportation and disposal of toxic and hazardous substances. These laws and regulations vary depending on the location of the facility and can fall within federal, provincial, or municipal jurisdictions.

In meeting its overall environmental goals and government-imposed standards in 2000, Stelco incurred operating costs of \$61 million and spent \$18 million on capital improvements.

Stelco's Corporate Health, Safety, and Environmental Department regularly reviews and audits each business unit's operating practices to monitor compliance with Stelco's environmental policies and legal requirements.

No assurance can be given that unforeseen changes, such as new laws or enforcement policies, or a crisis at one of Stelco's properties or operations, will not have a material adverse effect on the business, financial condition or results of operations of Stelco. Stelco's business units are required to have governmental permits and approvals. Any of these permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals may adversely affect the operations of Stelco and may subject Stelco to penalties. In addition, if environmental legislation or regulations are amended or are interpreted or enforced differently, or if new environmental legislation is enacted, Stelco may be required to obtain additional operating permits or approvals and incur additional costs. There can be no assurance that Stelco will be able to meet all applicable regulatory requirements. In addition, Stelco may be subject to fines, penalties or other liabilities arising from its actions imposed under environmental legislation or regulations.

Insurance

To date, Stelco has been able to obtain liability insurance for the operation of its business. However, there can be no assurance that Stelco's existing liability insurance will be adequate or that it will be able to be maintained or that all possible claims that may be asserted against Stelco will be covered by insurance.

Technology and Competition

The expansion in North America of electric arc furnace steel mills (also referred to as mini-mills), which produce steel from scrap, has contributed to the competitive pressures faced by integrated producers such as Stelco. Although the participation of mini-mills in steel markets was initially limited to structural, bar and rod products, the product lines offered by these producers have expanded substantially in recent years. Thin-slab-casting technologies now permit such mills to participate in sheet and plate markets that previously were largely served by integrated plants. Stelco, which is involved in both mini-mill and integrated steel-making operations, is unable to predict the extent and severity of future competition and technology developments.

Priority of Indebtedness

The Indenture does not contain covenants imposing limitations on the incurrence of debt or the issuance of preferred shares by the Corporation, its subsidiaries or the jointly-owned entities in which it has an interest. The subsidiaries of the Corporation are not limited in their ability to incur indebtedness which could effectively rank in priority to the Debt Securities and Subordinated Debt Securities. In the event of an enforcement of security granted in connection with bank operating lines of credit, such security would result in the bank operating lines of credit ranking in priority to the debt obligations issuable pursuant to this prospectus to the extent of such security interest.

Operational Matters

Stelco's manufacturing processes are dependent upon certain critical pieces of equipment, such as blast furnaces, steel-making operations and rolling mills, which, on occasion, may be out of service due to routine scheduled maintenance or as a result of equipment failures. Such interruptions in Stelco's production capabilities could result in fluctuations in Stelco's sales and income. No assurance can be given that a significant shutdown will not occur in the future or that such a shutdown will not have a material adverse effect on the business, financial condition or results of operations of the Corporation.

Supply of Raw Materials and Energy

Stelco's operations require substantial amounts of raw materials including coal, iron ore, coke, natural gas, electricity and other inputs. The price and availability of such raw materials and inputs are subject to market forces and, in some cases, government regulations and accordingly, are subject to change. Fluctuations during 2000 and 2001 with respect to higher natural gas prices, had a significant negative impact on Stelco's results during these periods. The Ontario government has recently announced that the electricity market in Ontario will be deregulated as of May 1, 2002, giving rise to uncertainty as to prices in the future. Stelco may not be able to pass on increases in the price of such materials to its customers.

PLAN OF DISTRIBUTION

The Corporation may sell the Securities to or through underwriters or dealers, and also may sell Securities to one or more other purchasers directly or through agents. Each Prospectus Supplement will set forth the terms of the offering, including the name or names of any underwriters or dealers, the purchase price or prices of the Securities and the proceeds to the Corporation from the sale of the Securities.

The Securities may be sold, from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or negotiated prices.

Underwriters or dealers who participate in the distribution of Securities may be entitled under agreements to be entered into with the Corporation to indemnification by the Corporation against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters or dealers may be required to make in respect thereof. Such underwriters or dealers may be customers of, engage in transactions with, or perform services for, the Corporation in the ordinary course of business.

In connection with any offering of Securities, the underwriters or dealers may over-allot or effect transactions which stabilize or maintain the market price of the Securities offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

LEGAL MATTERS

Certain legal matters relating to the offering of the Securities will be passed upon for the Corporation by McCarthy Tétrault LLP, Toronto, Canada. As of the date hereof, the partners and associates of McCarthy Tétrault LLP own, directly or indirectly, in the aggregate, less than one percent of the outstanding Series A Shares, Debt Securities or Subordinated Debt Securities. If any underwriters named in a Prospectus Supplement retain their own counsel to pass upon legal matters relating to the Securities, such counsel will be named in the Prospectus Supplement.

AUDITORS

The auditors of the Corporation are KPMG LLP, Chartered Accountants, Suite 700, Commerce Place, Hamilton, Ontario L8P 4W7.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Series A Shares is CIBC Mellon Trust Company at its principal office in the City of Toronto. Unless otherwise specified in the applicable Prospectus Supplement, the registrar and transfer agent of each series of Debt Securities and Subordinated Debt Securities will be CIBC Mellon Trust Company at its principal office in the City of Toronto.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase Securities within two business days after receipt or deemed receipt of this Prospectus, the Prospectus Supplement relating to Securities purchased by a purchaser and any amendments thereto. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages where the Prospectus, the Prospectus Supplement relating to Securities purchased by a purchaser and any amendments thereto contain a misrepresentation or are not delivered to the purchaser provided that such remedies are exercised by the purchaser within the time limit prescribed by the securities legislation of such purchaser's province. A purchaser should refer to any applicable provisions of the securities legislation of such purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF STELCO INC.

Dated: January 8, 2002

This short form prospectus, together with the documents incorporated in this prospectus by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all provinces of Canada and does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed.

(signed) JAMES C. ALFANO
President and Chief Executive Officer

(signed) MARK C. STEINMAN
Executive Vice President and
Chief Financial Officer

On behalf of the Board of Directors:

(signed) DOUGLAS W. MAHAFFY
Director

(signed) FREDERICK H. TELMER
Director