

FORM 51-102F3

MATERIAL CHANGE REPORT

1. Name and Address of Company

Stelco Inc. ("Company")
368 Wilcox Street
Hamilton, ON, L8L 8K5

2. Date of Material Change

December 9, 2005.

3. News Release

The attached news release was issued by Stelco on December 9, 2005 through the service of Canada NewsWire.

4. Summary of Material Change

Stelco announced that a third amended restructuring plan was approved by affected creditors at the previously adjourned meeting that resumed on December 9, 2005. Affected creditors of certain Stelco subsidiaries voted to approve the plan at other meetings resumed on the same date. At the meeting of affected creditors of Stelco, the plan was approved by 78.4% of those affected creditors who voted in person or by proxy, representing 87.7% of the total value of affected claims that were voted at the meeting.

5. Full Description of Material Change

See the attached news release.

6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officer

For further information, please contact Helen Reeves at 905-515-0701.

9. Date of Report

December 19, 2005

SCHEDULE "A" – PRESS RELEASE

News release via Canada NewsWire, Toronto 416-863-9350

Attention Business Editors:
Creditors approve Stelco restructuring plan

HAMILTON, ON, Dec. 9 /CNW/ - Stelco Inc. (TSX:STE) announced early this evening that a third amended restructuring plan was approved by affected creditors at the previously-adjoined meeting that resumed today. Affected creditors of certain Stelco subsidiaries also voted to approve the plan at other meetings resumed this afternoon.

At the meeting of affected creditors of Stelco Inc., the plan was approved by 78.4% of those affected creditors who voted in person or by proxy, representing 87.7% of the total value of affected claims that were voted at the meeting.

Courtney Pratt, Stelco President and Chief Executive Officer, said, "We truly appreciate the support shown by our creditors today. The approved plan is fair, reasonable and responsible. It balances the competing interests of our stakeholders. And it paves the way for Stelco to emerge from Court protection and to become a viable and competitive steel producer for the long term.

"I want to acknowledge the efforts of our stakeholders and their representatives, our own Board of Directors and advisors, as well as the management team and employees of Stelco itself. The combined commitment and hard work shown by all parties helped to secure this positive outcome. The strengthened Stelco resulting from those efforts will work to reward the confidence that's been shown today."

The Company will be in Court on Monday morning to report on today's developments and to request an extension of the stay period. It will then proceed to seek the Court's approval of the plan. The Company anticipates this could occur before the end of the year, subject to the Court's availability. If that approval is granted, the Company anticipates emerging from Court protection early in 2006.

Several substantive changes from the second amended plan announced on December 8, 2005 concern the recovery to unsecured creditors.

Unsecured creditors will still receive a pro rata share of Secured Floating Rate Notes. The cash pool will now range from a minimum of \$108,548,000 to a maximum of \$137.5 million. In addition to their share of 1.1 million new common shares, affected creditors may elect to receive up to an additional 5.264 million new common shares. Tricap Management Limited ("Tricap"), Sunrise Partners Limited Partnership ("Sunrise") and Appaloosa Management LP ("Appaloosa") have agreed not to elect to acquire any of the additional new common shares related to their respective claims.

As well, Tricap, Sunrise and Appaloosa will commit to purchase a total of 19.736 million new common shares, funding \$108,548,000 of the cash pool. If affected creditors elect to take cash in lieu of exercising the option to acquire their portion of the 5.264 million additional new common shares, Sunrise and Appaloosa will acquire such shares, providing up to an additional \$28.952 million to the cash pool. In addition, affected creditors will receive a pro rata share of new warrants, with a seven-year maturity, entitling them to purchase 1,418,500 new common shares, representing approximately 5% of the fully diluted equity in the Company. The new warrants will have an exercise price of \$11 per share.

Further details are provided later in this news release.

The third amended plan is based on:

- The availability of a \$600 million asset-based revolving loan facility.
- The availability of a \$375 million revolving bridge facility being negotiated with Tricap Management Limited.
- A \$150 million Unsecured Subordinated 1% Note, issued to the Province of Ontario in exchange for a \$150 million cash contribution. If the pension solvency deficiency is fully funded by year 10, then 75% of the Note would be forgiven at maturity, with the balance payable in cash or shares.
- Warrants, with a seven-year maturity, issued to the Province of Ontario to purchase up to approximately 3% of the fully diluted equity (or approximately 851,100 new common shares) at an exercise price of \$11.00 per new common share.

Existing secured operating lenders will be repaid in full.

Unsecured creditors will receive a pro rata share of:

- Secured Floating Rate Notes: \$275 million; interest of LIBOR (London Interbank Offering Rate) plus 500 basis points if paid in cash or LIBOR plus 800 basis points if paid in Secured Floating Rate Notes at the Company's option; 10-year term, payable in cash on maturity.
- A cash pool consisting of a minimum of \$108,548,000 and a maximum of \$137.5 million.
- 1.1 million new common shares with a right to receive up to an additional 5.264 million new common shares ("the additional shares") in lieu of \$5.50 per share out of the cash pool.
- New warrants, entitling them to purchase 1,418,500 new common shares, representing approximately 5% of the fully-diluted equity in the Company at an exercise price of \$11 per share.

The cash pool would be funded as follows. Tricap would commit to purchase 9.818 million new common shares at \$5.50 per share, funding the cash pool in the amount of \$53.999 million. Sunrise and Appaloosa would each commit to purchase 4.959 million new common shares at the same price, for a total of 9.918 million new common shares, funding the cash pool in the amount of \$54.549 million. Sunrise and Appaloosa would also acquire, on a 50/50 basis, any of the additional shares not purchased by affected creditors by an agreed date, at a price of \$5.50 per share. This could fund the cash pool up to an additional \$28.952 million.

The Stelco Pension Plans will receive:

- An upfront cash contribution of \$400 million.
- Fixed annual cash funding payments of \$65 million each year between 2006-2010 and \$70 million each year between 2011-2015.
- There may be increased payments through annual cash sweep payments, commencing in 2007, based on cash flow and liquidity tests.
- Any solvency deficiency at the end of 2015 will be funded through the normal 5-year pension funding rules.

A six-month grace period on cash funding payments will be provided during the first half of 2006, increasing Stelco's liquidity on emerging from Court protection.

The existing shares will be effectively cancelled. As the Company has stated for some time, there is insufficient value to provide full recovery to unsecured creditors. Factors affecting the Company, its value and the recovery for unsecured creditors include volatile steel prices, reduced production and shipments, and increased costs.

The size of Stelco's Board of Directors will be fixed at nine members. Tricap Management Limited will have the right to name four of the directors. Sunrise and Appaloosa will have the right to nominate one each. The remaining directors will be chosen through a consultative process.

Board nominees will be elected on the basis of cumulative voting. This means that shareholders may allocate the total number of votes they're entitled to cast in any way they wish, i.e. all for one nominee, among several nominees, or divided among all nominees.

The plan sponsor agreement requires plan implementation to occur not later than March 31, 2006. If the Court sanctions the plan, Stelco expects to implement the plan early in 2006.

About Stelco

Stelco Inc. is a large, diversified steel producer. Stelco is involved in major segments of the steel industry through its integrated steel business, mini-mills, and manufactured products businesses. This news release may contain forward-looking information with respect to the Corporation's business operations, financial performance and conditions. Actual results may differ from expected results for a variety of reasons including factors discussed in the Corporation's Management's Discussion and Analysis section of the Corporation's 2004 Annual Report. To learn more about Stelco and its businesses, please refer to our Web site at www.stelco.ca.

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/For further information: please contact: Helen Reeves, Cell: (905) 515-0701;

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(STE.A. STE.B. STE.DB.)

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