



The Steel Company of Canada

Stelco Announces Option to Acquire 25% Interest in Minntac, the Largest Iron Ore Mine in the United States, and Entry into Long-Term Extension of Pellet Supply Agreement with U.S. Steel

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HAMILTON, ONTARIO, April 30, 2020 – Stelco Holdings Inc. ("Stelco Holdings" or the "Company") (TSX: STLC) announces that its wholly-owned subsidiary, Stelco Inc. ("Stelco"), has entered into a new eight-year pellet sale and purchase agreement (the "Pellet Agreement") with United States Steel Corporation ("U.S. Steel") (NYSE: X) which runs until January 31, 2028. This contract provides for the supply of 100% of Stelco's anticipated requirements of iron ore pellets at Lake Erie Works over the term of the agreement, including volume required to support the expansion in production projected after the upcoming blast furnace upgrade project. The Pellet Agreement supersedes and replaces the current agreement with U.S. Steel, which was set to expire on January 31, 2022.

Concurrently, Stelco entered into an option agreement (the "Option Agreement") with U.S. Steel granting Stelco a long-dated option to purchase a 25% ownership interest (the "Option") in a to-be-formed Joint Venture that will own 100% of U.S. Steel's iron ore mine located in Mt. Iron, Minnesota and related infrastructure including the pellet plant (the "Minntac Mine"). The Minntac Mine is a fully-integrated iron ore mine operated by U.S. Steel and is the largest iron ore operation in the United States, with annual production capacity of up to 16 million tons per year¹ of iron ore pellets. The Option is exercisable by Stelco at any time following the payment of the Initial Consideration (defined below) until January 31, 2027.

Stelco will pay US\$100 million, in cash, to U.S. Steel in consideration for the Option (the "Initial Consideration"). The Initial Consideration is payable in five US\$20 million installments, with the first installment paid upon closing of the Option Agreement and the remaining four installments payable every two months thereafter. Upon the exercise of the Option, Stelco would pay a net exercise price of US\$500 million.

Transaction Highlights

- Secures long-term future of Stelco's steel production and solidifies Stelco's low-cost advantage
- Provides supply of high-quality iron ore pellets from a well-understood and consistent source for the next eight years, or longer if the Option is exercised
- Increases annual pellet supply to level required for Stelco's higher production capacity following this year's blast furnace upgrade project
- Supports Stelco's tactical flexibility model to deliver highest margin outcomes based on prevailing market conditions
- Creates a secure pathway for Stelco to become a vertically integrated player in the future through ownership in a low-cost iron ore source which is the largest producing iron ore mine in the Mesabi iron range

¹ Figure sourced U.S. Steel website.

- Structured in stages that will preserve Stelco's strong balance sheet and financial flexibility

"This transaction represents a major milestone for Stelco as it secures a long-term supply of high-quality iron ore pellets and a highly valuable future option to acquire a 25% ownership interest in the Minntac Mine, one of, if not the, best assets on the iron range," said Alan Kestenbaum, Stelco's Executive Chairman and Chief Executive Officer. "Our actions today are an example of the type of decisive and strategic actions we are able to take in any operating environment, in order to drive significant and sustained long-term value creation for our shareholders."

Stelco Holding's Board of Directors voted unanimously to support this transaction.

First Quarter 2020 Commentary and Expected Earnings

Stelco will be releasing its full results for the first quarter ended March 31, 2020 on May 5, 2020 after the close of trading once the results have been and approved by the Board of Directors. Key highlights are expected to be:

- In Q1 2020 the Company was sold out, shipping to its maximum current capacity, with Shipping Volume² of 621,000 net tons of steel;
- Revenue was \$445 million; and
- Adjusted EBITDA² was \$20 million.

NOTE: All figures indicated above with respect to the three-month period ended March 31, 2020 are preliminary and are subject to change as our financial results are finalized. The preliminary results provided above constitute forward-looking information within the meaning of applicable securities laws, are based on a number of assumptions and are subject to a number of risks and uncertainties. See "Forward-Looking Information".

Stelco's Q2 2020 order book is over 85% filled and the Company expects to be fully sold out for the period. Stelco continues to operate its steelmaking and finishing assets in the normal course, despite the global disruptions caused by COVID-19.

Stelco also continues to maintain a strong liquidity position with \$232 million of cash on hand and \$74 million of availability under the existing asset-based credit facility as at March 31, 2020. Financing of the Option will consist of a combination of cash on hand, ongoing cash flow generation and suspension of its quarterly dividend of \$0.10 per share. No incremental financing is required to fund the Option. For the remainder of the year from March 31, 2020, Stelco management's current expectation is that total net capital expenditures will be approximately \$55 million.

Kestenbaum continued "I'm grateful to our leadership team and employees for their continued dedication and focus on working safely and productively during the COVID-19 pandemic."

Conference Call Information

Stelco will host a conference call to discuss the announcement tomorrow, Friday, May 1, 2020 at 10:00 a.m. ET. To access the call, please dial 1 (888) 390 0546 or 1 (416) 764 8688 and reference "Stelco". The conference call will also be webcasted live on the Investor Relations section of Stelco's website at <https://www.stelco.com/investors>. A presentation that will accompany the conference call will also be available on the website prior to the conference call. Following the conclusion of the live call, a replay of the webcast will be available on the Investor Relations section of the Company's website for at least 90 days. A telephonic replay of the conference call will also be available from 12:00 p.m. ET on May 1, 2020 until 11:59 p.m. ET on May 15, 2020 by dialing 1 (888) 390 0541 or 1 (416) 764 8677 and using the pin number 428517.

² Non-IFRS Measure.

Advisors

BMO Capital Markets acted as exclusive financial advisor to Stelco and delivered a fairness opinion to Stelco's Board of Directors. McCarthy Tétrault LLP and Stinson LLP acted as legal counsel to Stelco.

About Stelco

Stelco is a low cost, integrated and independent steelmaker with one of the newest and most technologically advanced integrated steelmaking facilities in North America. Stelco produces flat-rolled value-added steels, including premium-quality coated, cold-rolled and hot-rolled steel products. With first-rate gauge, crown, and shape control, as well as reliable uniformity of mechanical properties, our steel products are supplied to customers in the construction, automotive and energy industries across Canada and the United States as well as to a variety of steel services centres, which are regional distributors of steel products. For more information about Stelco, please visit www.stelco.com.

About U.S. Steel

United States Steel Corporation, headquartered in Pittsburgh, Pa., is a leading integrated steel producer and Fortune 250 company with major production operations in the United States and Central Europe. The company manufactures a wide range of value-added steel sheet and tubular products. For more information about U.S. Steel, please visit www.ussteel.com.

Non-IFRS Measures

This press release refers to certain non-IFRS measures that are not recognized under International Financial Reporting Standards ("IFRS") and do not have a standardized meaning prescribed by IFRS. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including "adjusted EBITDA" to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management uses these non-IFRS financial measures to facilitate operating performance comparisons from period-to-period, to prepare annual operating budgets and forecasts, and drive performance through our management compensation program. For a reconciliation of certain of these non-IFRS measures refer to the "Reconciliation of Expected Net Income to Expected Adjusted EBITDA" section below and the "Non-IFRS Performance Measures" in our Management Discussion and Analysis for the period ended December 31, 2019 available on SEDAR at www.sedar.com (the "MD&A"). For a definition of certain non-IFRS measures, refer to the "Non-IFRS Performance Measures" section of the Company's MD&A.

Reconciliation of Expected Net Income to Expected Adjusted EBITDA

The following table provides a reconciliation of expected net income (the most directly comparable measure calculated in accordance with IFRS) to the noted expected adjusted EBITDA (a non-IFRS measure) for Q1 2020.

(millions of Canadian dollars, except where otherwise noted)		
Three months ended March 31,	2020	2019
Net income (loss)	\$ (24)	\$ 43
Add back/(Deduct):		
Finance costs ¹	33	3
Depreciation	13	8
Restructuring and other costs	1	-
Transaction-based and other corporate-related costs	1	-
Unrealized gain from commodity-based swap	(2)	-
Share-based compensation ²	(1)	2
Finance income	(1)	(2)
Tariff related costs	-	13
Separation costs related to USS support services	-	5
Carbon tax expense	-	3
Property related idle costs included in cost of goods sold	-	1
Adjusted EBITDA	20	76

1 Finance costs includes foreign exchange gains and losses, interest on loans and borrowings, remeasurement and accretion costs associated with our employee benefit commitment and other finance costs connected to our lease obligations. During the first quarter of 2020, finance costs included a \$16 million foreign exchange loss in connection with the impact of foreign exchange translation on U.S. dollar denominated working capital.

2 Share-based compensation consists of costs (recovery) connected with share options awarded to certain members of the Company's executive senior leadership team during the period.

Forward-Looking Information

This news release contains forward-looking statements, as defined by applicable securities legislation, including statements regarding Stelco's anticipated requirements for iron ore pellets at Lake Erie Works, including for expanded production following the blast furnace upgrade project, the Company's expected results for the first quarter ended March 31, 2020, the Company's sales expectations for Q2 2020, Stelco's anticipated capital expenditures of the remainder of the year from March 31, 2020 and the payment schedule for the Initial Consideration under the Option Agreement. Often, but not always, forward-looking statements can be identified by the use of words such as "set up," "on track," "expect," "estimate," "forecast," "target," "outlook," "schedule," "represent," "continue," "intend," "should," "would," "could," "will," "can," "might," "may," and other expressions which are predictions of or indicate future events, trends or prospects and which do not relate to historical matters identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Although the Company believes it has a reasonable basis for making these forward-looking statements, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. Factors that could cause actual results to differ materially from those contemplated or implied by forward-looking statements include changes in general economic and/or market conditions, including as a result of COVID-19, and material changes in the business or affairs of the Company many of which are outside of the Company's control, which could cause actual results to differ materially from the results discussed in the forward-looking statements.

The forward-looking statements contained in this news release are made as of the date hereof, and, except as required by applicable law, the Company does not undertake to update any forward-looking statements, whether

written or oral, that may be made from time to time by, or on behalf of, the Company, whether as a result of new information, future events or otherwise, or to publicly update or revise the above list of factors affecting this information. New factors emerge from time to time, and it is not possible for the Company to predict all such factors. When considering the forward-looking statements included in this news release, please keep in mind the risk factors and other cautionary statements described in the Company's management's discussion and analysis for the three months and year ended December 31, 2019 and the Company's annual information form for the year ended December 31, 2019, each available under the Company's profile on SEDAR at www.sedar.com.

Further Information

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