# STELCO HOLDINGS INC.

## ANNUAL INFORMATION FORM

**For the Financial Year Ended December 31, 2022**

**Dated February 22, 2023**

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# EXPLANATORY NOTES

In this Annual Information Form, references to "Stelco", the "Company", "we", "us" or "our" refer to Stelco Holdings Inc., Stelco Inc. and their subsidiaries taken together as a whole, unless otherwise noted or the context otherwise requires. All capitalized terms used in this Annual Information Form but not otherwise defined herein have the meanings set forth in the "*Glossary*".

Information contained in this Annual Information Form is given as of December 31, 2022, unless otherwise specifically stated.

Information contained on, or otherwise accessed through, the website of the Company, www.stelco.com, or any of its subsidiaries' websites, shall not be deemed to be a part of this Annual Information Form and such information is not incorporated by reference herein and should not be relied upon by readers for the purpose of determining whether to invest in the Common Shares or any other securities of the Company, that may exist from time-to-time.

Unless otherwise indicated, all charts, graphs, tables and figures are prepared by the Company's management.

## Currency

All dollar amounts are expressed in Canadian dollars and all references to "$" in this Annual Information Form refer to Canadian dollars, unless otherwise indicated.

## Glossary

Attached as Appendix "A" to this Annual Information Form is a comprehensive glossary of terms. Capitalized terms not otherwise defined in the body of this Annual Information Form shall have the meanings ascribed to such terms in the "*Glossary*".

## Weight

Unless otherwise specified herein, any reference to "ton" or "nt" in this Annual Information Form means a net ton or 2,000 pounds, commonly referred to as a "short ton", and any reference to "tonne" in this Annual Information Form means a metric ton or 2,205 pounds. Any reference to "k nt" in this Annual Information Form means thousand net tons and any reference to "m nt" means million net tons.

## Market Data

This Annual Information Form contains certain statistical data, market research and industry forecasts that were obtained, unless otherwise indicated, from independent industry and government publications and reports or are based on estimates derived from such publications and reports and management's knowledge of, and experience in, the markets in which the Company operates. Industry and government publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While the Company believes this data to be reliable, market and industry data is subject to variation and cannot be verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified the accuracy or completeness of such information contained herein. In addition, any information relating to Fairfax Financial Holdings Limited ("**Fairfax**") and its affiliates and related parties has not been independently verified by the Company and is based on publicly disclosed information.

## FORWARD-LOOKING STATEMENTS

Certain information in this Annual Information Form contains ‘‘forward-looking information’’ within the meaning of applicable securities laws. Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, dividend policy, plans and objectives of the Company. Particularly, information regarding our expectations of future results, performance, achievements, prospects, or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as ‘‘plans’’, ‘‘targets’’, ‘‘expects’’ or ‘‘does not expect’’, ‘‘is expected’’, ‘‘an opportunity exists’’, ‘‘budget’’, ‘‘scheduled’’, ‘‘estimates’’, ‘‘outlook’’, ‘‘forecasts’’, ‘‘projection’’, ‘‘prospects’’, ‘‘strategy’’, ‘‘intends’’, ‘‘anticipates’’, ‘‘does not anticipate’’, ‘‘believes’’, or variations of such words and phrases or state that certain actions, events or results ‘‘may’’, ‘‘could’’, ‘‘would’’, ‘‘might’’, ‘‘will’’, ‘‘will be taken’’, ‘‘occur’’ or ‘‘be achieved’’. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Discussions containing forward-looking information may be found, among other places, under the sections below entitled “*General Development of the Business*”, “*Description of the Business*” and “*Risk Factors*”.

The forward-looking information includes, among other things: statements regarding our strategy of maximizing total shareholder returns while maintaining a conservative capital structure; statements regarding the Company’s six strategic objectives, namely: (i) operating safely and sustainably, (ii) expanding and serving our customer base, (iii) optimizing production from our assets, (iv) maintaining a strong balance sheet, (v) maximizing profitability and cash flows, and (vi) growing our business; expectations that the design, development and construction of electric vehicle battery recycling refineries contemplated in connection with the Primobius arrangement will, if completed, allow Stelco to become a leading lithium-ion battery recycler in North America and that the anticipated volumes referenced herein will be realizable; statements with respect to the timing of the design, construction and completion of any such electric vehicle battery recycling refineries; expectations that the licensing agreement with Primobius will enable Stelco to advance commercial lithium-ion battery feedstock sourcing agreements and commence engineering and approvals processes; statements regarding the Minntac Mine and the Minntac Option, including with respect to the expected annual production capacity of the Minntac Mine; statements with respect to the Option Agreement and the Pellet Agreement, including with respect to the Company’s belief that these agreements will: (i) secure a long-term future for the Company’s steel production and solidify the Company’s low-cost operating advantage, (ii) provide a high-quality and consistent supply of iron ore pellets for the duration of the term of the Pellet Agreement, or longer, if the Minntac Option were to be exercised, (iii) satisfy the Company’s production capacity, (iv) support the Company’s tactical flexibility model to deliver the highest margin outcomes based on prevailing market conditions, and (v) create a pathway for Stelco to become a vertically integrated steelmaker in the future through ownership in a low-cost and high-quality iron ore source; expectations that the Cogen Plant will reduce the Company’s overall electricity costs; statements regarding the aggregate maximum fixed payment amount that is payable by the Company in respect of the Cogen Plant and the related boiler assets and infrastructure; statements regarding the Coke Battery Upgrade Project assisting the Company in meeting its environmental compliance objectives; statements regarding the Company’s belief that the RPA provides the Company with improved liquidity on certain customers’ trade receivables; statements with respect to the 2023 NCIB and any expectation that the Company will purchase for cancellation any shares thereunder; statements regarding our intention to pursue and complete capital projects in connection with the ISED Contribution; statements with respect to the application of the ISED Contribution to such capital projects; statements with respect to our intention to fully capitalize on the ISED Contribution and expectations that the funding commitment, and any capital projects in connection therewith, will allow us to: (i) increase research and development, (ii) facilitate growth and expansion, (iii) advance industrial research and technology, (iv) produce additional advanced steel products, (v) lower the Company’s overall production costs, and/or (vi) improve the Company’s environmental footprint; statements regarding the COVID-19 pandemic and the impacts that it may have on the Company and the industry and market in which the Company operates; statements regarding the anticipated benefit of the environmental release granted to the Company by the Province; expectations regarding increased domestic demand for our products as a result of existing Canadian trade measures; statements with respect to announcements by the Government of Canada concerning regulatory amendments and policy changes, which are expected to improve the effectiveness and transparency of

Canada's trade remedy system; our ability to grow our business through complimentary acquisitions and other investments to maximize shareholder returns; statements relating to the continuation of and improvement to our production performance; statements with respect to our strategic capital expenditure program aimed at improving our product mix to focus on more advanced steel products, including AHSS and UHSS grades; expectations regarding the Company's ability to continue to attract new customers and further develop and maintain existing customers; expectations regarding our ability to introduce new products; expectations regarding our ability to successfully pursue initiatives such as capturing, recycling, and selling by-products generated by our production process, and our expectation that any such initiatives can be implemented with limited investment to improve asset utilization; statements regarding our continued investments in health and safety initiatives and the ongoing improvement of our workplace environments; expectations regarding our ability to operate successfully in diverse economic environments; expectations that we can comply with new and existing environmental compliance obligations in a manner that will not have a material adverse effect on our financial position; statements with respect to amounts available under our ABL Facility and IMA, together with cash-on-hand and cash generated from operations and additional liquidity provided by the RPA being sufficient to meet our future operating expenses, capital expenditures, future debt services costs, and expectations that such amounts will be sufficient to support the growth of our business (primarily through working capital and capital expenditures), while also allowing the Company to repay short-term obligations and support general corporate purposes; statements regarding the Company's future organic growth; expectations regarding significant capital projects; expectations regarding utilization of excess capacity; expectations regarding upgrades to existing facilities and their effect on revenue and costs; expectations regarding the Company's access to a wider range of markets; expectations regarding the impact of our tax attributes on our future cash flows; statements regarding our dividend policy; expectations concerning working capital and capital expenditures and the future actions relating thereto and the anticipation of creating value and profitability; expectations that the Company's future funding obligations under the general funding regime under the Pension Act will not be material; expectations regarding the Company's ability to continue to access markets without any further adverse trade restrictions; expectations regarding industry trends, market growth rates and the Company's future growth rates, plans and strategies to increase revenue and cut costs; and expectations regarding the future pricing of steel and metals and the resulting impact.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions considering our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. Certain assumptions in respect of the utilization of and access to our excess capacity; capital expenditures associated with accessing such excess capacity; the impact of COVID-19 on our business and the broader market in which we operate; the market's ability to recover from COVID-19; upgrades to our facilities and equipment; our research and development activities associated with advanced steel grades; our ability to source raw materials and other inputs; our ability to supply to new customers and markets; our ability to effectively manage costs; our ability to attract and retain key personnel and skilled labour; our ability to obtain and maintain existing financing on acceptable terms; currency exchange and interest rates; the impact of competition; changes in laws, rules, and regulations, including international trade regulations; and growth in steel markets and industry trends are material factors made in preparing the forward-looking information and management's expectations contained in this Annual Information Form.

*Key Assumptions Underlying the Shredding and Hydrometallurgical Refinery Facilities' Production Estimates*

The approval, development, and construction of shredding and hydrometallurgical refinery facilities, the estimated schedules with respect thereto, and the estimated production volumes associated with such facilities included in this Annual Information Form are based on a number of assumptions, including, but not limited to, the following material assumptions: expectations that third party contractors and suppliers will deliver, construct and perform in accordance with agreed upon design plans and plant engineering reports; expectations Stelco will be able to procure and obtain sufficient quantities and quality of end-of-life electric vehicles and/or other batteries to fully-utilize the facilities' design capacities; our ability to obtain any applicable regulatory approvals and permits required in connection with developing, constructing and operating the facilities; expectations that, upon completion, the facilities will produce in accordance with anticipated design capacity; expectations that the market for electric vehicle batteries and steel products does not experience a material adverse change that would render the development, construction and /or operation of the facilities uneconomical; expectations that our customers will continue to purchase material volumes of production outputs upon completion of the project; expectations that the hydrometallurgical refinery facility will produce sufficient quality grades of battery metals following completion of the refining process; expectations that North America will be the world's fastest growing cell-making region; and expectations that we will fully realize current and future production levels at our facilities.

If various risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and described in greater detail in *''Risk Factors''* should be considered carefully by readers.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date made. The forward-looking information contained in this Annual Information Form represents our expectations as of the date of this Annual Information Form (or as of the date the relevant statements are otherwise stated to be made) and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except (i) as required under applicable securities laws in Canada and (ii) to provide updates in our annual management's discussion and analysis for each financial year up to and including that in respect of 2022 regarding the annual shipment target disclosed in the final prospectus relating to the IPO, including information on actual results and a discussion of anticipated variance, if any, from the targets disclosed in the final prospectus relating to the IPO.

We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties, and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

## CORPORATE STRUCTURE

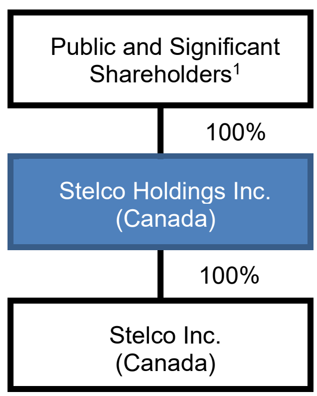
### Name, Address, and Incorporation

Stelco Holdings Inc. is a corporation incorporated under the *Canada Business Corporations Act* ("**CBCA**") pursuant to articles of incorporation dated September 25, 2017 (as amended from time-to-time). Its registered and head office is located at 386 Wilcox Street, Hamilton, Ontario, L8L 8K5. The common shares in the capital of the Company ("**Common Shares**") are listed for trading on the Toronto Stock Exchange ("**TSX**") under the stock symbol "STLC" and are currently included in the S&P/TSX Composite Index.

Stelco Inc., one of Canada's leading steel producers, is a material wholly owned subsidiary of Stelco Holdings Inc. Stelco Inc. is a corporation incorporated under the CBCA and originally came into existence as The Steel Company of Canada, Limited in 1910.

### Intercorporate Relationships[1]

The following diagram illustrates the organizational structure of the Company, including significant shareholders and material wholly owned subsidiaries as of the date of this Annual Information Form (including jurisdiction of formation):




[1] Note: As of February 16, 2023: (i) Fairfax, together with its affiliates and related parties, owned, or exercised control or direction over approximately 23.6% of the issued and outstanding Common Shares; and (ii) Alan Kestenbaum beneficially owned or exercised control or direction over approximately 15.7% of the issued and outstanding Common Shares.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Strategy

Our strategy is to maximize total shareholder returns while maintaining a conservative capital structure. In order to accomplish this strategy, we are focused on six strategic objectives: (i) operating safely and sustainably; (ii) expanding and serving our customer base; (iii) optimizing production from our assets; (iv) maintaining a strong balance sheet; (v) maximizing profitability and cash flows; and (vi) growing our business. These strategic objectives are supported by the entrepreneurial culture that underpins our return-based approach to operating our business. This culture is driven by our leadership team's ownership mentality and significant ownership interest in the Company, which is unique amongst North American publicly traded steel companies. We believe pursuing these strategic objectives will allow us to generate sustainable long-term returns for our shareholders.

*Operate Safely and Sustainably*

Our business upholds a social contract with both our employees and the communities in which we operate. The health and safety of our employees is always at the core of our strategy, and we believe that a job done safely, is a job well done. We intend to build on our success in this area and continue to focus on ensuring our employees return home safely each and every day. We also intend to continue investing in our facilities to reduce our carbon footprint and improve the environmental sustainability of our operations. Through investments in research and development as well as emerging technologies, we intend to reduce emissions, improve efficiency, and in turn generate positive returns for our valued stakeholders.

*Expand and Serve our Customer Base*

We remain committed to serving our customers through strategic investments, expanding the current steel products we offer, and delivering those products more efficiently through improved logistics capabilities. We expect to continue working closely with our customer base to identify and develop the next generation of steel products to serve both their needs and those of the end-users of our products.

*Optimize Production From our Assets*

As a result of historical underutilization, we have excess capacity in certain of our steel production processes. We believe we can utilize this excess capacity to grow our revenues and lower our costs per nt. We actively pursue initiatives that can be implemented with limited investment to improve asset utilization. In addition to utilizing excess capacity, we continue to pursue initiatives such as capturing, recycling, and selling the by-products generated in our production process. We believe we can deliver organic growth from these types of low-capital, high-return projects.

*Maintain a Strong Balance Sheet*

We believe maintaining financial discipline leads to the delivery of sustainable, long-term shareholder returns and will ensure Stelco is well-positioned to manage the cyclical nature of the steel industry. We are committed to maintaining a strong balance sheet with sufficient liquidity and financial flexibility to support our operational and strategic initiatives. This will allow us to finance selective capital expenditure programs aimed at improving our product mix to focus on more advanced steel products, including additional advanced high-strength steel ("**AHSS**") and ultra-high strength steel ("**UHSS**") grades. Unlike many of our integrated peers, we are not encumbered by significant and uncapped liabilities associated with pensions and other post-employment benefits. We seek to maintain a capital structure with low financial leverage that is largely free from legacy liabilities in order to ensure maximum free cash flow generation.

*Maximize Profitability and Cash Flow*

Our production and sales efforts are focused on products and end-markets that we consider to have the highest potential for profitability and growth. We are currently focused on expanding our technical capabilities in order to produce additional AHSS and UHSS grades and a broader range of fully-processed cold-rolled products. We believe these products, which are geared toward the automotive and construction end-markets, will enable us to deliver higher margins and generate increased cash flow. Additionally, we seek to aggressively maintain our low-cost position by controlling the cost of our raw material inputs by entering into long-term supply contracts and regularly reviewing these contracts with a view toward improving terms, and through other cost saving initiatives focusing on operating efficiencies and generating returns for our shareholders. We have also focused on improving our working capital velocity through initiatives aimed at optimizing inventory levels and accounts receivable. We believe we can maximize our profitability and cash flow generation by pursuing these initiatives.

The Company's sales strategy is focused on maximizing profits, including pursuing higher margin business, increasing our expansion into new geographic markets with respect to hot-rolled, cold-rolled, and coated coil sales, and assessing opportunities to introduce new products.

*Grow our Business*

We take a disciplined approach to our capital investments with a focus on return-based metrics. Our management team has a proven track record of value creation through an opportunistic and disciplined approach to acquisitions. By maintaining a strong balance sheet, we can selectively pursue organic and strategic opportunities when market conditions are favourable to us. We have adopted this return-based approach to evaluate opportunities for our business as we seek to expand our capabilities. We evaluate and consider strategic opportunities based on strictly defined financial criteria focused on pursuing projects with the highest cash-on-cash returns and fastest payback. We believe this will position us to grow our business through complementary acquisitions and other investments to maximize shareholder returns.

**Notable Transactions**

*Hamilton Sports Group*

On March 25, 2022, the Company completed the acquisition of a 40% equity interest in Hamilton Sports Group. Hamilton Sports Group owns the Hamilton Tiger-Cats (of the Canadian Football League) and Hamilton's Forge FC (of the Canadian Premier League), and is also the holder of license agreements in respect of Tim Hortons Field, a modern 23,000 seat multipurpose stadium located centrally in Hamilton, Ontario.

*Minntac Mine Option*

On April 30, 2020, the Company announced that Stelco Inc. entered into an option agreement ("**Option Agreement**") with USS, which grants to Stelco an option to purchase a twenty-five percent (25%) ownership interest (the "**Minntac Option**") in a to-be-formed joint venture that would own 100% of USS' iron ore mine located in Mt. Iron, Minnesota, and related infrastructure including the pellet plant ("**Minntac Mine**"). The Minntac Mine is a fully integrated iron ore mine operated by USS and we believe it is the largest iron ore operation in the United States, with annual production capacity of up to sixteen million (16,000,000) tons per year of iron ore pellets. In consideration for the Minntac Option, Stelco paid USS cash consideration of one hundred million U.S. dollars (US$100,000,000) (the "**Initial Consideration**") The Minntac Option is exercisable by Stelco Inc. at any time through January 31, 2027 (the "**Minntac Option Term**"). Upon the exercise of the Minntac Option, Stelco has agreed to pay USS a net exercise price of five hundred million U.S. dollars (US$500,000,000).

Pursuant to the terms of the Option Agreement, Stelco may perform no more than three (3) confirmatory due diligence reviews of the Minntac Mine during the Minntac Option Term. If Stelco fails to exercise the Minntac Option upon the expiration of any due diligence period, Stelco would be required to pay USS a twenty million U.S. dollar (US$20,000,000) due diligence fee. If Stelco were to exercise the Minntac Option but fail to comply with the terms of the Minntac Option and not execute the applicable transaction agreements contemplated thereunder, Stelco would be required to pay USS a fee of twenty million U.S. dollars (US$20,000,000). If Stelco elects not to exercise the Minntac Option during the Minntac Option Term, Stelco will have forfeited the Initial Consideration. See *"Risk Factors – Changes in the availability and cost of raw materials, electricity and natural gas and the cost of such inputs relative to steel prices could adversely affect our business".*

Concurrent with the announcement of the Option Agreement, the Company announced a new eight-year supply agreement with USS for iron ore pellets (the "**Pellet Agreement**"). The Company believes that the Pellet Agreement assures it of supply of high-quality iron ore pellets from a known and reliable source for substantially all of the Company's anticipated requirements through January 31, 2028. If and when the Company exercises the Minntac Option, the Pellet Agreement would terminate, and the Company would obtain iron ore pellets from the to-be-formed joint venture entity operating the Minntac Mine, of which the Company would own a twenty-five percent (25%) interest.

We believe the Pellet Agreement and Option Agreement align with the Company's key strategic objectives through the following:

- Secures the long-term future of Stelco's steel production and solidifies Stelco's low-cost advantage;
- Provides a supply of high-quality iron ore pellets from a well-understood and consistent source through January 31, 2028, or longer if the Minntac Option is exercised;
- Increased the annual pellet supply to the approximate level required for Stelco's higher production capacity resulting from the blast furnace upgrade and reline project completed during 2020;
- Supports Stelco's tactical flexibility model to deliver the highest margin outcomes based on prevailing market conditions; and
- Creates a pathway for Stelco to become a vertically integrated steelmaker in the future through ownership in a low-cost and high-quality iron ore source which is the largest producing iron ore mine on the Mesabi iron range.

**Significant Projects**

*Cogen Plant*

On June 18, 2020, we entered into an arrangement with an affiliate of DTE Energy Services, Inc. ("**DTE**") for the development, construction, and operation of a net 65MW cogeneration facility (the "**Cogen Plant**"), at Stelco's LEW facility, which Cogen Plant became operational during the summer of 2022. DTE was required to fund the capital costs associated with the construction of the Cogen Plant and Stelco is required pay DTE a fixed monthly fee pursuant to the terms of an energy services agreement ("**ESA**") for operating the Cogen Plant for an initial term of twenty (20) years, expiring in 2042. Stelco's contractual fixed payments to DTE over the 20-year term of the ESA will be approximately $273 million, in the aggregate, subject to certain contingent variable cost adjustments under the ESA. See *"Risk Factors – Our LEW Cogen Plant is newly constructed".*

On August 14, 2020, Stelco entered into a separate arrangement with DTE for the financing of refurbishment costs in connection with certain Stelco owned boiler assets and related boiler infrastructure required to support the Cogen Plant. The aggregate amount of $11 million advanced to Stelco under the boiler financing arrangement is repayable to DTE over a 20-year term at an effective interest rate of 11.14% per annum.

*Coke Battery Upgrade Project*

During April 2022, the Company completed a project to rehabilitate the LEW coke battery, which included replacing the refractory bricks and upgrading the coke oven end flues (the "**Coke Battery Upgrade Project**") for a total cost of approximately $192 million. The Coke Battery Upgrade Project has resulted in improved integrity and efficiency of the LEW coke oven battery and increased production capability by up to 50 thousand nt of coke per annum while also helping us meet our environmental compliance objectives and providing waste gases that we recycle into our other operations, thereby reducing energy purchases and emissions. We had previously idled one half of the battery in July 2019 and the remaining ovens in the first quarter of 2021 through to project completion in April 2022. See *"Risk Factors – Our facilities require continual capital investments that we may not be able to sustain, and which may require an outage of certain of our facilities to complete"*.

*Electric Vehicle Battery Recycling*

On December 31, 2021, the Company announced that it had executed binding licensing and option agreements with Primobius to commercialize Primobius' proprietary advanced electric vehicle battery recycling and processing technologies in North America. The Company believes that the licensing agreement will enable Stelco to advance commercial lithium-ion battery feedstock sourcing agreements and commence engineering and approvals processes to build facilities and enter the rapidly growing market. The option agreement grants Primobius the right to acquire between a 25% and 50% equity interest in Stelco's wholly owned subsidiary performing these activities. If not exercised by Primobius, Stelco will have the exclusive rights to utilize Primobius' proprietary technology in Canada, the United States and Mexico to recycle lithium-ion batteries removed from end-of-life electric vehicles, and Primobius will be entitled to a gross revenue royalty. The Company believes that the proposed 20k nt per annum battery shredding facility and hydrometallurgical refinery will enable Stelco to become a leading lithium-ion battery recycler in North America. The Company's objective is to have recycling facilities that will process significant anticipated volumes from end-of-life electric vehicle batteries originating from the world's fastest growing battery cell-making region. The licensing agreement also provides Stelco with the opportunity to build additional processing facilities across North America, should we choose to do so. During 2022, the licensing and option agreements were extended through to December 31, 2023, as the parties continue to work towards developing detailed engineering studies.

*Pig Iron Casting Facility*

On January 28, 2021, the Company announced that it had successfully commissioned a new pig iron caster at LEW. The addition of the pig iron caster to Stelco's operations further supports the Company's tactical flexibility strategy and allows the Company to fully capitalize on increased hot metal capacity resulting from the completion of the blast furnace upgrade and reline project. The total cost of the pig iron casting facility was approximately $52 million.

*Blast Furnace Upgrade and Reline*

On October 13, 2020, the Company announced the successful completion of the upgrade and reline of our LEW blast furnace. This project included a full reline of the refractory bricks in the LEW blast furnace along with the replacement of multiple major components and other hardware to extend the life of the blast furnace by several decades while also improving its performance characteristics and the efficiency of our production process. The cost of the LEW blast furnace upgrade and reline project was approximately $119 million. The Company has experienced an increase in annual production capacity of approximately 300k nt of additional hot metal.

## Equity Transactions

*Substantial Issuer Bids*

The Company completed three substantial issuer bids ("**SIB**") during the three-year period ended December 31, 2022. The table below provides the material details with respect to such SIBs. Each of the three SIBs were detailed in a formal offer to purchase and issuer bid circular, together with other related documents that were mailed to shareholders and filed with the Canadian securities regulators and are available under the Company's SEDAR profile at www.sedar.com.

| | **September 2022 SIB** | **July 2022 SIB** | **December 2021 SIB** |
|---|---|---|---|
| Date of SIB Announcement and Issuer Bid Circular | September 21, 2022 | July 26, 2022 | December 21, 2021 |
| Date of Completion of Substantial Issuer Bid | November 1, 2022 | September 15, 2022 | February 2, 2022 |
| Aggregate Value of Common Shares the Company Offered to Purchase Under the SIB | Up to $1,050 million | Up to $1,050 million | Up to $250 million |
| Number of Common Shares Tendered by Shareholders and Repurchased for Cancellation | 8,226,997 | 5,165,133 | 4,441,023 |
| Price Paid by the Company for Common Shares Tendered by Shareholders and Repurchased for Cancellation (Per Common Share / Aggregate) | $35 per Common Share / $288 million in the aggregate | $35 per Common Share / $181 million in the aggregate | $37 per Common Share / $164 million in the aggregate |
| Percentage of the then Issued and Outstanding Common Shares Tendered by Shareholders and Repurchased for Cancellation Prior to Giving Effect to the SIB | 13.0% | 7.5% | 5.7% |

*Normal Course Issuer Bids*

*2023 NCIB*

Subsequent to December 31, 2022, the Company received approval from the TSX to commence an NCIB (the "**2023 NCIB**"). Stelco Holdings is entitled to purchase up to 3,344,284 common shares pursuant to the 2023 NCIB. The 2023 NCIB will commence on February 28, 2023 and end on February 27, 2024, or such earlier date as Stelco may complete its purchases pursuant to the notice of intention filed with the TSX, or for any other reason Stelco may determine.

The maximum number of common shares that may be repurchased for cancellation under the 2023 NCIB represents approximately 10% of the Company's public float as of February 21, 2023, as calculated in accordance with the rules of the TSX rules. As of February 21, 2023, the Company had 55,128,694 common shares issued and outstanding. The average daily trading volume (ADTV) for the six months ended January 31, 2023, calculated in accordance with the rules of the TSX for purposes of the 2023 NCIB, was 392,905 common shares. Under the rules of the TSX, Stelco is entitled to repurchase, during each trading day, up to 25% of the ADTV or 98,226 common shares (excluding purchases made pursuant to the block purchase exception) through the TSX.

Repurchases will be made through the facilities of the TSX as well as through other designated exchanges and alternative trading systems in Canada in accordance with applicable regulatory requirements. The price paid for such repurchased shares will be the market price of such shares at the time of acquisition or such other price as may be permitted by the TSX. All common shares repurchased under the NCIB will be cancelled. The actual number of common shares repurchased and timing of the repurchases under the 2023 NCIB will be determined by Stelco. Shareholders can obtain a copy of the 2023 NCIB notice accepted by the TSX, without charge, by contacting the Company.

*2022 NCIB*

On February 23, 2022, the Company received approval from the TSX to commence an NCIB (the "**2022 NCIB**"). Stelco was entitled to purchase up to 4,353,418 Common Shares pursuant to the 2022 NCIB. The 2022 NCIB, which commenced on February 28, 2022 was completed on July 21, 2022, when the aggregate repurchases under the 2022 NCIB reached the permitted amount.

The Common Shares repurchased for cancellation under the 2022 NCIB represented approximately 6% of the 72,874,242 issued and outstanding Common Shares and 10% of the Company's public float, as calculated in accordance with the TSX rules as of February 22, 2022.

Repurchases were made through the facilities of the TSX as well as through other designated exchanges and alternative trading systems in Canada in accordance with applicable regulatory requirements. The price paid for such repurchased shares was the market price of such shares at the time of acquisition or such other price as permitted by the TSX. All Common Shares repurchased under the 2022 NCIB were cancelled. The actual number of Common Shares repurchased and timing of the repurchases under the 2022 NCIB was determined by Stelco.

The Company purchased and cancelled 4,353,418 Common Shares at an average price of $34.09 per share under the 2022 NCIB, for a total purchase price of approximately $148 million.

*2021 Share Repurchase*

On August 13, 2021, the Company announced the completion of the repurchase and cancellation of 11,398,024 Common Shares from LG Bedrock at a price of $34.93 per Common Share (which represented a discount of approximately 26% to the closing price of the Common Shares on the TSX on August 12, 2021) for gross proceeds to LG Bedrock of approximately $398 million (the "**2021 Share Repurchase**"). The Company funded the 2021 Share Repurchase with cash on hand. The 2021 Share Repurchase was completed pursuant to a definitive share purchase agreement dated August 13, 2021 (the "**Share Purchase Agreement**") and was subsequently filed with the Canadian securities regulators and is available under the Company's SEDAR profile at www.sedar.com. The 2021 Share Repurchase was overseen by a Special Committee of the Board comprised entirely of independent directors.

*Prospectus Offerings*

On June 2, 2021, the Company announced the completion of a bought deal secondary offering (the "**June Offering**") of 6,670,000 Common Shares by LG Bedrock at a price of $33.00 per Common Share for aggregate gross proceeds to LG Bedrock of approximately $220 million, which included the sale of 870,000 Common Shares pursuant to the exercise in full by the underwriter of its over-allotment option. The June

Offering was completed by way of a prospectus supplement dated May 28, 2021 (the "**May Prospectus Supplement**") to a short form base shelf prospectus ("**Base Shelf Prospectus**") that was filed on February 11, 2021, which Base Shelf Prospectus had qualified the issuance of up to $1 billion of Common Shares, preferred shares, debt securities, warrants, subscription receipts, units, or any combination of such securities. The Base Shelf Prospectus and the May Prospectus Supplement have been filed with Canadian securities regulators and are available under the Company's profile at www.sedar.com.

On March 10, 2021, the Company announced the completion of a bought deal secondary offering (the "**March Offering**") of 7,000,000 Common Shares by LG Bedrock at a price of $26.25 per Common Share for aggregate gross proceeds to LG Bedrock of approximately $184 million. The March Offering was completed by way of a prospectus supplement dated March 5, 2021 (the "**March Prospectus Supplement**") to the Base Shelf Prospectus. The March Prospectus Supplement has been filed with Canadian securities regulators and is available under the Company's profile at www.sedar.com.

**Funding Arrangements**

*Asset-Based Lending Facility*

Stelco Inc. is party to an asset-based lending agreement, as amended and restated from time-to-time (the "**ABL Facility**"). The ABL Facility was originally entered into on June 30, 2017. The amount available to be drawn under the ABL Facility varies from time-to-time, based upon a borrowing base determined with reference to Stelco Inc.'s eligible trade receivables and certain inventory balances, excluding certain trade receivables that have been sold under the RPA and inventory that has been monetized under the IMA. As at December 31, 2022, the ABL Facility's maximum borrowing capacity was $375 million (subject to available eligible accounts receivable, inventory, and machinery and equipment). As at December 31, 2022, the available borrowing base under the revolving portion of the ABL Facility was $199 million. The Company was in compliance with the financial covenants pursuant to the ABL Facility as at and for the year ended December 31, 2022.

During the year ended December 31, 2020, the ABL Facility was amended by two amendments dated June 3, 2020 and November 13, 2020 (collectively, the "**2020 ABL Amendments**"). The 2020 ABL Amendments included, but were not limited to the following: (i) a change of non-revolving term loan scheduled monthly repayments to approximately $1.3 million, only commencing on January 31, 2021; (ii) a change of financing rate to Canadian/U.S. prime rate plus 0.50% - 1.00%; (iii) a change of option to index the revolving interest rate to CDOR/LIBOR plus a margin of 1.50% - 2.00%; (iv) an amendment to the definition of CDOR and LIBOR within the ABL Facility to include a floor interest rate of 0.75%; and (v) the requirement that Stelco Inc. maintain total minimum liquidity of $50 million through April 30, 2020, consisting of excess availability under the ABL Facility of at least $30 million and cash and cash equivalents of $20 million.

During the year ended December 31, 2021, the ABL Facility was further amended and restated by an agreement dated June 18, 2021 (the "**2021 ABL Amendment**"). The 2021 ABL Amendment included, but was not limited to the following: (i) an extended term for the ABL Facility with an expiry date of June 18, 2026 (previously August 16, 2023); (ii) an amendment to the definition of CDOR and LIBOR within the ABL Facility to include a reduced floor rate of 0.50% (previously 0.75%); (iii) a change in the unused line fee to 0.25% (previously 0.25% - 0.375%); and (iv) until the non-revolving term loan is repaid in full, the requirement that Stelco Inc. maintain total minimum liquidity of $50 million, consisting of excess availability under the ABL Facility of at least $30 million and cash and cash equivalents of $20 million. Subsequent to the repayment in full of the term loan, Stelco is to maintain a total minimum liquidity of $40 million, consisting of excess availability under the ABL Facility of at least $20 million and cash and cash equivalents of $20 million.

*Receivables Purchase Agreement*

On June 17, 2019, Stelco Inc. entered into a Receivables Purchase Agreement, as amended from time-to-time, ("**RPA**") with a Canadian Schedule II bank (the "**Purchaser**"), enabling Stelco Inc., from time to time, to sell certain customers' trade receivables to the Purchaser on an uncommitted revolving basis. Under the terms of the RPA, Stelco administers and processes the collection of receivables and remits those collections to the Purchaser. The Company believes that the RPA provides Stelco with improved liquidity on certain customers' trade receivables on an uncommitted revolving basis. As at December 31, 2022, Stelco's available purchase limit remaining under the RPA was $14 million.

During the year ended December 31, 2020, the RPA was amended by an amendment dated August 5, 2020 (the "**2020 RPA Amendment**"). The 2020 RPA Amendment included, but was not limited to, the following: (i) a change to the aggregate maximum purchase limit from $108 million to $66 million, which included a reduction in the limit on certain customer trade receivables from US$12.5 million to US$10 million; (ii) the inclusion of scheduled fixed date settlements; and (iii) an increase to the finance rate of CDOR/LIBOR plus a margin of 2.75% (previously 1.75%).

During the year ended December 31, 2021, the RPA was amended by amendments dated May 31, 2021, September 24, 2021, and December 22, 2021 (collectively, the "**2021 RPA Amendments**"). The 2021 RPA Amendments included, but were not limited to, the following: (i) an updated finance rate of CDOR/LIBOR plus a margin of 1.75% (previously 2.75%); (ii) an increase in the aggregate maximum purchase limit to $74 million (previously $66 million); and (iii) transitioning the finance rate benchmark on an equivalent economic basis from LIBOR to the Secured Overnight Financing Rate, effective January 4, 2022, plus a margin of 1.84%.

During the year ended December 31, 2022, the RPA was amended by an amendment dated October 25, 2022 (the "**2022 RPA Amendment**"). The 2022 RPA Amendment included, but was not limited to, an increase in the aggregate maximum purchase limit to $78 million (previously $74 million).

*Inventory Monetization Arrangement*

On December 11, 2017, Stelco Inc. entered into an inventory monetization arrangement, as amended from time-to-time (the "**IMA**"). Under the terms of the IMA, Stelco Inc. receives cash proceeds based upon an agreed pricing formula, calculated on the quantity of certain raw materials and other inventories on-site, less a required cash margin. Currently, inventory of iron ore, metallurgical coal, coke, and steel slabs are monetized under the IMA up to a specified maximum volume. Upon consumption of the inventory, amounts monetized under the arrangement are repaid to the counterparty.

During the year-ended December 31, 2020, the IMA was amended by amendments dated June 29, 2020, and October 29, 2020 (collectively, the "**2020 IMA Amendments**"). The 2020 IMA Amendments included, but were not limited to, the following: (i) a requirement that Stelco Inc. maintain a minimum liquidity balance of at least $50 million, which includes cash and cash equivalents of $20 million; (ii) a finance rate of LIBOR plus a margin of 4.5%; (iii) an option for Stelco Inc. to terminate the arrangement early on either March 31, 2021 or April 30, 2021; (iv) a counterparty option to extend the minimum term with an expiry date of February 28, 2022 at a lower margin over LIBOR; and (v) an option by mutual agreement, to renew the inventory monetization arrangement for an additional minimum 360-day term.

During the year-ended December 31, 2021, the IMA was further amended by an amendment dated March 29, 2021 (the "**2021 IMA Amendment**"). The 2021 IMA Amendment included, but was not limited to, the following: (i) an extended term with an expiry of date of February 28, 2022; (ii) adjusted volume limits of eligible inventory, consistent with the Company's projected operating levels; (iii) Stelco Inc. to maintain a minimum liquidity balance of at least $40 million (previously $50 million), which includes maintaining a minimum level of cash and cash equivalents of $20 million; (iv) finance rate of LIBOR plus a margin of 3.5% (previously LIBOR plus a margin of 4.5%); (v) an option for Stelco to terminate the arrangement early on January 31, 2022; and (vi) an option, by mutual agreement, to renew the inventory monetization arrangement for an additional minimum 360-day term.

During the year-ended December 31, 2022, the IMA was further amended by an amendment dated February 25, 2022 (the "**2022 IMA Amendment**"). The 2022 IMA Amendment included, but was not limited to, the following: (i) an extended term with an expiry of date of January 31, 2023; (ii) adjusted volume limits of eligible inventory, consistent with the Company's projected operating levels; (iii) finance rate of SOFR plus a margin of 3.125% (previously LIBOR plus a margin of 3.5%); and (iv) an option for Stelco to terminate the arrangement early on December 31, 2022.

On January 20, 2023, the IMA was further amended, which amendments included: (i) an extended term with an expiry of date of December 31, 2023; (ii) adjusted volume limits of eligible inventory, consistent with the Company's projected operating levels; (iii) finance rate of SOFR plus a margin of 3.0% (previously SOFR plus a margin of 3.125%); and (iv) an option for Stelco to terminate the arrangement early on November 30, 2023.

Unless otherwise amended or renewed, amounts advanced under the IMA are required to be repaid when the facility expires on December 31, 2023. The Company was in compliance with the financial covenants pursuant to the IMA as at and for the year ended December 31, 2022.

*Innovation, Science and Economic Development Canada Funding Commitment*

On August 13, 2019, the Company announced that it had settled the terms of a funding commitment from Innovation, Science and Economic Development Canada ("**ISED Canada**") of up to $49.9 million (the "**ISED Contribution**"). The ISED Contribution is being made available to the Company under the Strategic Innovation Fund, which was designed by the Government of Canada to, among other things, encourage research and development in Canada, facilitate growth and expansion of firms, and advance industrial research and technology. The ultimate amount of the ISED Contribution that the Company will receive is dependent upon qualified expenditures made by it in connection with certain capital projects, as agreed with ISED Canada. Subject to the terms of the funding agreement, fifty percent (50%) of the ISED Contribution is non-refundable and the remainder is a non-interest-bearing loan, which is repayable over an eight-year period beginning January 1, 2024.

As of December 31, 2022, the Company received an aggregate of $44.9 million in cash proceeds in connection with the ISED Contribution. Management believes that investment in these capital projects will allow the Company to produce additional advanced steel products, lower its overall production costs and improve its environmental footprint.

**Operations**

*Collective Bargaining*

On August 22, 2022, Stelco announced that it had renewed its collective bargaining agreements with each of its USW locals. As a result, Stelco has collective bargaining agreements with USW Local 8782, USW Local 8782(b) and USW Local 1005, each for a term of five (5) years ending June 30, 2027.

*Cyberattack*

On October 25, 2020, the Company announced that it was subject to a criminal cyberattack on its information systems. In response, the Company immediately implemented countermeasures in accordance with established cybersecurity procedures and policies that were developed in collaboration with expert external advisors. The countermeasures taken were effective and limited the scope of the attack. Certain operations, including steel production, were temporarily suspended as a precautionary measure.

Criminal cyberattacks on businesses and other organizations around the world are increasingly prevalent in the 21st century. In addition to the continued development of industry-leading cybersecurity practices, Stelco is committed to utilizing all available means to protect its operations and customer, employee, and business information. Stelco will continue to invest in its information technology networks and security to detect and minimize the risk of unauthorized activity in this age of ever-increasing and highly sophisticated information security threats. See *"Risk Factors – A material disruption in or security breach affecting our information technology systems similar to the cyberattack experienced during 2020 could affect our business and lead to reputational damage and reduced revenue and growth prospects."*

*COVID-19 Pandemic*

Throughout 2022, we undertook comprehensive measures to protect the health of our employees and their families to ensure the continuity of our operations. Some of the measures taken by the Company since the pandemic began included, but were not limited to, supplying personal protective equipment to our employees, enhanced cleaning and sanitation procedures, maintaining social distancing where required, hosting vaccination clinics for employees, implementing a vaccination bonus incentive program, remote and hybrid working arrangements and a company-wide communication plan, which enabled us to safeguard employee health while ensuring service continuity for our customers. The Company also continues to evaluate all developments and make any necessary modifications and enhancements to our COVID-19 response as new and updated information is provided by public health authorities and governments.

While COVID-19 continues to have a worldwide impact, we are confident that as one of North America's most technologically advanced steel companies we are well positioned to succeed. Our tactical flexibility business model will help to ensure that Stelco remains competitive, versatile and ready to capitalize on market opportunities as they arise. See *"Risk Factors – The COVID-19 pandemic, as well as similar epidemics and public health emergencies in the future, could have a material adverse effect on our business, results of operations, financial condition and cash flows."*

## Land

*Land Arrangements*

*Lake Erie Works - Nanticoke, Ontario*

Stelco Inc. owns the land and buildings on which the Company conducts its operations in Nanticoke, Ontario (approximately 2,300 acres) (the "**LEW Lands**"). The LEW Lands are subject to a 25-year, 8% per annum mortgage payable with a current balance of $106 million (the "**Mortgage**") issued by Legacy Lands Limited Partnership (the "**Land Vehicle**"), a limited partnership formed in connection with the CCAA restructuring for the benefit of the Main Pension Plans and the ELHTs, that matures in 2043. The quarterly Mortgage payments made by the Company are distributed by the Land Vehicle to fund various pension and other post-employment benefit commitments ("**OPEBs**") for Stelco retirees.

Stelco also maintains a leasehold interest in a water lot lease with the Province concerning the water on which our 1.2 km dock at the LEW facilities are located (the "**Water Lot Lease**"). The Water Lot Lease has an original term of fifty (50) years, expiring on December 31, 2025.

Ownership of the LEW Lands provides Stelco with the flexibility to use the property for its existing operations and allows the Company to develop this property in a manner that complements both its current and future operations and to pursue other uses for the LEW Lands; in particular: (i) extracting additional value from our assets by enhancing operational flexibility previously unavailable to us; and (ii) lowering our costs. In addition, the Company continues to receive the benefit of the environmental release in respect of the Lands that was granted by the MECP on June 30, 2017. See *"Description of the Business – Health, Safety and Environment".*

*Hamilton Works - Hamilton, Ontario*

On June 1, 2022, the Company completed a sale and leaseback transaction (the "**HW Sale and Leaseback**") with an affiliate of Slate Asset Management. Stelco Inc. sold the entirety of its interest in an approximately 800-acre parcel of land (including buildings) located on the shores of Hamilton Harbour in Hamilton, Ontario (the "**HW Lands**" and, together with the LEW Lands, the "**Lands**"), for total cash consideration of $518 million. In conjunction with the sale, Stelco Inc. entered into lease arrangements for certain portions of the HW Lands to continue its coke-making and value-added steel finishing operations at its HW site in Hamilton, Ontario.

Under the lease arrangements, Stelco leased back portions of the HW Lands on which it conducts its cold-rolling, galvanizing and other finishing operations under a 35-year lease, with renewal options for five 20-year terms (the "**Cold Mill Lease**"). In addition, the Company entered into leases in respect of its HW coke battery operations and its headquarters building (collectively, the "**CBO Leases**" and, together with the Cold Mill Lease, the "**HW Leases**").

The HW Leases are 'triple-net' leases whereby Stelco is responsible for all operating, occupancy and maintenance costs and expenses in respect of the leased premises. Upon expiration of the respective HW Leases, Stelco is required to vacate and demolish the buildings on the premises.

## International Trade

*Unfair Trade Practices*

The Government of Canada has continued to consult with the steel industry and workers regarding improvements to Canada's trade remedy system. On April 7, 2022, as part of the federal budget, the government announced its intention to introduce amendments to the *Special Import Measures Act* and the *Canadian International Trade Tribunal Act* to ensure unfairly traded goods are subject to duties. The proposed measures are expected to address circumvention of trade remedy findings, mandate the investigation of massive importations in all investigations by the CITT, reduce the administrative burden on users of the trade remedy system, and provide greater consideration of workers' interests in the assessment of injury. Collectively, we understand these measures are intended to maintain a robust trade remedy system that helps ensure unfairly traded foreign imports do not damage the domestic industry.

We support the continued effort of the government to modernize and strengthen Canada's trade remedy system and will monitor developments and continue to advocate in the interest of the domestic steel industry. In addition, we continuously monitor imports of steel products into Canada and continue to support the utilization of the domestic trade remedy system when and where circumstances warrant to prevent dumped and subsidized imports from injuring our business and to aid in the stabilization of the domestic market and steel prices.

On July 9, 2021, the Canadian International Trade Tribunal ("**CITT**") initiated an expiry review of its order made in August 2016 concerning the dumping and subsidization of flat hot-rolled sheet and strip from Brazil, China, Ukraine, and India. Under the current order, anti-dumping duty equal to 77% of the export price is applied to subject imports from Brazil, China and Ukraine, and countervailing duty equal to 3,150 rupees per tonne is applied to subject imports from India. On December 6, 2021, the Canada Border Services Agency determined that allowing the measure to expire would likely result in the resumption of dumping and subsidizing of hot-rolled sheet and strip into the Canadian market from the subject countries. The CITT held a hearing in March 2022 to determine whether the rescission of the order is likely to result in injury to the Canadian industry. On May 13, 2022, the CITT announced that it would continue the orders against Brazil, China and India, and rescind the order against Ukraine. As a result, the duties applied to imports of flat hot-rolled sheet and strip from Brazil, China and India will remain in force through to 2027.

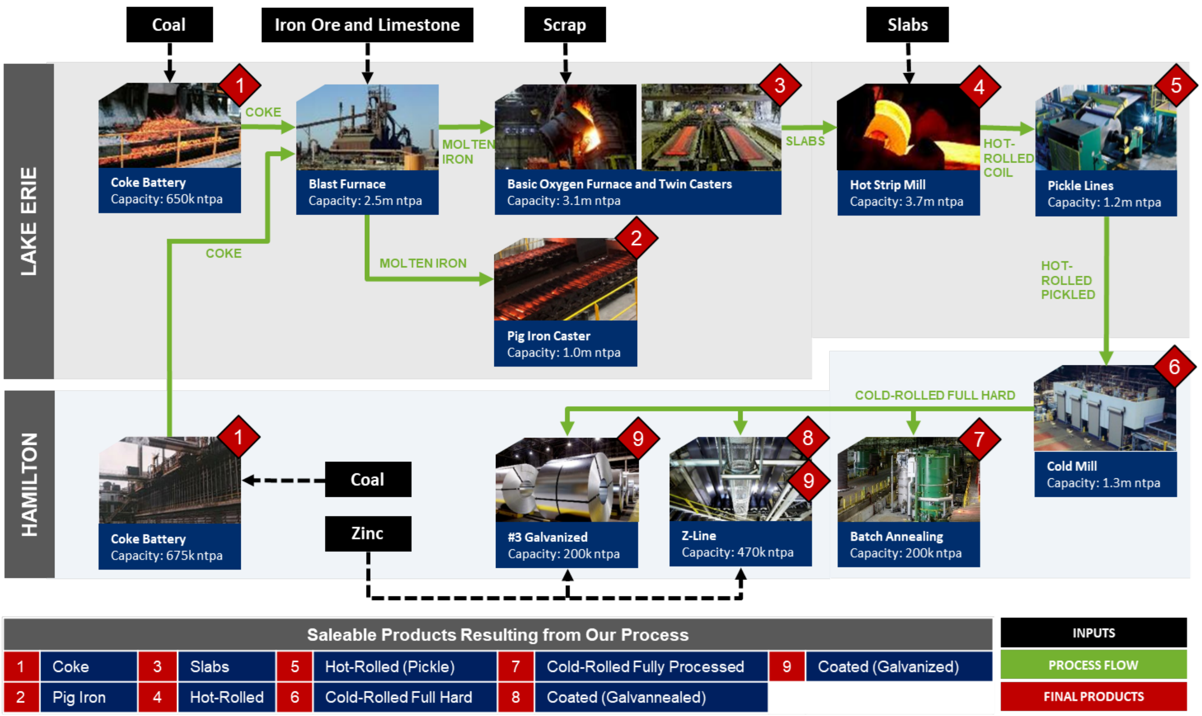
## DESCRIPTION OF THE BUSINESS

### Overview

We believe we own one of the newest and one of the most technologically advanced integrated steelmaking facilities in North America. We produce flat-rolled value-added steels, including premium-quality coated, cold-rolled and hot-rolled sheet products, as well as pig iron and metallurgical coke. With first-rate gauge, crown, and shape control, as well as uniform through-coil mechanical properties, our steel products are supplied to customers in the construction, automotive, energy, appliance and pipe and tube industries across Canada and the United States, as well as to a variety of steel service centres, which are distributors of steel products. We believe our total costs per nt are among the lowest in North America. We understand the importance of our business reflecting the communities we serve and are committed to diversity and inclusion as a core part of our workplace culture, in part, through active participation in the BlackNorth Initiative.

We operate from two facilities: Lake Erie Works ("**LEW**") near Nanticoke, Ontario, and Hamilton Works ("**HW**") in Hamilton, Ontario. Our LEW facilities are comprised of a coke battery, a blast furnace, a pig iron caster, two basic oxygen furnace steelmaking vessels, a steel ladle treatment system, an RHOB vacuum steel degassing facility, a twin-strand slab caster, a 6-stand hot strip mill, and three pickling lines. LEW produces hot-rolled and hot-rolled pickled steel coils that are either sold to third-parties or sent on to HW for further processing. Our HW facilities are comprised of a coke battery, a 4-stand cold-rolling mill, a continuous galvanizing line ("**CGL**"), a galvanizing and galvannealing Z-Line ("**Z-Line**"), batch annealing furnaces and a temper mill. HW is supplied with hot-rolled pickled steel from LEW and produces high quality cold-rolled and coated steel products, as well as metallurgical coke that is both supplied to LEW to fuel its blast furnace and sold to third parties. We believe our rolling and finishing capabilities represent some of the most advanced in our industry and differentiate us from our North American competitors. In addition to LEW and HW, we own 50% interests in two separate joint ventures: (i) Baycoat Limited Partnership ("**Baycoat**"), which complements our finishing capabilities, and (ii) D.C. Chrome Limited ("**D.C. Chrome**"), which provides services related to equipment used for our rolling mills. Additionally, we have a 40% equity interest in Hamilton Sports Group. S*ee "General Development of the Business – Notable Transactions – Hamilton Sports Group"*.

The following schematic shows various inputs, process flows and outputs:




| Saleable Products Resulting from Our Process | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Coke | 3 | Slabs | 5 | Hot-Rolled (Pickle) | 7 | Cold-Rolled Fully Processed | 9 | Coated (Galvanized) |
| 2 | Pig Iron | 4 | Hot-Rolled | 6 | Cold-Rolled Full Hard | 8 | Coated (Galvannealed) | | |

*Note: In order to produce one nt of crude steel, the process typically consumes approximately 1.2–1.4 nt of iron ore, 0.4–0.6 nt of coal (to form 0.3-0.5 nt of coke) and 0.20–0.25 nt of scrap. These rates may vary depending on a variety of market and operational factors.*

Our operations are strategically located near our raw material suppliers and core customers, which we believe positions us to serve both Canadian and U.S. customers with shorter lead-times and lower delivery costs relative to many other steelmakers. Furthermore, the fact that both of our operating facilities are strategically located on waterfront property and have access to multiple modes of transportation (water, rail, and truck) allows us to negotiate competitive freight rates, rapidly adapt to changing market environments, and access customers across a wide range of locations. We believe our strategic location is reinforced by long-term customer relationships, a track record of product performance and quality product capabilities, which we aim to leverage in order to improve market share. Our relationships with many of our top customers exceed twenty (20) years.

Certain of our operations currently have excess capacity. In particular, the LEW hot strip mill has a production capacity of up to approximately 3.7m nt (dependent on product mix) versus our total current steelmaking capacity of up to approximately 3.1m nt. To the extent market conditions are favourable and subject to compliance with applicable trade regulations, we may from time-to-time backfill the LEW hot strip mill with externally sourced slabs to utilize this excess capacity. In addition to the LEW hot strip mill, our HW cold mill, HW No. 3 CGL and HW Z-line, which are all designed to supply higher value-added steel for construction and automotive customers, have been underutilized historically. Increasing our penetration with customers in those end-markets to increase sales volume of technically advanced steels is an important focus area for the Company.

We have the potential to grow our sales of high-value steel products by leveraging our state-of-the-art finishing capabilities. We aim to grow our shipments of galvanized, galvanneal and fully processed annealed cold-rolled products that are primarily used for construction, agriculture, and automotive applications. In particular, management is focused on continuing to progress commercial and development efforts on producing next-generation AHSS and UHSS grades. These steels are stronger and enable light-weighting versus traditional grades of steel, and are being increasingly used by automakers to achieve improved fuel economy without compromising safety. We plan to work closely with all of our customers as we expand our product offering to increase the types and quantities of these advanced products. We believe that the customers that demand these specialized grades of steel will be motivated to work with us in order to diversify their supply base.

**Lake Erie Works**

We believe LEW is one of the lowest cost steel producers in North America. LEW is located on the shores of Lake Erie near Nanticoke, Ontario. It is situated on a 2,330-acre parcel of property with a 1.2 km dock on Lake Erie. See *"General Development of the Business – Land"*. LEW's 80-inch hot strip mill is able to produce flat-rolled steels that we believe are wider than many steel mills in North America can produce. Additionally, LEW's steelmaking facilities possess advanced chemistry control, which facilitates the production of high-quality steel. As a result, we believe we are able to produce products with advanced physical properties in wider and lighter gauge high-strength grades than many other North American steel mills. Furthermore, we believe LEW's location on the Great Lakes provides us with a competitive advantage in sourcing key raw materials, including iron ore from the Mesabi Iron Range and metallurgical coal from Central Appalachia. LEW also benefits from on-site rail infrastructure, access to Ontario's 400-Series highways that are connected to the U.S. Interstate Highway System, and its 1.2 km dock which has the ability to receive St. Lawrence Seaway dimension ships. The LEW dock has the capacity to process two vessels per day during the shipping season. We believe that the optionality of several available freight modes allows us to negotiate competitive rates amongst competing freight suppliers.

The largest components of LEW's cost base are the iron ore, metallurgical coal and other raw materials and inputs used to produce steel. Currently, our key raw materials are sourced under supply contracts that provide us with reliable access at what we believe to be attractive prices. Additionally, we capture, recycle, and sell many of the by-products generated in our production processes, which further enhances our cost base and eliminates waste.

Our LEW facility has a proven track record of producing high-quality products for our customers. We continue to remain focused on expanding our technical capabilities in order to produce next-generation AHSS and UHSS grades. The equipment at LEW is well suited to produce the technically demanding grades of advanced steels that we are targeting as part of our business strategy. For example, our RHOB vacuum degasser and ladle treatment station enable the complex chemistry control that is necessary to ensure precise regulation of impurities and alloying additives in liquid steel, which is critical for AHSS and UHSS grades. LEW also benefits from significant slab stack cooling capacity between the caster and hot strip mill, which is a requirement for a number of advanced applications. Additionally, our coilbox technology provides iso-thermal processing control at the hot strip mill that enables us to ensure uniformity of mechanical properties throughout the length of each coil.

In 2020, we completed two major projects at LEW. We successfully upgraded and relined our blast furnace in a $119 million generational project that brought our blast furnace, which was already the most recently built one in North America, up to the most current technologies and capabilities. The "smart" blast furnace now has improved controls and up to an additional 300k nt of hot metal capacity. In addition, we completed the $52 million installation of a new pig iron casting facility with capacity of up to 1.0m nt per annum. The addition of pig iron, which is an intermediate product used in steelmaking, to our suite of products further enhances our strategy of tactical flexibility. In addition, the Coke Battery Upgrade Project was completed in April 2022 at an approximate cost of $192 million (which included $65 million of capital expenditures prior to 2021) and has increased our coke-making capacity and reduced our cost structure.

Our hot strip mill has rolling capacity in excess of our slab casting capacity, creating tactical flexibility to also process externally sourced slabs. In addition, the high rated horsepower of our hot strip mill allows us to process a wide variety of slab feedstock. Subject to market conditions and complying with applicable North American trade regulations, management continuously evaluates opportunities to source additional material to utilize the excess capacity at the hot strip mill.

In connection with our strategic capital expenditure program aimed at improving our product mix to focus on more advanced steel products, we continue to enhance our production capabilities and controls over our hot rolled steel products.

LEW also conducts finishing operations at its three push-pull pickle lines, which are located adjacent to LEW in the Lake Erie Industrial Park. Pickling is the process of acid cleaning hot-rolled steel coils before they are shipped to customers or for further processing into higher-value products at HW.

LEW is the one of the newest greenfield integrated steel facilities in North America with well-maintained assets that have benefited from substantial investment. As of December 31, 2022, over $760 million has been invested in projects at LEW since mid-2017.

**Hamilton Works**

We believe that HW is among the most technologically advanced steel finishing facilities in North America, which provides the Company with a unique and differentiated platform to produce high quality, value-added steel products. HW is situated on a parcel of land located directly on Hamilton Harbour, providing access to the Great Lakes and the St. Lawrence Seaway System. See "*General Development of the Business – Land*". HW is strategically located close to the key steel consuming regions of southern Ontario and the mid-western United States. These regions represent a significant concentration of North American automotive manufacturing where numerous original equipment manufacturers and Tier 1 component manufacturers are located.

HW consists of finishing lines and a coke battery. HW's finishing lines include a modern and technically advanced 4-stand cold mill with an annual capacity of up to 1.3m nt, a state-of-the-art Z-Line with an annual capacity of up to 470k nt of galvannealed steel, a CGL with an annual capacity of up to 200k nt of galvanized steel, and batch annealing furnaces and a temper mill with an annual capacity of up to 200k nt. HW's coated products are difficult to produce and are sold to demanding customers, where quality, on-time delivery, and customer service allow us to differentiate ourselves from our competitors. HW's facility has precise gauge control at our cold mill, which allows us to further enhance our hot-rolled pickled product into thinner and more uniform gauges. In addition, our CGL line at HW produces zinc-coated, corrosion resistant steel products that are widely used in construction and appliance applications. Our 72-inch Z-Line was constructed to serve the construction and automotive industry and is qualified by a number of automotive manufacturers for the supply of certain grades of AHSS products. We are continuing to fund AHSS and UHSS research to further enhance our product capabilities.

Similar to LEW, HW has benefited from substantial investment with approximately $230 million spent on projects at HW since mid-2017. These investments include quality and capacity upgrades at HW's cold mill and Z-Line. In addition, in 2019, the Company completed the installation of twelve (12) new batch annealing furnaces and upgraded its idled temper mill. The annealing furnaces and temper mill enable the Company to produce fully processed cold rolled coils. In addition, these enhancements provide the Company with the capability to produce other value-added steel products, including electrical steels and other specialty steel products. These enhancements have allowed us to produce additional value-added steel products, which have historically commanded higher prices relative to the cold-rolled full-hard products we historically produced.

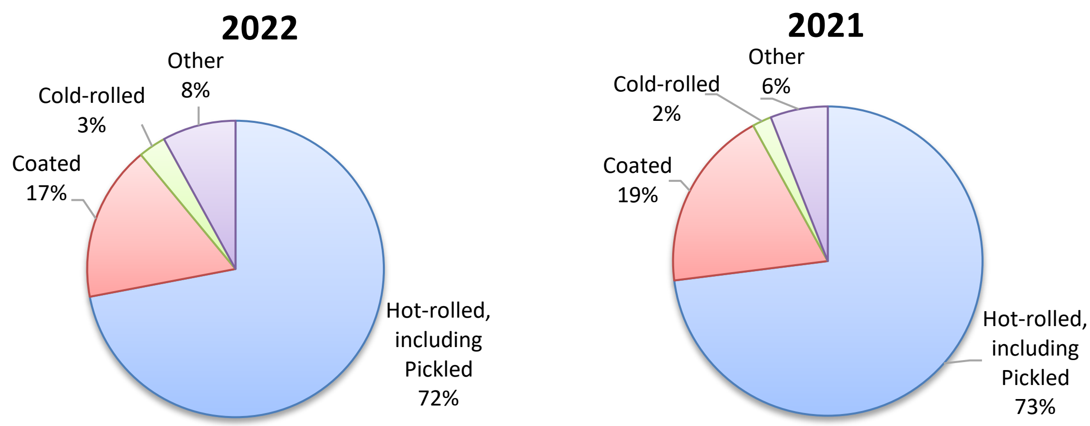
**Products**

LEW products can be broken into four broad categories: (i) pig iron, which is either further processed at LEW or sold to third parties; (ii) slabs, which are either further processed at LEW or sold to third parties; (iii) hot-rolled coil, which is relatively thick sheet steel used for structural, construction, automotive or tubing purposes or for further processing; and (iv) pickled hot-rolled coil, which is hot-rolled coil that has been further processed by acid washing to improve surface quality. Pickled hot-rolled coil is either sent to HW for further processing or sold directly for use in applications including hydroformed tubing, automotive safety hardware and accessories.

HW cold-rolled and coated products can be broken into four broad categories: (i) cold-rolled full hard sheet; (ii) cold-rolled fully processed sheet, which is used in selected applications where the desired thickness is less than the minimum thickness available in hot-rolled form but corrosion resistant coating is not required; (iii) galvanized sheet which is primarily used in construction and automotive applications; and (iv) galvannealed sheet for automotive, construction, pre-paint, and appliance applications where corrosion resistant coating is required.

The following chart shows our steel volume shipments by product for 2022 and 2021.

**Consolidated Shipments by Product (nt shipped basis)**




**Total volume: 2,627k nt** **Total volume: 2,690k nt**

We currently produce certain grades of AHSS and UHSS, and our goal is to continue to expand our product capabilities, including next generation AHSS and UHSS. To accomplish this objective, we plan to continue developing technically demanding grades of steel, which have historically commanded the most substantial price premiums. Actual future product mix may differ materially from our historical product mix. See "*Forward-Looking Statements*" and *"Risk Factors"* for a discussion of the uncertainties, risks and assumptions associated with this statement.

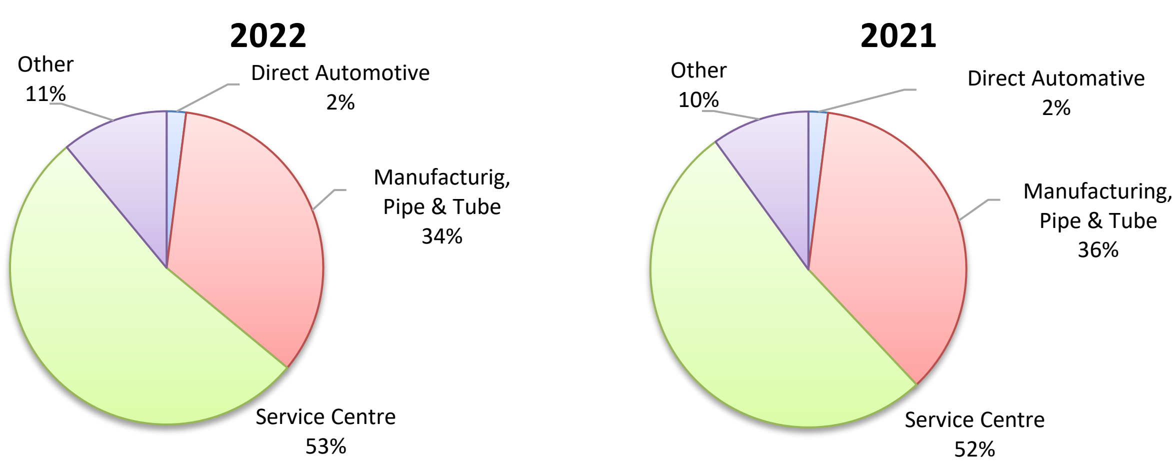
Our coke-making operations at both HW and LEW produce coke that has historically been used primarily to support iron-making operations at LEW. To the extent that we have excess coke that is not required for our own production requirements, and if market conditions are suitable, we may sell such excess coke to third parties as an additional revenue opportunity. See *"General Development of the Business – Significant Projects - Coke Battery Upgrade Project."*

**Customers**

Stelco is focused on serving our customers and, specifically, we are investing in our assets to provide a greater depth and breadth of product to support our customers as they invest and grow their businesses. Our principal customers are steel service centres and pipe and tubular products manufacturers. We are also a direct supplier to the automotive industry and our strategy includes increasing our market share of this higher value segment.

The following chart shows our steel volume shipments per end-market in 2022 and 2021.

**Consolidated Shipments by End-Market (nt shipped basis)**




**Total volume: 2,627k nt** **Total volume: 2,690k nt**

## Joint Ventures

We own a 50% limited partner interest in Baycoat, a joint venture partnership with ArcelorMittal Dofasco ("**AMD**"). The general partner, Baycoat Limited, owns a nominal interest in Baycoat and is jointly owned by the Company and AMD. We believe Baycoat is one of Canada's largest painters of flat-rolled steel coils for a wide range of industrial and commercial applications. It operates two steel coil-coating lines, each equipped to coat cold-rolled or galvanized steel with a variety of exterior and interior paints, from a site in Hamilton, Ontario. Baycoat's only customers are Stelco and AMD. Baycoat coats the steel owned by its customers for a tolling fee and is self-funded through toll processing fees charged to us and AMD. The primary markets for these products are the construction and manufacturing sectors. Representatives of the Company serve on the board of directors of Baycoat Limited.

We also own 50% of D.C. Chrome, a joint venture with The Court Group of Companies Limited. D.C. Chrome operates a mill roll grinding/texturing and hard chromium plating plant in Stoney Creek, Ontario. D.C. Chrome textures rolls and chromium-plates rolls used in the cold-rolling of steel by the Company at HW, as well as for other customers and also grinds and chrome-plates steel shafts used in hydraulic pistons. It is funded through sales to the Company, its major customer, and, to a much lesser extent, by its other customers for services provided. Representatives of the Company serve on the board of directors of D.C. Chrome.

## Competition

Currently, all of our steel sales are in North America, with competition coming primarily from other integrated producers, as well as from electric arc furnace ("**EAF**") producers. EAF producers typically have lower maintenance and total employment costs. However, EAF producers' competitive advantages may be minimized or eliminated when scrap prices and/or power prices are high; in addition, they are not typically equipped to produce the same quality grades of steel as integrated producers. The North American steel market is large and highly competitive. Management believes that we can compete effectively in this market given our current cost structure and with a conservative balance sheet. We also face competition from outside North America, including from China which is estimated to have a steel capacity of over one billion tonnes per year. Management believes that we can compete effectively against imported steel traded at fair market prices given our shorter lead time and the costs of importing steel into the North American market including applicable duties and tariffs. In addition, other products, such as aluminum, plastics, and composites, compete with our products. Furthermore, our competitive position may be affected by, among other things, differences among our and our competitors' cost structures, labour costs, environmental remediation and compliance costs, global capacity and the existence and magnitude of government subsidies and tariffs.

## Cyclicality of the Steel Industry

The steel industry is cyclical in nature. The demand and pricing for North American steel fluctuates based on many factors, including the strength of the economies in North America, particularly the automotive sector, exchange rates and the influence of steel sourced from offshore.

## Health, Safety and Environment

### *Health and Safety*

The health and safety of our employees is our top priority. We are committed to continued responsibility and excellence in health and safety and in protecting the environment of the communities where we have operating facilities. In recent years, we have continually invested in the health and safety of our employees by enhancing personal protective equipment, adding additional safety features to existing equipment and improving the overall conditions of the workplace environment. We also continually review our policies and procedures ensuring that best practices are implemented across our facilities.

We are subject to a variety of health and safety requirements administered by regulatory authorities in Ontario where our facilities are located. We do not believe that we are faced with any requirements in respect of health and safety or industrial hygiene that will have a material adverse effect on our financial position. We maintain an internal health, safety, asset integrity, and risk audit system, which is carried out at the corporate level, to determine compliance with legal requirements and our corporate policies in these areas.

Our continued focus on employee safety has resulted in a significant decrease in our Occupational Safety and Health Administration recordable incident rate, from 2.238 incidents per 200,000 hours worked in 2009 to 0.652 incidents per 200,000 hours worked in 2022. In January 2022, the Company suffered its first fatality in 18 years.

*Environmental Regulation*

Our business is subject to substantial and evolving environmental laws, regulations and other requirements relating to, among other things, emissions to the air, discharges to water or land, noise control, and the handling, storage, transportation, treatment, and disposal of hazardous and non-hazardous substances. These laws, regulations and other requirements can involve federal, provincial, and municipal levels of government.

We are committed to being an environmentally responsible company and in protecting the environment and preventing pollution in the communities where we have operating facilities. Our ISO 14001 registered environmental management systems establish and review environmental objectives and targets to: (i) reduce air, water, and waste pollution by means of practices, operating procedures and programs; (ii) comply with environment-related legal requirements and meet our other environmental goals; and (iii) continually improve.

We continually review and audit the operating practices of our business to monitor compliance with the Company's environmental policies and legal requirements. For example, our HW coke-making operations received ISO 9001 quality management system certification in 2019, which is indicative of the operation's ability to provide products that meet customer and applicable regulatory requirements. We believe that future costs relating to currently understood environmental compliance measures can be dealt with in a manner such that they will not have a material adverse effect on our financial position. In addition, we believe that our plans to increase production to take advantage of unrealized rolling capacity will not be materially affected by the currently applicable environmental requirements, including greenhouse gas ("**GHG**") and other air emissions requirements in the short term.

By January 1, 2026, under current regulations, both the LEW and HW coke oven facilities will be required to implement plans and measures to reduce the amount of sulphur dioxide ("**SO2**") emitted from the combustion of coke oven gas by-product by implementing coke oven gas desulphurization technology. This requirement arises under a notice ("**Notice**") issued under subsection 56(1) of the *Canadian Environmental Protection Act*, 1999 ("**CEPA**") which requires prescribed persons to prepare and implement pollution prevention plans in respect of specified toxic substances released from the iron and steel sector. The substances are: SO2, oxides of nitrogen ("**NOx**"), total particulate matter ("**TPM**") and volatile organic compounds ("**VOC**"). The Notice applies to all steel mills, including LEW and HW, other integrated mills and EAF mills. The Notice requires these facilities to prepare and implement plans to achieve specified air emission targets for SO2, NOx, and to implement best practices to reduce fugitive emissions of TPMs and VOCs. As noted above, the target date for desulphurization of coke oven gas is January 1, 2026. The facilities were required to monitor baseline emissions in 2017, prepare a plan in 2018 and implement the plan by the specified date. The facilities will also be required to submit a written declaration that the plan has been prepared, and that the plan is being implemented, as well as interim progress reports. We estimate that it may cost us approximately $40 million to $50 million at each of the LEW and HW coke ovens to comply with this requirement if we choose to continue to operate both of these units; however, management is reviewing this estimate in light of inflation and cost pressures experienced in the industry. See *"Risk Factors – Environmental compliance, remediation and other liabilities could result in substantially increased costs and material adversely impact our competitive position."*

*Greenhouse Gas Regulation*

In Ontario, many emitters have an obligation to report their GHG emissions to the Province. Without a cap-and-trade system or carbon tax in place that meets the minimum federal requirements, the Province is subject to the federal carbon pricing legislation, the *Greenhouse Gas Pollution Pricing Act*, also called the "**Federal Backstop**". On March 25, 2021, the Supreme Court of Canada upheld the constitutionality of the Federal Backstop, clarifying that the federal government is able to impose a minimum price on greenhouse gas emissions in the absence of a superseding provincial plan.

During July 2019, the Province released its decision to proceed with Ontario's Emissions Performance Standard program (the "**Provincial Program**") and complementary reporting amendments for all large industrial emitters in the Province. This is an integral component of the Made-in-Ontario Environment Plan (the "**Provincial Plan**"). The Provincial Plan requires all large industrial emitters in the province to demonstrate compliance in meeting certain emission levels tied to their level of output or production on a regular basis, and the program may include compliance flexibility mechanisms such as offset credits and/or payment of an amount to achieve compliance but is not expected to enforce a blanket cap on emissions across the province. The Provincial Program is an alternative to the Output-Based Pricing System component of the Federal Backstop.

The Provincial Plan also includes the Ontario Carbon Trust, which is expected to use financing techniques and market development tools in partnership with the private sector to speed up the deployment of low-carbon solutions, as well as a commitment to green infrastructure projects that lower GHG emissions and reduce pollution, including improvements to transit and transportation infrastructure and improved local water, wastewater, and storm water systems.

On September 21, 2020, the MECP announced that the federal government had accepted the Provincial Program as an alternative to the federal carbon pricing regime. The Provincial Program came into effect on January 1, 2022 and is required to continually demonstrate equivalency with the criteria of the Federal Backstop, otherwise the Federal Backstop program may once become effective in Ontario in place of the Provincial Program. On December 13, 2022, the Ontario government released the detailed regulations that will guide the Provincial Program from 2023-2030, which regulations satisfy the federal benchmark.

On December 11, 2020, the federal government announced its climate plan entitled *"A Healthy Environment and a Healthy Economy".* For the 2020 compliance year, the Federal Backstop carbon tax was set at $30 per tonne of carbon dioxide equivalent ("**CO2e**"). The Federal Backstop carbon tax increased by $10 per tonne annually until it reached $50 per tonne in 2022. The carbon tax increases by $15 per tonne per year starting in 2023 until the tax becomes $170 per tonne of CO2e in 2030. On October 29, 2022 the federal government released proposed amendments to a regulation outlining certain details of the Federal Backstop for the 2023-2030 timeframe. The proposed amendments do not include any changes to the existing iron and steel sector standards. Proposals for the sector will continue to be developed, and, if appropriate, changes to the standards may be proposed. See *"Risk Factors – Environmental compliance, remediation and other liabilities could result in substantially increased costs and material adversely impact our competitive position."*

*Environmental Framework Agreements*

In connection with our emergence from CCAA, we entered into a Framework Agreement Concerning Environmental Issues at the HW and LEW properties with the Province (the "**Environmental Framework Agreements**"), which we believe has significantly lowered our exposure to unforeseen historical environmental issues at LEW and HW. As Stelco Inc. has been conducting steelmaking operations at HW for more than a century and at LEW for several decades, there are instances of historical contamination at the HW and LEW facilities. The Environmental Framework Agreements set out an environmental management plan relating to our ongoing operations at HW and LEW including, among other things: (i) a soil, groundwater, and on-site sediment monitoring program; (ii) the establishment and updating of reference contaminant levels; and (iii) reporting frequency and timing. Under the Environmental Framework Agreements, Stelco Inc. is required to comply with all applicable environmental laws and to respond to environmental incidents, even those that relate to historical contamination, as required by applicable environmental laws. Where remediation and/or clean-up of soil and/or groundwater is required, Stelco Inc. could incur significant costs in responding to environmental incidents. However, under the Environmental Framework Agreements, we expect that Stelco Inc. would likely be entitled to reimbursement from the Province in respect of most costs Stelco Inc. incurs in addressing an environmental incident that relates to historical contamination. At this time, the Company does not foresee any material expenses or costs associated with any environmental contamination (whether historical or new). We received a release from the Province on June 30, 2017, pursuant to which the Province agreed to not hold the Company liable for certain historical contamination provided that we comply with the terms of the Environmental Framework Agreements. Under the terms of the Environmental Framework Agreements, we are required to measure and monitor the extent and nature of such historical contamination through a baseline monitoring program approved by the Province.

## Employees

As of December 31, 2022, our workforce consisted of 2,313 full time employees, 634 of whom had salaried positions and 1,679 of whom had hourly positions. HW had approximately 911 employees as at December 31, 2022. 566 of these employees were represented by USW Local 1005. LEW had approximately 1,402 employees as at December 31, 2022. 1,113 of these employees were represented by USW Local 8782 or USW 8782(b) (together with USW Local 8782 and USW Local 1005, the "**Locals**" and each a "**Local**"). We work closely with the United Steel, Paper and Forestry, Rubber, Manufacturing, Allied Industrial, and Service Workers International Union ("**USW**") and other organizations to train our employees. In addition, we have a profit-sharing plan for our unionized employees, and we have a performance-based compensation system for our salaried employees, which together allow all of our employees to participate meaningfully in the performance of the Company. Similar to other North American integrated steel producers, we engage contractors from time-to-time to assist with certain matters such as reducing the duration of our maintenance work.

There are currently three individual collective agreements between the Company and each of USW Local 8782, USW Local 8782(b) and USW Local 1005, which expire on June 30, 2027. In addition, the Company entered into a collective agreement with certain security and emergency services personnel at LEW that expires on June 30, 2024. We believe we have a positive and constructive relationship with our labour unions. See *"General Development of the Business – Operations – Collective Bargaining."*

**Pension and OPEB Arrangements**

*Pension Arrangements*

The pension agreement (the "**Pension Agreement**") entered into on June 30, 2017 among, *inter alia,* Stelco Inc. and the Province, provides for, among other things, funding, administration, and governance matters in relation to the five (5) main defined benefit pension plans (the "**Main Pension Plans**") which had been historically sponsored by Stelco Inc. and three (3) defined benefit pension plans established and administered by the Company in respect of service after December 31, 2017, as successor pension plans to three (3) of the five (5) Main Pension Plans (the "**New Pension Plans**"). Any employee not earning pension entitlements under the New Pension Plans is entitled to participate in the "Opportunity Plan" under which we make limited contributions to a defined contribution RRSP.

Pursuant to the Special Regulation enacted on June 30, 2017 under the *Pension Benefits Act (Ontario)* (the "**Pension Act**"), and except as set out in the Pension Agreement and the Special Regulation, the Company (i) has no further funding obligations in respect of the Main Pension Plans while they are ongoing; (ii) is exempt from any wind-up deficit funding obligations under Section 75 of the Pension Act; and (iii) is not subject to the deemed trust provisions of the Pension Act as such provisions might otherwise pertain to the Main Pension Plans. As of December 31, 2022, all Main Pension Plans had orders issued to be wound up. Despite the wind-up orders, Stelco's funding obligations under the Pension Agreement and the Special Regulation continue until each of the Main Pension Plans is fully settled.

Pursuant to the terms of the New Pension Plans, established for the benefit of approximately 800 of the LEW and HW hourly bargaining unit members who continued to be active members of such plans at that time (the "**Historic Members**"), the Pension Agreement and Special Regulation require contributions from the Company to the New Pension Plans of: (i) approximately $4 million per year for the period from January 1, 2018 through December 31, 2023; and (ii) approximately $3 million per year for the period from January 1, 2024 through December 31, 2027. By no later than January 1, 2028, the Company will be required to fund the New Pension Plans in accordance with the general funding regime under the Pension Act, including any deficit funding obligations, as applicable. However, we believe that our future funding obligations under the general funding regime under the Pension Act will not be material given the fact that there are a limited number of Historic Members and because no additional members will be added to the New Pension Plans.

*OPEB Arrangements*

Stelco Inc. is party to an OPEB funding agreement, as amended, (the "**OPEB Funding Agreement**") with the Employee Life and Health Trusts that were established for the purpose of receiving, holding and distributing funds on account of OPEBs (the "**ELHTs**"), which provides that the ELHTs are responsible for the payment of OPEBs to the Company's retirees after June 30, 2017, and the Company is responsible for making specified contributions to the ELHTs. Future OPEBs are determined by the ELHT trustees. The Company has no responsibility for the payment or funding of OPEBs beyond the requirements of the OPEB Funding Agreement.

Other than as set forth below, the OPEB Funding Agreement and Mortgage payments require fixed annual funding of OPEBs, providing greater certainty to our employees as to deposits into the ELHTs.

The Plan, the OPEB Funding Agreement and related agreements provide for the following outstanding funding obligations by the Company:

1. *Stelco Annual Contributions* — fixed contributions by the Company of between $9 million and $15 million per year (depending on the year) in years 1-10 to the ELHTs, for an aggregate contribution of $120 million, and $15 million per year to the ELHTs for years 11-20, for an aggregate contribution of $150 million;
2. *Free Cash Flow* — the requirement for Stelco to pay 6.5% of its Free Cash Flow (as defined in the OPEB Funding Agreement) to the applicable ELHTs to a maximum of $15 million per annum through to June 30, 2037;
3. *Tax Savings* — 16.75% of the annual tax savings, if any, realized by the Company in respect of the applicable year with respect to certain tax attributes recognized in 2017; and
4. *Additional Contributions* — in each year during the term of the OBEB Funding Agreement, Stelco is required to make additional contributions to the ELHTs of $3.8 million per year in years 1-10 and between $6 million to $10 million (depending on the year) in years 11-25; subject to adjustments based on the consumer price index in the given year.

If the cost of OPEBs for USW Local 8782 and USW Local 8782(b) retirees is more than $40 million over the course of 10 years, the Company is required to fund the deficit.

### Taxation

*Tax Savings Arrangements*

We entered into a tax savings agreement (the "**Tax Savings Agreement**") on June 30, 2017 whereby we agreed to forego the benefit of 50% of certain tax attributes existing immediately following closing of the CCAA restructuring that would otherwise have been available to reduce our income tax liability in post-closing tax years provided the requirements pursuant to the Tax Act to claim such amounts were satisfied; and (ii) for each post-closing tax year (including the first tax year ending after June 30, 2017) we agreed to make an annual cash payment equal to 33.5% of the tax savings actually realized in that year in respect of the remaining tax attributes (the "**Tax Savings Payments**"), which we agreed to pay as follows: (a) the first $75 million of Tax Savings Payments were to be paid to the Main Pension Plans; and (b) any amounts in addition were to be paid 50% to the ELHTs and 50% to the Main Pension Plans. The Tax Savings Agreement continues through to June 30, 2037, subject to earlier termination in certain limited circumstances. As at December 31, 2022, the Company had approximately $262 million of undepreciated capital cost available to it on a pre-tax basis, the majority of which are not subject to Tax Savings Payments.

## RISK FACTORS

An investment in the Company and in our securities, including the Common Shares, carries a number of risks, many of which are inherent in the business conducted by the Company, including the risk that the entire investment may be lost. In addition to all other information set out in this Annual Information Form, the following specific factors could materially adversely affect us and should be considered when deciding whether to make an investment in the Company and our securities. Other risks and uncertainties that we do not currently consider to be material, or of which we are not currently aware, may become important factors that affect our future financial condition and results of operations. The occurrence of any of the risks discussed below could materially adversely affect the business, prospects, financial condition, results of operations or cash flow of the Company. The Common Shares or any other securities that may be issued by the Company are only suitable for investors (i) who understand the potential risk of capital loss, and (ii) who understand and are willing to assume the risks involved in such an investment. Prospective purchasers of Common Shares or any other securities that may be issued by the Company should carefully consider the following risks before investing in the Company or any of our securities.

## Risk Factors Related to our Business and Industry

*Our industry is cyclical in nature and highly competitive*

The steel industry is cyclical in nature. The demand and pricing for North American steel fluctuates based on many factors, including the strength of the economies in North America, particularly the automotive and construction sectors, exchange rates and the influence of steel sourced from offshore and scrap pricing. The steel industry is also extremely competitive. We compete with other steel producers locally and globally, many of which have greater resources and capabilities. Competition in the steel industry is primarily driven by (i) meeting ever changing demand trends, (ii) sourcing labour to efficiently operate steelmaking facilities, and (iii) attaining scale to remain economically competitive. Competition may result in us being unable to supply customer demands in a profitable manner or to recruit or retain qualified employees. Our inability to compete with other steel companies could have a material adverse effect on our business, financial condition, results of operations and cash flows.

*North American and global steel overcapacity may adversely impact our sales, financial results, and cash flows*

Significant global steel capacity growth through new and expanded production in recent years has caused and may continue to cause capacity to exceed global demand, which has and may continue to result in lower prices and shipments of products. Producers in the world steel market could pursue additional export opportunities as a result of the current abundance of ocean freight capacity. Furthermore, the addition of new capacity in the United States could exacerbate the issue of overcapacity in North America as well as globally. Also, some foreign economies, such as China, seem to be slowing relative to recent historical norms, resulting in an increased volume of steel products that cannot be consumed by industries in those foreign steel producers' own countries. Significant increases in production capacity by North American and global competitors have contributed to negative cash flows in the past. Further increases in North American and global capacity could adversely impact our sales, financial results, and cash flows. Overcapacity has also led to greater protectionism as is evident in raw material and finished product border tariffs put in place by China, Brazil, and other countries. Furthermore, tariffs imposed by the United States in recent years in respect of foreign steel products have resulted in global trade disputes and may have an adverse impact on our sales, financial results, and cash flows.

*Existing and new trade laws and regulations in North America may be inadequate to prevent trade practices such as "dumping" or may impose duties on our products being sold in other jurisdictions which may adversely affect our business*

A number of foreign steel producers have in the past exported large quantities of steel to North America, impairing our ability to sell products and, accordingly, our profitability. This steel has often been sold at levels that are below cost or below home market price, a practice known as "dumping". Existing trade laws and regulations in North America may be inadequate to prevent such trade practices. Some foreign steel producers are owned, controlled or subsidized by foreign governments. Decisions by these foreign producers to continue production at marginal facilities may be influenced to a greater degree by political and economic policy considerations than by prevailing market conditions and may further contribute to excess global capacity. Moreover, trade regulation in other countries, particularly in the United States, could continue to materially adversely affect us through the imposition of duties or other trade barriers which can reduce or effectively eliminate access to certain steel markets.

*Global overcapacity, imports, and trade remedies*

The North American steel industry is challenged by unfairly traded offshore imports that result, in part, from substantial overcapacity in global steel production. As a result, dumped and subsidized imports into the North American market have historically reduced demand for our products and placed downward pressure on North American steel price levels.

Although the Government of Canada has attempted to respond to unfair trade practices, there can be no assurance that such measures will sufficiently offset any resulting loss caused to the Company by such unfair practices, and there can be no assurance that the protective measures put in place by the Government of Canada and/or the CITT will be kept in place and, as a result, such unfair trade practices may have a material adverse effect on our business, financial condition, results or operations and cash flow.

*Competition from other producers, imports, or alternative materials along with industry demands may adversely affect our business*

The steel markets are highly competitive and a number of firms, both North American and foreign, participate. We face strong competition from other steel producers and imports that compete with our products on price and service. Depending on a variety of factors, including cost and availability of raw materials, energy, technology and labour, capital costs, currency exchange rates and government subsidies of foreign steel producers, our business may be materially adversely affected by competitive forces. We could face risks related to cost competitiveness and access to large customers as a result of steel industry consolidation.

As a result of increasingly stringent regulatory requirements and other considerations, designers, engineers, and industrial manufacturers, especially those in the automotive industry, are increasing their use of lighter weight and alternative materials, such as aluminum, composites, plastics, and carbon fiber. Use of such materials could reduce the demand for steel products which may reduce our profitability and cash flow. Additionally, we are subject to competition from new technological developments used by other steel producers.

Failure to meet the automotive industry's ever more demanding requirements for product quality and service, and failure to provide new grades of AHSS and UHSS, will seriously jeopardize our long-term participation in this market. Similarly, for us to maintain a competitive cost structure, we will require the ongoing selective implementation of new process technologies throughout our integrated steelmaking processes. There is no assurance that we will be able to improve our product and process technologies or that the improvements, once implemented, will meet the automotive market's quality and service requirements.

*Our cost reduction initiatives may not be successful or sufficient*

We are continuing with our efforts to lower costs, including through ongoing productivity initiatives and the continued reliance on a simplified organizational structure. We continue to focus on various cost reduction initiatives, including raw materials and supply management and improvements in maintenance planning as part of our efforts to reduce repairs and maintenance costs, increase throughput and reduce electrical and mechanical delays. These cost reduction initiatives, along with strategic capital spending, are essential to achieving our long-term viability. There can be no assurance that cost reduction initiatives will be successful or sufficient to sustain our long-term viability.

*We may not be able to successfully implement our business strategy on a timely basis or at all*

Our future success depends, in part, on our ability to implement our growth strategy, including maximizing total returns for our stakeholders by focusing on our six strategic objectives: (i) operating safely and sustainably; (ii) expanding and serving our customer base; (iii) optimizing production from our assets; (iv) maintaining a strong balance sheet; (v) maximizing profitability and cash flows; and (vi) growing our business. Our ability to implement this business strategy depends, among other things, on our ability to: (i) secure commitments or future orders from new and existing customers; (ii) realize higher margins on products that we produce; and (iii) maintain and enhance our relationships with customers.

*Changes in the availability and cost of raw materials, electricity and natural gas and the cost of such inputs relative to steel prices could adversely affect our business*

Our operations require substantial amounts of raw materials and energy, including coal, iron ore, coke, scrap, natural gas, electricity, and other inputs. If our suppliers increase the prices of our critical raw materials and energy or become unable to continue supplying them, or, for example, in the case of iron ore and coal are no longer able to supply us as a result of mine closures, we may not have, or be able to obtain, alternative sources of supply. In addition, to the extent that we have quoted prices to our customers and accepted customer orders for our products prior to purchasing necessary raw materials, we may be unable to raise the price of our products to cover all or part of the increased cost of the raw materials. Alternatively, we may be faced with having agreed to purchase raw materials and energy at prices that are above the then current market price or in greater volumes than required. For example, we have committed to purchasing substantially all of our expected iron ore requirements from USS through January 31, 2028, subject to the Company exercising the Minntac Option (see *"General Development of the Business - Notable Transactions - Minntac Mine Option"*), up to a specified maximum amount pursuant to the terms of the Pellet Agreement.

The availability and prices of raw materials may also be negatively affected by new laws and regulations, allocation by suppliers, interruptions in production (including mining stoppages), accidents or natural disasters, force majeure events, changes in exchange rates, worldwide price fluctuations, the rate of inflation, particularly in the current inflationary environment, and the availability and cost of transportation. Along with our competitors, we attempt to pass along increases in raw material costs and tariffs to customers through increased prices for finished products. However, there can be no assurance that such costs can be passed along, in whole or in part, in the future, which could have a negative impact on the Company's financial condition, cash flows and results of operations. Additionally, if we are unable to obtain adequate and timely deliveries of our required raw materials, we may be unable to timely manufacture sufficient quantities of our products. In the event of an interruption of the supply of raw materials from our suppliers, alternative supply may not be available or may only be available at higher prices. This could cause us to lose sales, incur additional costs and suffer harm to our reputation.

Our facilities are large consumers of electricity and natural gas. The prices for and availability of electricity and natural gas are subject to volatile market conditions. These market conditions often are affected by weather, political, regulatory, and economic factors beyond our control, and we may be unable to raise the price of our products to cover increased energy costs. Disruptions in the supply of our energy requirements could impair our ability to manufacture our products for our customers. Although the Company entered into the ESA and may consider additional energy service arrangements, from time-to-time, to mitigate the risk associated with the supply and price of energy in the future, any such arrangements may result in a significant cost to the Company and may not sufficiently mitigate the Company's risk with respect to the supply and pricing of energy. In addition, increases in our energy costs resulting from regulations that are not equally applicable across the entire global steel market could materially adversely affect our business, results of operations, financial condition, and cash flows.

Additionally, any future decreases in iron ore, metallurgical coal, natural gas, and oil prices may be an indication of broader weakness in the economy, which may place downward pressure on steel prices.

We also purchase certain raw materials in advance that are subject to long delivery times. If, prior to the receipt of those raw materials, there is a significant change in steel prices such that our input costs are at a level that lowers our margins on our products it could have a material adverse effect on our results of operations.

*The Company is subject to various conditions and obligations under the Option Agreement and the Pellet Agreement and there can be no assurance that the Company will be able to exercise the Minntac Option prior to the expiry of the Minntac Option Term, nor can there be any assurance that any mineral resources and reserve estimates in respect of the Minntac Mine will be proven*

The Minntac Mine and the Company's interest in the Minntac Option are subject to several risks and uncertainties. For example, the Company has no control over the assets or operations of the Minntac Mine, the mine plan, the mineral resources and reserve estimates, operational and capital expenditure budgets or environmental assessments and remediation plans. Any material adverse event effecting the Minntac Mine or its operations may significantly impair: (i) the value of the Minntac Option to the Company; and/or (ii) the Company's principal source of iron ore pellets, which could materially adversely affect our business, results of operations, financial condition, and cash flows. In addition, there can be no assurance that the Company will exercise the Minntac Option prior to its expiry.

The Option Agreement and the Pellet Agreement impose various obligations on the parties thereto and include various conditions and restrictions on the Company's rights thereunder. If the Company were to breach any of its obligations under the Option Agreement and/or the Pellet Agreement, the Company may lose some or all of its rights under both agreements. Furthermore, certain events, such as a sale of a majority of the ownership of the Minntac Mine by USS may result in the Company losing its interest in the Minntac Option and there can be no assurance that the Company would be fully reimbursed for the Initial Consideration in any such event, and this could materially adversely affect our business, results of operations, financial condition, and cash flows.

*Certain of our contracts that are important to our business contain provisions that allow the counterparty to terminate the contract upon a change of control or in a default scenario*

Various of our significant contracts that we rely on to run our business have change of control provisions that if triggered, would trigger rights of third parties or government agencies under such contracts that could, among other things, allow the third party to terminate such a contract. We have no control over when or whether significant shareholders, sell Common Shares. If these sales resulted in a change of control under the terms of those contracts or if another transaction results in a change of control, such clauses could be triggered resulting in a termination of those contracts, which could have a material adverse effect on our business, financial condition and results of operations. In addition, the existence of such change of control clauses may discourage third parties from making a proposal as part of a significant corporate transaction, including a take-over bid or a going private transaction, for example.

*Our business could be harmed if we fail to maintain proper inventory levels*

We are required to maintain sufficient inventories to accommodate the needs of our customers including, in many cases, short lead times and just-in-time delivery requirements. We purchase raw materials on a regular basis in an effort to maintain our inventory at levels that we believe are sufficient to satisfy the anticipated needs of our customers based upon orders, customer volume expectations, historic buying practices and market conditions. Inventory levels in excess of customer demand may result in the use of higher-priced inventory to fill orders reflecting lower selling prices if raw material prices have significantly decreased. These events could adversely affect our financial results. Conversely, if we underestimate demand for our products or if our suppliers fail to supply quality products in a timely manner, we may experience inventory shortages. Inventory shortages could result in unfilled orders, negatively impacting our customer relationships and resulting in lost revenues, which could harm our business and adversely affect our financial results. In addition, decreasing steel prices could also require us to write-down the value of our inventory to reflect current market pricing.

*Our facilities require continual capital investments that we may not be able to sustain, and which may require an outage of certain of our facilities to complete*

We make, and expect to continue to make, regular and substantial capital investments in our facilities as part of our efforts to maintain our steel production and finishing assets, lower production costs and remain competitive and comply with applicable laws and regulations including environmental requirements. Future changes in laws and regulations could result in significant additional costs.

We cannot be certain that we will have sufficient internally generated cash or acceptable external financing to make necessary substantial capital expenditures that could be required in the future. The availability of external financing depends on many factors outside of our control, including capital market conditions and the overall performance of the economy. If funding is insufficient, we may be unable to continue to maintain or enhance our facilities, take advantage of business opportunities, or respond to competitive pressures. Additionally, if our capital projects are not managed effectively, or are not allocated sufficient managerial resources, we may be unable to effectively manage the cost of construction, third-party contractors and the third-party consultants engaged in our capital projects. Furthermore, the maintenance and development of our facilities may require temporary production stoppages. These and other factors could cause the timing and cost of completion for our capital projects to change materially from current expectations and could cause these projects not to be completed at all. In addition, future capital investments in our coke batteries may be necessitated by changing environmental regulations, which may result in additional outages. Any such outages could negatively impact our profits. See *"Risk Factors - Environmental compliance, remediation and other liabilities could result in substantially increased costs and materially adversely impact our competitive position."* If we are unsuccessful in mitigating such effects on profits during such outages it could have a material adverse effect on our results from operations.

*Our operations are subject to scheduled maintenance, unplanned repairs or equipment outages and logistical disruptions*

Our manufacturing processes are dependent upon certain critical pieces of equipment, such as a blast furnace, steelmaking operations, rolling mills and galvanizing lines, which, on occasion, will be out of service due to routine scheduled maintenance or as a result of equipment failures. If replacement of certain critical parts is needed to address the equipment maintenance or failure, such critical parts may not be on hand and could take months to order. The Company currently has a plan in place to address certain of these issues, however, no assurance can be given that all critical spare parts will be readily available. Such interruptions in our production capabilities could result in fluctuations in our sales and income. For example, during the second half of 2020, the Company completed the planned upgrade and reline of its LEW blast furnace, which resulted in a shutdown of the blast furnace for approximately three months, which also had a negative effect on the Company's financial results for the year ended December 31, 2020. Similar productivity declines may also occur in connection with any other significant projects that require the Company to shut down any of its production facilities in connection with such repair and upgrade projects. See *"Risk Factors - Our facilities require continual capital investments that we may not be able to sustain, and which may require an outage of certain of our facilities to complete"*.

No assurance can be given that other significant shutdowns will not occur in the future or that such a shutdown will not have a material adverse effect on our business, financial condition, or results of operations or cash flows.

It is also possible that operations may be disrupted due to other unforeseen circumstances such as power outages, explosions, fires, floods, pandemics, states of emergency declared by governmental agencies, environmental incidents, accidents, severe weather conditions and cyberattacks, such as the attack on the Company's information technology systems that occurred during the second half of 2020. See *"General Development of the Business – Operations – Cyberattack" and* See *"General Development of the Business – Operations – COVID-19 Pandemic"*. To the extent that lost production could not be compensated for at unaffected facilities and depending on the length of the outage, our sales and our unit production costs could be adversely affected. We are also exposed to similar risks involving major customers and suppliers such as force majeure events of raw materials suppliers that have occurred and may occur in the future. Delivery of products to customers could be affected by logistical disruptions, such as shortages of barges, ocean vessels, rail cars or trucks, or unavailability or blockades of rail lines, highways, or bodies of water.

*Estimates of capital and operating costs may not reflect actual costs*

As a result of substantial expenditures involved in maintaining and/or improving our facilities, the need to project years into the future, the need to make assumptions and use models that may not adequately reflect actual costs and conditions and the fluctuation of costs over time could cause variations between forecast and actual expenditures that are beyond management's control. While we have an extensive history of operation, changing dynamics within the sector including but not limited to the cost of material, energy, labour, and marketing means that forecast capital and operating costs may not reflect actual costs. If actual costs are significantly higher than our forecasted costs, that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

*Estimates of production volumes may not be fully realized*

The estimated production volumes with respect to our production facilities at LEW are based on management's expectations and are subject to material assumptions, including, without limitation, that the facilities will perform in accordance with anticipated design capacity; that the market for steel and pig iron does not experience a material adverse change in the short to medium term, that we will not experience any significant operational disruption that negatively impacts production, that we will not experience any supply disruptions with respect to the commodities and energy that our blast furnace requires in order to operate at full capacity, and that we will not experience a disruption in our labour force. While we have an extensive history of operation and have based our production estimates on management's experience and the anticipated design capacity of the applicable facilities, there can be no assurance that actual production volumes will meet our estimates. If actual production volumes are significantly lower than our forecasted production volumes, that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

*We have a history of cash flow volatility*

Steelmaking is a cyclical business with significant volatility in prices throughout the years. We have had a long and established history; however, we have also seen a high level of cash flow volatility with many years of negative cash flow. While some of the negative cash flow years have been a direct result of weak steel prices, we have also experienced years of negative cash flow in a rising steel price environment. There can be no assurance that we will operate profitably or provide a return on investment in the future.

*We may experience volatility in earnings due to financial reporting of cash-settled awards under the LTIP and DSU Plan*

Pursuant to the LTIP, awards of SARs, RSUs, PSUs, and Options may be settled in cash based on the fair market value of the Common Shares at the time of exercise or settlement, as applicable, of the award. Similar treatment is applied to DSUs. Alternatively, pursuant to the LTIP, awards of RSUs and PSUs may be settled in Common Shares purchased in the secondary market by the Company on behalf of the participant. Under IFRS, a liability is recognized for the services acquired and is recorded at the fair value of the SARs, RSUs, PSUs or DSUs, as applicable, in other non-current liabilities, except for the current portion recorded in trade and other payables, with a corresponding expense recognized in selling, general and administration expenses over the period that the participants become unconditionally entitled to the payment under the awards. The fair value of the expense of the SARs is measured using the Black-Scholes pricing model, while the fair value of the RSUs and DSUs is measured based on the period end stock price. At the end of each reporting period until the liabilities are settled, the fair value of the liability is remeasured, with any changes in fair value recognized in the consolidated statement of earnings (loss) for the period. As a result, we may experience increased volatility in our reported earnings due to adjustments for changes in fair value of the awards outstanding under the LTIP and DSU Plan.

*Options granted under the LTIP may have a dilutive effect on the holders of Common Shares*

Although there are currently no issued and outstanding Options, the Company may issue Options from time-to-time. Any future awards of Options may have a dilutive effect on the Common Shares if and when an Option holder exercises any such Options.

*We could incur significant cash expenses for temporary and potential permanent idling of facilities*

We perform regular reviews of our business, which may include evaluating each of our plants and operating units to assess their viability and strategic benefits. As part of these reviews, we may idle, whether temporarily or permanently, certain of our existing facilities in order to reduce participation in markets where we determine that our returns are not acceptable. If we decide to permanently idle any facility or assets, we are likely to incur significant cash expenses, including those relating to labour benefit obligations, take-or-pay supply agreements and accelerated environmental remediation costs, as well as substantial non-cash charges for impairment of those assets. If we elect to permanently idle material facilities or assets, it could adversely affect our operations, financial results, and cash flows. In the past, certain of our facilities have been idled as a result of poor profitability.

For any temporarily idled facilities, the Company may not be able to respond in an efficient manner when restarting these to fully realize the benefits from changing market conditions that are favourable to integrated steel producers. When we restart idled facilities, we incur certain costs to replenish raw material inventories, prepare the previously idled facilities for operation, perform the required repair and maintenance activities, and prepare employees to return to work safely and resume production responsibilities. The amount of any such costs can be material, depending on a variety of factors, such as the period of time during which the facilities remained idle, necessary repairs and available employees, and is difficult to predict.

*A large percentage of our sales volumes come from a limited number of large customers*

For the year ended December 31, 2022, the Company derived approximately 70% of its sales volumes from its top ten (10) customers. If one or more of the larger customers of the Company were to cease doing business with the Company, or significantly reduce its business with the Company, the financial condition, and results of operations of the Company could be materially adversely affected.

*The loss of significant volume from our key customers could adversely affect us*

A significant loss of, or decrease in, business from any of our key customers could have an adverse effect on our sales and financial results if we cannot obtain replacement business. Also, due to consolidation in the industries we serve, including the construction, automotive and steel service centre industries, our sales may be increasingly sensitive to deterioration in the financial condition of, or other adverse developments with respect to, one or more of our top customers. In addition, certain of our top customers may be able to exert pricing and other influences on us, requiring us to produce, market, deliver and promote our products in a manner that may be more costly to us. We generally do not have long-term contracts with our customers. As a result, although our customers periodically provide indications of their product needs and purchases, they generally purchase our products on an order-by-order basis, and the relationship, as well as particular orders, can be terminated at any time.

*A large portion of our sales are generated from "spot market" sales to our customers*

A substantial portion of the Company's revenue is derived from spot sales rather than through fixed-price or long-term contracts with customers. While these spot sales enable the Company to benefit from increases in steel prices, it also bears the risk of falling revenues and margins if steel prices decrease and, as a result, the financial condition, and results of operations of the Company could be materially adversely affected.

*Pricing of our sales lag between the time of order to fulfilment and revenue recognition*

As we have a substantial portion of spot-based sales, orders are priced at current prices, subject to discounts, incentives, and other negotiated terms, for production and delivery in the future. Generally, there is a lag of approximately four (4) to eight (8) weeks between when an order is booked and ultimately delivered. At certain times, particularly in rapidly increasing price environments, lead times could grow even longer based on increased customer demand and orders. As a result, our results of operations lag changes in market price, both positive and negative. Furthermore, in the circumstances where market prices are falling, our customers may seek to cancel orders or seek to renegotiate more favourable pricing to reflect the changes in market price. The financial condition and results of operations of the Company could be materially adversely affected in such circumstances and readers of the Company's financial statements are cautioned from assuming changing market prices will be immediately reflected in our financial results.

*Changes in the automotive market could materially affect our financial condition and performance given our plan to increase our market share of the automotive market*

We currently sell to the automotive market primarily indirectly through steel service centres. However, we continue to focus on building relationships with and becoming a direct supplier of the automotive manufacturers and Tier 1 parts suppliers. If we increase our market share of the automotive market, our sales will be increasingly affected by the performance of the automotive sector. Automotive production and sales are cyclical and sensitive to general economic conditions and other factors, including interest rates, consumer credit, and consumer spending and preferences. In addition, in recent years, the automotive market has suffered from global supply chain disruptions, particularly with respect to electronic chip components. If automotive production and sales decline, our sales and shipments to the automotive market are likely to decline in a corresponding manner. Adverse impacts that we may sustain as a result include, without limitation, lower margins because of the need to sell our steel to less profitable customers and markets, higher fixed costs from lower steel production if we are unable to sell the same amount of steel to other customers and markets, and/or lower sales, shipments, and margins generally as our competitors face similar challenges and compete vigorously in other markets. These adverse impacts would negatively affect our sales, financial results, and cash flows. Moreover, competition for automotive business has intensified in recent periods, as steel producers and companies producing alternative materials have focused their efforts on capturing and/or expanding their market share of automotive business because of less favourable conditions in other markets for steel and other metals, including commodity products and steel for use in the oil and gas markets. As a result, the potential exists that we may not be able to increase our market share or that automotive manufacturers will take advantage of the intense competition among potential suppliers to pressure our pricing and margins in order to maintain or expand our market share with them, which could negatively affect our sales, financial results, and cash flows. There is also a significant exposure of credit risk to the automotive industry and challenging economic conditions could result in financial difficulties in the customer base that could lead to bad debts.

*The closing or relocation of customer facilities could adversely affect us*

Our ability to meet delivery requirements and the overall cost of our products as delivered to customer facilities are important competitive factors. If customers close or move their production facilities further away from our manufacturing facilities which can supply them, it could have an adverse effect on our ability to meet competitive conditions, which could result in the loss of sales. Likewise, if customers move their production facilities outside North America, it could result in the loss of potential sales for us.

*Our products may not benefit from intellectual property protection and we must respect intellectual property rights of others*

Some information about the Company's products, including product chemistries and methods and processes of production, is publicly known. Thus, other mills could produce competitive products using such information. Other information related to products including product chemistries and methods and processes used to make them may be proprietary to third parties who may hold intellectual property rights such as patents or trade secrets therein. Our commercial success depends on our ability to operate without infringing the patents and other proprietary rights of third parties, and there can be no assurance that our operations, product chemistries and methods and processes of production do not or will not infringe the patents or proprietary rights of others. As a result, we may not be able to distinguish our products from competitors that use the same publicly known chemistries, methods, and processes that we use and if our competitors use their own proprietary intellectual property rights in their products that we do not have access to, such competitors may have an advantage over us which could have an adverse effect on our business. Also, the Company has agreed with USS that it will not use USS proprietary information in its operations or make or sell certain grades of steel using any of the USS proprietary information. While the Company intends to seek increased protection of its intellectual property, there is no assurance that it will be successful in obtaining such protection.

*A change in our relationship with the other members of any of our joint ventures may have an adverse effect on that joint venture*

We have been successful in the development and operation of various joint ventures. We believe an important element in the success of any joint venture is a solid relationship between the members of that joint venture. If there is a change in ownership, a change of control, a change in management or management philosophy, a change in business strategy or another event with respect to a member of a joint venture that adversely impacts the relationship between the joint venture members, it could adversely impact that joint venture, which may have a resulting adverse impact on the Company. In addition, joint ventures necessarily involve special risks. Whether or not we hold a majority interest or maintain operational control in a joint venture, our partners may have economic or business interests or goals that are inconsistent with our interests or goals. For example, our partners may exercise veto rights to block actions that we believe to be in our best interests, may take action contrary to our policies or objectives with respect to our investments, or may be unable or unwilling to fulfill their obligations or commitments to the joint venture.

*We are subject to legal proceedings and legal compliance risks*

We spend substantial resources ensuring that we comply with domestic and foreign laws and regulations, contractual obligations, and other legal standards. Notwithstanding this, we are subject to a variety of legal proceedings and compliance risks in respect of various issues, including regulatory, safety, environmental, employment, transportation, intellectual property, contractual, import/export, international trade and governmental matters that arise in the course of our business and in our industry. A negative outcome in an unusual or significant legal proceeding or compliance investigation or enforcement matter could adversely affect our financial condition and results of operations. While we believe that we have adopted appropriate risk management and compliance programs, the nature of our operations means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time. For example, the environmental release from the Province and agreement to not take any regulatory action against us for historical contamination in respect of the Lands is subject to certain exceptions and our ability to comply with monitoring obligations. In addition, we have no guaranteed protection from potential claims by other parties in respect of historical contamination. Any such successful claims that may be brought in the future could result in a material adverse effect on our financial position.

*Product liability and insurance*

The sale and use of the Company's products entail risk of product liability. The obligation to pay any product liability claim or a recall of a product could have a material adverse effect on the business, financial condition, and future prospects of the Company. Although the Company currently has product liability insurance, which it believes to be adequate, it may require additional product liability insurance for certain of its products and customers. There can be no assurance that the Company will be able to obtain appropriate product liability insurance. An inability to obtain insurance on economically feasible terms or to otherwise protect against potential product liability claims could inhibit or prevent the commercialization of products developed by the Company.

*We are exposed to credit and business risks*

The Company is exposed to credit risk from its operating activities (primarily trade receivables in the event of non-payment by customers, principally within the construction, automotive, pipe and tube manufacturing, and steel service centre industries) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Company has a policy of only dealing with creditworthy counterparties. Changes in the industries in which the Company's customers operate may significantly affect the Company's financial performance and management's estimates of allowance for doubtful accounts. The Company mitigates its exposure to credit risk by performing ongoing credit evaluations and, when deemed necessary, requiring letters of credit, credit insurance, prepayments, guarantees or other collateral. Customer credit risk is managed by the Company based on established policies, procedures, and controls relating to customer credit risk management. If a significant customer of the Company defaults on any payments that it owes to us and we have been unable to properly mitigate against that exposure, it could have a material adverse effect on our results of operations.

*Environmental compliance, remediation and other liabilities could result in substantially increased costs and materially adversely impact our competitive position*

We are subject to substantial and evolving environmental laws, regulations and other requirements relating to, among other things, emissions into the air, carbon footprint, discharges to water or land, noise control, and the generation, handling, storage, transportation, treatment, and disposal of hazardous and non-hazardous substances. These laws, regulations and other requirements can involve federal, provincial, or municipal levels of government. We believe that future costs relating to currently understood environmental compliance measures can be dealt with in a manner such that they will not have a material adverse effect on our financial position. In addition, we believe that our plans to increase production to take advantage of unrealized rolling capacity will not be materially affected by the currently applicable environmental requirements, including GHG and other air emissions requirements in the short term. There is always the possibility, however, that unforeseen changes (such as new laws or changes in enforcement policies of relevant government bodies), or the discovery of circumstances (such as historical contamination or other changed conditions on our real property or our operations), could result in an increase in the costs of environmental compliance that could result in a material adverse effect on our financial position or could materially affect the Company's operations, especially the ability to increase production.

By way of an example of potential future costs to comply with environmental regulations, as currently written, we currently estimate that it could cost us approximately $40 million to $50 million at each of the LEW and HW coke ovens to comply with the Notice issued under subsection 56(1) of CEPA which requires us to prepare and implement pollution prevention plans in respect of specified toxic substances; however, management is reviewing this estimate in light of inflation and cost pressures experienced in the industry. See "*Description of the Business – Health, Safety and Environment – Environmental Regulation*". While currently we believe that these expected costs will not have a material adverse effect on our financial position, if our estimates are inaccurate or we discover additional changes or requirements that we are required to comply with under the Notice, depending on the magnitude of such increased costs, such increased costs could result in a material adverse effect on our financial position. In addition, the federal carbon tax will increase by $15 per tonne per year starting in 2023 until the tax becomes $170 per tonne of CO2e in 2030, which could represent a significant increase in the Company's operating costs. See. "*Description of the Business – Health, Safety and Environment – Environmental Regulation*".

Our business is required to have environmental permits and approvals issued by various levels of government. Any of these permits or approvals may be subject to denial, revocation, or modification under various circumstances. Failure to obtain, timely renew or comply with the conditions of permits or approvals may adversely affect our operations and may subject us to penalties. In addition, if environmental requirements are amended or are interpreted or enforced differently, or if new environmental requirements are enacted, we may be required to obtain additional operating permits or approvals, incur additional costs and our operations (including production) may be affected. There can be no assurance that we will be able to meet all applicable regulatory requirements or conduct our operations as we desire. In addition, we may be subject to fines, penalties or other costs arising from violations of or liabilities or actions imposed under environmental legislation or regulations. For example, construction and operation of new production facilities and modifications to existing facilities may require environmental permits and approvals from the appropriate regulatory agencies. Compliance with the environmental permitting and approval requirements may be costly and time consuming and could result in delays or other adverse impacts on planned projects, our results of operations and cash flows.

We could also incur material liability in connection with environmental contamination and stockpiled materials related to our past, present, and future actions. We have tried to mitigate this exposure by obtaining the release from, and by entering into the Environmental Framework Agreements with, the Province. Both the release and Environmental Framework Agreements impose obligations on us, including that we undertake any construction, maintenance or spill response that could impact such contamination or materials with due diligence and that we not be negligent with respect to our on-going operations. If we do not fulfill our obligations or are not successful in establishing that certain contamination occurred prior to the completion of the CCAA restructuring and is therefore historical in nature and subject to the release in favour of us pursuant to the Environmental Framework Agreements, we may be held liable by the MECP to remediate or otherwise manage such contamination and materials at the Lands. Such remediation and other work could result in material liability to us. See "*Description of the Business – Health, Safety and Environment – Environmental Framework Agreements*".

Nonetheless, even if we receive the intended benefit of the release and Environmental Framework Agreements with respect to historical contamination and stockpiled materials, we may still be subject to other significant environmental liabilities. For example, we may be subject to claims by other third parties (including neighbours or others affected by historical contamination), as well as actions by regulators other than the Province (such as, federal and municipal regulators). These claims and regulatory actions may relate to historical contamination that migrated from lands currently or formerly used by us into other person's lands, as well as into nearby bodies of water (such as, Hamilton Harbour, where the Randle Reef Contaminated Sediment Remediation project is on-going, which was funded by, among others, us). Also, the release and Environmental Framework Agreements only cover the Lands and associated contaminant migration. As a result, we retain exposure for contamination in respect of any other formerly owned property. We could incur material liability related to remediating and otherwise managing contamination and stockpiled materials now or in the future which could have a material adverse effect on business and results of operations.

*Risks related to climate change and GHG emissions could impose significant additional costs on our steelmaking and metals recycling operations, as well as otherwise affect our operations*

The effects of government policy, legislation or regulation enacted to address climate change may adversely impact our operations, our suppliers, and our customers, as well the transportation of the associated raw materials and products. In addition, government action to address climate change may, among other things, reduce the demand for our products. Although we have made efforts to mitigate the effects of government action related to climate change on our business, there can be no assurance that these efforts will be effective or that the effects of climate change policies will not adversely impact our operations.

In Ontario, many emitters have an obligation to report on their GHGs to the Province. Without a cap-and-trade system or carbon tax in place that meets the minimum federal requirements, the Province becomes subject to the Federal Backstop.

During July 2019, the Province released its decision to proceed with the Provincial Program and complementary reporting amendments for all large industrial emitters in the province. This is an integral component of the Provincial Plan. The Provincial Plan requires all large industrial emitters in the Province to demonstrate compliance in meeting certain emission levels tied to their level of output or production on a regular basis, and the program may include compliance flexibility mechanisms such as offset credits and/or payment of an amount to achieve compliance but is not expected to enforce a blanket cap on emissions across the Province. The Provincial Program is an alternative to the Output-Based Pricing System component of the Federal Backstop.

The Provincial Plan also includes the Ontario Carbon Trust, which is expected to use financing techniques and market development tools in partnership with the private sector to speed up the deployment of low-carbon solutions, as well as a commitment to green infrastructure projects that lower GHG emissions and reduce pollution, including improvements to transit and transportation infrastructure and improved local water, wastewater, and storm water systems.

On September 21, 2020, the MECP announced that the federal government had accepted the Provincial Program as an alternative to the federal carbon pricing regime. The Provincial Program came into effect on January 1, 2022 and is required to continually demonstrate equivalency with the criteria of the Federal Backstop, otherwise the Federal Backstop program may become effective in Ontario in place of the Provincial Program. On December 13, 2022, the Ontario government released the detailed regulations that will guide the Provincial Program from 2023-2030, which regulations satisfy the federal benchmark.

On December 11, 2020, the federal government announced its climate plan entitled "*A Healthy Environment and a Healthy Economy*". For the 2020 compliance year, the Federal Backstop carbon tax was set at \$30 per tonne of CO2e. The Federal Backstop carbon tax increased by \$10 per tonne annually until it reached \$50 per tonne in 2022. The carbon tax increases by \$15 per tonne per year starting in 2023 until the tax becomes \$170 per tonne of CO2e in 2030. On October 29, 2022 the federal government released proposed amendments to a regulation outlining certain details of the Federal Backstop for the 2023-2030 timeframe. The proposed amendments do not include any changes to the existing iron and steel sector standards. Proposals for the sector will continue to be developed, and, if appropriate, changes to the standards may be proposed.

On March 25, 2021, the Supreme Court of Canada upheld the constitutionality of the federal *Greenhouse Gas Pollution Pricing Act.* As a result, it clarified that the federal government is able to impose a minimum price on greenhouse gas emissions. While, at this point, we cannot definitively predict the full effect of this new regime on us, our financial condition, operations (including any plans to increase production) and ability to compete with companies in foreign jurisdictions may be materially affected by this regime. The absence of similar requirements in other jurisdictions could negatively impact our ability (and that of our customers and suppliers) to compete with companies situated in those jurisdictions.

Any additional regulatory or other changes that are adopted in the future to address climate change and GHG emissions could negatively impact our ability (and that of our customers and suppliers) to compete with companies situated in areas not subject to such requirements. Taken together, these regulatory changes could have a material adverse effect on our business, results of operations or financial results.

*Some of our competitors may not face as much environmental regulation*

We believe that our major North American and many European integrated steel competitors are confronted with substantially similar environmental regulatory conditions and thus do not believe that our relative position with regard to such competitors will be materially affected by the impact of environmental laws and regulations. However, if future regulations to address climate change do not recognize the fact that the integrated steel process involves a series of chemical reactions involving carbon that create GHG emissions without linking these emissions to steel scrap as well, our competitive position relative to mini mills will be adversely impacted. In addition, our competitive position compared to producers in developing nations such as China, Russia, Ukraine, Brazil, and India, will be harmed unless such nations require commensurate reductions in GHG emissions. Competing materials such as plastics may not be similarly impacted. The specific impact on each competitor will vary depending on a number of factors, including the age and location of its operating facilities and its production methods. If such competitors face less or lower requirements than we do it may give such competitors an advantage in terms of pricing their products which could have a material adverse effect on our business, results of operations or financial results.

*Competition from other materials and alternative steel-based technologies could reduce market prices and demand for steel products and thereby reduce the Company's cash flows and profitability*

In many applications, steel competes with other materials that may be used as substitutes, such as aluminum, concrete, composites, glass, plastic and wood. In particular, as a result of increasingly stringent regulatory requirements, as well as developments in alternative materials, designers, engineers and industrial manufacturers, especially those in the automotive industry have increased their use of lighter weight and alternative materials, such as aluminum and plastics in their products. A loss of market share to substitute materials, increased government regulatory initiatives favoring the use of alternative materials, as well as the development of additional new substitutes for steel products could significantly reduce market prices and demand for steel products and thereby reduce the Company's cash flows and profitability. In addition, to the extent regulatory requirements and/or customer demand for low carbon or carbon neutral steel increase, competition with respect to lower CO2 steelmaking technologies may become more significant, which could lead to substantial input cost increases.

*Stelco is party to collective bargaining agreements. Labour difficulties, additional collective agreements, and the loss of or inability to hire key employees may adversely affect our ability to successfully manage our operations and meet our strategic objectives*

Stelco is party to three (3) material collective bargaining agreements with trade unions representing approximately 73% of the Company's employees. The collective bargaining agreements were renewed and amended effective June 30, 2022, to reflect a new five-year term expiring on June 30, 2027. Although we believe we have a positive and constructive relationship with our labour unions, no assurance can be given that we will be able to renew these agreements on terms favourable to the Company or that labour difficulties, including, but not limited to, strikes and lockouts, will not result in a significant loss of production and revenue and have a material adverse effect on our business, financial condition or results of operations. Furthermore, if certain of our salaried employees that are not currently covered by collective agreements decide to organize themselves as a bargaining unit, and we enter into new collective agreements with them, that could increase our labour cost. For example, in 2018 the Company voluntarily recognized the USW as the exclusive representative agent for certain additional security and emergency services personnel at LEW and subsequently entered into a collective agreement with the new bargaining unit. In addition, the Company incurs professional and administrative time and costs in connection with the process of collective bargaining, which may have an adverse effect on our business, results of operations or financial results.

Our future success depends, in large part, on the continued service of our officers and other key employees and our ability to continue to attract and retain additional highly qualified personnel. These employees are integral to our success based on their expertise and knowledge of our business and products. We compete for such personnel with other companies, including public and private company competitors who may periodically offer more favourable terms of employment. The loss or interruption of the services of a number of our key employees could reduce our ability to effectively manage our operations due to the fact that we may not be able to find appropriate replacement personnel in a timely manner should the need arise.

The operation of steelmaking facilities and production of steel take a high level of expertise and experience that may not always be readily available in the market or at costs that we are capable of incurring while remaining profitable. Our failure to recruit and retain personnel with the experience and knowledge required to operate our facilities may have a material adverse impact on our business, financial condition, results of operations and cash flows.

*Our operating results depend in part on continued successful research, development, and marketing of new and/or improved products and services, and there can be no assurance that we will continue to successfully introduce new products and services*

The success of any new and improved products and services depends on their initial and continued acceptance by our customers. Our business is affected, to varying degrees, by technological change and corresponding shifts in customer demand, which could result in unpredictable product transitions or shortened life cycles. We may experience difficulties or delays in the research, development, production, or marketing of new products and services that may prevent us from recouping or realizing a return on the investments required to bring new products and services to market.

New technologies in the steel industry may: (i) improve cost competitiveness; (ii) increase production capabilities; or (iii) improve operational efficiency compared to our current production methods. However, we may not have sufficient capital to invest in such technologies or to make certain capital improvements, and may, from time to time, incur cost over-runs and difficulties adapting and fully integrating these technologies or capital improvements into our existing operations. We may also encounter control or production restrictions, or not realize the cost benefit from such capital-intensive technology adaptations or capital improvements to our current production processes. Customers continue to demand stronger and lighter products, among other adaptations to traditional products. We may not be successful in meeting these technological challenges and there may be increased liability exposure connected with the supply of additional products and services or an adverse impact to our results of operations and profitability.

*All of our manufacturing facilities are located in Hamilton and Nanticoke, Ontario, which increases the risk of a significant disruption to our business as a result of unforeseeable developments in this geographic area*

It is possible that we could experience prolonged periods of reduced production due to unforeseen catastrophic events occurring in or around our manufacturing facilities in Hamilton and Nanticoke, Ontario. As a result, we may be unable to shift manufacturing capabilities to alternate locations, accept materials from suppliers, meet customer shipment deadlines or address other significant issues, any of which could have a material adverse effect on our business, financial condition, or results of operations.

We may not be able to successfully implement our business strategy and reach our revenue and profitability improvement targets. We may need to change our strategy. If we fail to implement our business strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful, our business, financial condition and results of operations may be materially adversely affected.

*Certain shareholders have a notable interest in us*

Fairfax and Alan Kestenbaum, have a notable ownership interest in us, including over decisions that require the approval of shareholders, which limits shareholders' ability to influence the outcome of matters submitted to them for a vote.

As at February 16, 2023, (i) Fairfax, together with its affiliates and related parties, owned, or exercised control or direction over, approximately 23.6% of the issued and outstanding Common Shares; and (ii) Alan Kestenbaum beneficially owned or exercised control or direction over approximately 15.7% of the issued and outstanding Common Shares. As a result, these parties have significant influence over certain of our affairs that require shareholder approval. As long as Fairfax and Alan Kestenbaum own or control a significant percentage of our outstanding Common Shares, they will each have the ability to exercise a notable degree of control over all corporate actions requiring shareholder approval, irrespective of how our other shareholders may vote, including the election and removal of Directors and the size of the Board, any amendment of our articles, or the approval of any significant corporate transaction. These shareholdings may reduce the likelihood of transactions involving a change of control of the Company, including transactions which shareholders might otherwise have favoured.

*We are contractually required to make certain payments to various pension and OPEB trusts and also have pension plans*

Our funding obligations with respect to the Main Pension Plans are limited to the contributions contemplated in the Plan, the Special Regulation, the Pension Agreement, and related agreements. See "*Description of the Business – Pension and OPEB Arrangements*". However, in accordance with the Pension Agreement, we established the New Pension Plans effective January 1, 2018, which are defined benefit pension plans. Contributions to the New Pension Plans are fixed from January 1, 2018 to December 31, 2027; however, by no later than January 1, 2028, the Company will be required to fund the New Pension Plans in accordance with the general funding regime under the Pension Act, including any solvency funding obligations; actual amounts will depend on investment returns, changes in benefits and actuarial assumptions and may include additional voluntary contributions from time to time. Such changes could increase our cost for those obligations, which could have an adverse effect on our results and ability to meet those obligations and could result in earnings volatility.

*Use of derivative contracts to hedge commodity pricing volatility could adversely affect our financial results and cash flows*

We may use cash-settled commodity price swaps and options to reduce pricing volatility for a portion of our raw material, energy, and other commodity purchases. For example, in March 2020, Stelco Inc. entered into a commodity-based swap with a U.S.-based financial institution as part of a strategy to mitigate the Company's exposure to hot-rolled coil steel market price fluctuations in connection with certain slabs purchased from a third party. In addition, during the second half of 2020, Stelco Inc. entered into forward sale contracts with U.S.-based financial institutions as part of a strategy to lessen the Company's exposure to hot-rolled coil steel market price volatility in connection with existing and future sales orders from customers. These forward contracts were cash settled and subject to mark-to-market adjustments and resulted in significant cash payments being made to the counterparties as the market price of hot-rolled coil exceeded the negotiated prices in the forward contracts. Although we employ a systematic approach in order to mitigate the risk of potential volatile price movements of certain commodities there can be no assurance of success. Engaging in the use of swaps, options and similar agreements for hedging entails a variety of risks. For example, if the price of an underlying input commodity falls below the price at which we hedged the commodity, we will benefit from the lower market price for the commodity purchased but may not realize the full benefit of the lower commodity price because of the hedged transaction. In certain circumstances we also could be required to provide collateral for a potential derivative liability or close our hedging transaction for the commodity prior to anticipated settlement. Additionally, there may be a timing lag between a decline in the price of a commodity underlying a derivative contract, which could require us to make payments in the short-term to provide collateral or settle the relevant hedging transaction, and the period when we experience the benefits of the lower cost input through physical purchases of the commodity the hedge covers. Each of these risks related to our hedging transactions could adversely affect our financial results and cash flows.

*Future acquisitions may require significant expenditures or dilution and may result in inadequate returns and may involve risks to our business*

We may seek to expand through future acquisitions; however, there can be no assurance that we will be able to identify attractive acquisition targets, or that we will be able to acquire such targets on economically acceptable terms, if at all, or that we will not be restricted from completing acquisitions pursuant to the terms and conditions from time to time of arrangements with third parties, such as our creditors. Future acquisitions may require us to expend significant amounts of cash, resulting in our inability to use these funds for other business purposes or may involve significant issuances of equity. Future acquisitions may also require substantial management time commitments, and the negotiation of potential acquisitions and the integration of acquired operations could disrupt our business by diverting management and employee's attention away from day-to-day operations. Future acquisitions also involve a high level of potential risks, including but not limited to (i) incorrect assumptions and expectations of the target's operations; (ii) inability to successfully integrate any operation we acquire; (iii) inability to recruit, hire, retain, train or retrain qualified personnel to manage such acquired operations; (iv) assumption of unknown liabilities; (v) incorrect assumptions about the overall cost of equity or debt; (vi) unforeseen operational challenges of the acquired operations; (vii) potential significant additional capital expenditures and operating expenses to improve, coordinate or integrate managerial, operational, financial and administrative systems; (viii) an adverse impact on our earnings from non-recurring acquisition-related charges or the write-off or amortization of acquired goodwill and other intangible assets; and (ix) the loss of key personnel and relationships at the acquired operations. While it is our practice to conduct extensive due diligence investigations into businesses being acquired, it is possible that due diligence may fail to uncover all material risks in the business being acquired, or to identify a change of control trigger in a material contract or authorization, or that a contractual counterparty or government agency may take a different view on the interpretation of such a provision to that taken by us, thereby resulting in a dispute.

*We may experience difficulties with our internal systems and controls during periods of growth*

As a result of acquisitions and growth of our business, there may be significant demands that are placed on the Company's managerial, operational, and financial resources, including its personnel and systems. In particular, there may be demands on our operational and accounting information systems and controls and other accounting systems resulting from growth in our operations. No assurance can be given that our systems, procedures, and controls will be adequate to support the expansion of our operations resulting from growth. While we take actions to maintain internal systems and controls, future operating results could be affected by the ability of our officers and key employees to manage changing business conditions, expansion opportunities and acquisitions, and to upgrade, implement and/or improve operational and financial controls and reporting systems.

*We are subject to foreign currency risks, which may negatively impact our profitability and cash flows*

Our functional currency is the Canadian dollar (CAD) because the majority of our revenue is in that currency. We do have transactions denominated in U.S. dollars (USD) because we sell into the U.S. market and purchase goods and services from the U.S. As a result, changes in the CAD to USD exchange rate can impact our business and result in foreign currency gains or losses. It should be noted that our USD denominated purchases generally exceed our USD denominated revenue in a fiscal year. It should also be noted that many of our domestic customers export their products into the U.S. Thus, a stronger CAD can cause those customers to be less competitive in the U.S. and thereby influence the customers to resist price increases or request steel price reductions from the Company. Also, U.S. exports of steel into Canada have historically forced domestic steel prices in CAD downward. In addition, the North American benchmark for spot market prices for certain products such as hot-rolled coil, are determined in USD.

*We are subject to insurance related risks which could have an adverse effect on our business*

To date, we have been able to obtain liability insurance for the operation of our business. However, there can be no assurance that our existing liability insurance will be adequate or that insurance proceeds will be timely paid to us. In addition, there are types of losses we may incur but against which it cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war or certain natural disasters. If we incur these losses and they are material, our business, operating results, and financial condition may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, we may elect to self-insure, accept higher deductibles, or reduce the amount of coverage in response to such market changes.

Furthermore, events such as leaks, blowouts, bursts, cracking, breaks, metal failure, perforation, or rupturing, resulting from product defects, such as, products not conforming to order specifications and structural failures caused by internal quality issues, could result in product recalls and claims that our products or services were defective and caused death, personal injury, property damage or environmental pollution. The insurance we maintain may not be adequate, available to protect us in the event of a claim, or its coverage may be limited, canceled, or otherwise terminated, or the amount of our insurance may be less than the related impact on our enterprise value after a loss.

*A material disruption in or security breach affecting our information technology systems similar to the cyberattack experienced during 2020 could affect our business and lead to reputational damage and reduced revenue and growth prospects*

Our business operations are managed through a variety of information technology systems. While our systems are designed to operate without interruption, we have in the past and may in the future experience interruptions to the availability of our computer systems from time to time. The failure of our computer systems to operate effectively, keep pace with our growing capacity requirements, smoothly transition to upgraded or replacement systems or integrate with new systems could adversely affect our business. In addition, our computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyberattacks, denial-of-service attacks, security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. If our computer systems are damaged or cease to function properly, we may have to make an investment to fix or replace them, and we may suffer loss of critical data, compromise to the integrity or confidentiality of customer and employee information in our systems or networks, disruption to the systems or networks of third parties on which we rely, and interruptions or delays in our operations. A lack of relevant and reliable information that enables management to effectively manage our business could preclude us from optimizing our overall performance. Any significant loss of data or failure to maintain reliable data could have an adverse effect on our business and results of operations. Any such disruption could increase our costs, diminish our growth prospects, expose us to litigation, decrease customer confidence and damage our brand, and a material interruption to any of our computer systems could adversely affect our business or results of operations and our reputation.

Increasingly sophisticated attacks against rapidly evolving computer technologies pose a risk to the security of our systems, networks, and data. Despite efforts to protect confidential business information, personal data of employees and the control systems of manufacturing plants, Stelco systems and those of our third-party service providers may be subject to system breaches, such as the cyberattack the Company experienced during 2020. See *"General Development of the Business – Operations – Cyberattack*." System breaches can lead to disclosure, modification and destruction of proprietary business data, personally identifiable information, other sensitive information, defective products, production downtime and damage to production assets with a resulting impact to our reputation, competitiveness, and operations. In addition, sophisticated hardware and operating system software and applications that we buy or license from third parties may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the security and operation of the systems. The costs to us to eliminate or alleviate security problems, viruses and bugs could be significant, and efforts to address these problems could result in interruptions, delays or cessation of service that may impede distribution or other critical functions.

As a result, we may have to modify our business systems and practices with the goal of further improving data security, which would result in increased expenditures and operating complexity. Any compromise of our security or accidental loss or theft of customer data in our possession could result in a violation of applicable privacy and other laws, significant legal and financial exposure, and damage to our reputation, which could adversely impact our business and results of operations.

*The expansion of social media platforms present new risks and challenges.*

The expansion of social media platforms present new risks and challenges. The inappropriate use of certain social media vehicles could cause brand damage or information leakage or could lead to legal implications from the improper collection and/or dissemination of personally identifiable information or the improper dissemination of material non-public information (including violations of applicable securities laws). In addition, negative posts, or comments about the Company and/or any of its key personnel on any social networking web site could seriously damage the Company's reputation. Further, the disclosure of non-public company sensitive information through external media channels could lead to information loss as there might not be structured processes in place to secure and protect information. If the Company's non-public sensitive information is disclosed or if its reputation or that of its key personnel is seriously damaged through social media, it could have a material adverse effect on the Company's business, financial condition, and results of operations.

*Changes to global data privacy laws and cross-border transfer requirements could adversely affect our business and operations*

Our business depends on the transfer of data between our affiliated entities, to and from our business partners, and with third-party service providers, which may be subject to global data privacy laws and cross-border transfer restrictions. While we take steps to comply with these legal requirements, the volatility, and changes to the applicability of those laws may impact our ability to effectively transfer data across borders in support of our business operations.

*We rely primarily on third parties for transportation of the products we manufacture as well as delivery of our raw materials*

Our business depends on the transportation of a large number of products, both domestically and internationally. We rely primarily on third parties for transportation of the products we manufacture as well as delivery of our raw materials. Any increase in the cost of the transportation of our raw materials or products, as a result of increases in fuel or labour costs, higher demand for logistics services, consolidation in the transportation industry or otherwise, may adversely affect our results of operations as we may not be able to pass such cost increases onto our customers. If any of these providers were to fail to deliver raw materials to us in a timely manner, we may be unable to manufacture and deliver our products in response to customer demand. Furthermore, if any of these third parties were to cease operations or cease doing business with us, we may be unable to replace them at a reasonable cost. In addition, such failure of a third-party transportation provider could harm our reputation, negatively affect our customer relationships and have a material adverse effect on our financial position and results of operations. We have also increased our shipping volumes with our transportation service providers and there is a risk such increased volumes may not be transported on time or may be subject to additional charges or freight rates. Accordingly, we may suffer delays or incur increased costs in shipping orders to our customers that may have a material adverse effect on our financial position and results of operations.

*Certain materials and inputs are sourced from a limited number of suppliers*

Although raw materials and inputs are generally available from multiple sources, certain materials and inputs are sourced from a limited number of suppliers. The price and availability of such raw materials and inputs are subject to market forces where we do not have ownership interests and, in some cases, to government regulations and, accordingly, are subject to fluctuations. Such fluctuations may increase our costs, which in turn could impact profitability thereby having a material adverse effect on our financial position and results of operations.

*A severe winter or an extended winter season could negatively impact raw material availability*

The Company ships substantial quantities of raw materials across the Great Lakes. During the winter months, shipping lanes are often inaccessible due to ice. As a result, the Company typically builds its metallurgical coal and iron ore inventories throughout the summer and fall months in order to have adequate raw materials during the winter and early spring months. A severe winter or an extended winter season could impact ice volumes on the Great Lakes and negatively impact raw material availability at our manufacturing facilities. Buying raw materials from alternative suppliers, if available, or shipping by truck or rail may increase our costs, which in turn could impact profitability thereby having a material adverse effect on our financial position and results of operations.

In addition, our inventory cycle requires significant spend in the months leading up to winter in order to have adequate metallurgical coal and iron ore available for winter production needs. During the winter and early spring months, the raw materials purchased during the summer and fall months are converted to finished goods and sold to customers, improving the Company's liquidity. Depending on the source of funding, whether through the IMA or the ABL Facility, there may be limited capacity to fund inventory. If the Company's liquidity needs exceed the available cash and availability under the IMA and the ABL Facility, it could negatively impact our ability to purchase raw materials and ultimately impact customer sales.

*Some of our operations present significant risk of injury or death*

The industrial activities conducted at certain of our facilities present significant risk of serious injury or death to our employees, contractors, customers, or other visitors to our operations. Notwithstanding our safety precautions, including our material compliance with federal and provincial employee health and safety regulations, we may be unable to avoid material liabilities for injuries or deaths. We maintain workers' compensation insurance to address the risk of incurring material liabilities for injuries or deaths, but there can be no assurance that the insurance coverage will be adequate or will continue to be available on the terms acceptable to us, or at all, which could result in material liabilities to us for any injuries or deaths. We could also incur fines and other sanctions as a result of safety incidents.

*Covenants contained in the ABL Facility credit agreement and the IMA affect and, in some cases, significantly limit or prohibit the manner in which we operate our business and pay dividends*

The ABL Facility credit agreement contains certain covenants which affect and, in some cases, significantly limit, among other things, the activities in which we may engage, our ability to incur debt, grant a security interest in our assets, engage in lines of business different from our own and pay dividends or make other distributions.

A failure to comply with such contractual obligations or to pay amounts due under the ABL Facility credit agreement could result in an acceleration of the debt incurred under such agreement, a termination of the commitments made thereunder, as well as an exercise of remedies provided therein by our creditors. In such a situation, we may not be able to repay the accelerated indebtedness, fulfill our obligations under certain contracts or otherwise cover our fixed costs, which could result in a material adverse effect on our business, results of operations or financial condition.

In addition, under the terms of the ABL Facility credit agreement, there are restrictions on Stelco Inc.'s ability to pay dividends unless we meet certain financial tests which may delay or postpone Stelco Inc.'s ability to implement an inter-company dividend to Stelco Holdings. See *"Dividends*".

Under the terms of the IMA, Stelco Inc. is subject to covenants which affect and, in some cases, limit, among other things, the amount of the inventory covered by such arrangement and requirements to post margin to secure Stelco Inc.'s obligations under the arrangement. A failure to comply with our obligations under the IMA could cause a default and result in an acceleration of the amounts owing, a termination of the commitments made thereunder, as well as an exercise of remedies provided therein by the counterparty. In such a situation, we may not be able to pay all the amounts owing, fulfill our obligations under certain contracts or otherwise cover our fixed costs, which could result in a material adverse effect on our business, results of operations or financial condition.

*Any adverse change in our access to capital or the terms of our borrowings could have a negative impact on our financial condition*

Should we be required to raise capital in the future, we could face higher borrowing costs, less available capital, more stringent terms, and restrictive covenants or, in extreme conditions, an inability to raise capital. Although we currently have borrowing availability under our existing credit facilities and should be able to access other capital if needed, should those facilities become unavailable due to covenant or other defaults, or should financial results tighten so that we otherwise cannot raise capital outside our existing facilities, or the terms under which we do so change, we may be negatively impacted. Any adverse change in our access to capital or the terms of our borrowings, including increased costs, could have a negative impact on our financial condition.

The recent increase in interest rates causes future cash flows of financial instruments to fluctuate. The Company is exposed to the risk of changes in market interest rates due to variable rate borrowings that create cash flow interest rate risk.

The Company's financial instruments subject to interest rate risk primarily include the ABL and the IMA, as both arrangements contain finance costs based on variable interest rates. As at December 31, 2022, the aggregate carrying value of the Company's ABL and IMA, and amounts outstanding under the RPA totaled $543 million, and a 1% increase in market interest rates would result in an approximately $4 million decrease in the Company's net income.

*Higher interest rates and prolonged inflation may reduce market confidence and corporate purchasing power and have a material adverse effect on our business, financial condition, results of operations and cash flows.*

Throughout 2022, inflationary pressures increased across a wide array of goods and services. Consumer demand continued to outpace available supply, and labour shortages drove wages higher, adding to potentially longer-lasting price pressures. To date, central banks have responded by increasing interest rates more quickly than previously expected. Higher interest rates and prolonged inflation may reduce market confidence and corporate purchasing power. Although we experienced a brief period of rising steel prices during the spring of 2022, primarily caused by steel raw material supply concerns and energy price increases due to the conflict in eastern Europe, overall macro-economic headwinds had a greater impact during most of the year, in part due to slowing growth globally and in North America specifically, resulting in part from inflationary cost pressures from higher energy prices and certain other high demand commodities, along with higher interest rates and generally tighter monetary policies. If the current inflationary environment persists it could result in a further increase in interest rates and increased price pressure, thereby reducing market confidence and corporate purchasing power, which may have a material adverse effect on our business, financial condition, results of operations and cash flows.

*We incur increased expenses as a result of being a public company*

We incur significant legal, accounting, insurance, and other expenses as a result of being a public company, which may negatively impact our performance and could cause our results of operations and financial condition to suffer. Compliance with applicable securities laws in Canada and the rules of the TSX substantially increases our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly. Our reporting obligations as a public company and our anticipated growth may place a strain on our financial and management systems, processes, and controls, as well as on our personnel.

These laws, rules and regulations make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our Board or as officers of the Company than if the Company was not a public company. As a result of the foregoing, we expect to incur legal, accounting, insurance, and certain other expenses, which will negatively impact our financial performance and could cause our results of operations and financial condition to suffer.

*We are dependent on our operating subsidiary*

As a holding company, we have no business operations of our own or material assets other than the shares of Stelco Inc. Accordingly, all of our operations are conducted by Stelco Inc. and its subsidiaries. As a holding company, we require dividends and other payments from our subsidiaries to meet our cash requirements. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. The terms of the ABL Facility credit agreement contain restrictions on the ability of Stelco Inc. to pay dividends and otherwise transfer to us cash or other assets in certain circumstances. As a result, a decline in our business, financial condition, cash flows or results of operation may result in, pursuant to the terms of the ABL Facility credit agreement, restrictions on Stelco Inc.'s ability to pay dividends or otherwise distribute cash to Stelco Holdings. In such event, we may be unable to pay a dividend to holders of Common Shares. See "*Dividends*".

We currently have no material obligations that require cash funding from our subsidiaries. If there is an insolvency, liquidation, or other reorganization of any of our subsidiaries, shareholders likely will have no right to proceed against the assets of those subsidiaries. Claims of any creditors of any of our operating subsidiaries generally will have priority as to the assets of such subsidiary over our claims and claims of our creditors and shareholders.

*Natural disasters, unusually adverse weather, pandemic outbreaks, environmental or safety incidents, boycotts and geo-political events could materially adversely affect our business, results of operations or financial condition*

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather, pandemic outbreaks, boycotts, and geo-political events, such as civil unrest and acts of terrorism, economic uncertainty, trade disputes, environmental or safety incidents, or similar disruptions could materially adversely affect our business, results of operations or financial condition. These events could result in physical damage to one or more of our properties, increases in fuel or other energy prices, temporary or permanent closure of one or more of our facilities, labour shortages, temporary or long-term disruption in the supply of raw materials and other inputs, temporary disruption in transport to and from overseas markets, disruption in our distribution network or to our information systems or impacts to our reputation. Geopolitical and other events, such as the ongoing political and economic situation in Ukraine, and the U.S., European and other sanctions that have been imposed in connection therewith, have led, and in the future may lead, to disruptions in Canadian and global economies and markets generally. The political and civil situations both domestically and in other countries cannot be accurately predicted. National and international political activities remain fluid and beyond our control. While we continue to monitor economic and political situations in Canada and other countries closely, any new, prolonged or expanded unrest, military activities, or sanctions, could increase financial market volatility and have significant adverse direct or indirect effects on global economies and on our business, results of operations or financial results.

*The conflict in eastern Europe, international reaction to it (in particular in the form of sanctions) and any regional or global escalation of the conflict, could adversely affect the Company's business, results of operations and financial condition*

The imposition of extensive sanctions on Russia by Canada, the United States, the European Union and the United Kingdom, and other countries, may affect the Company's sourcing of raw materials, equipment and parts. More generally, the conflict could continue to have an adverse effect on the overall macroeconomic environment, potentially affecting steel demand and prices as well as further increasing energy costs. Both the conflict itself and the sanctions imposed (and further sanctions that may be imposed), as well as potential state reactions, have had and could have destabilizing effects on financial markets. If the conflict escalates militarily, either regionally or globally, there could be a material adverse effect on macroeconomic conditions. In addition, sanctions may remain in place beyond the duration of any military conflict and adversely impact the Company's results of operations and financial condition.

*The COVID-19 pandemic, as well as similar epidemics and public health emergencies in the future, could have a material adverse effect on our business, results of operations, financial condition, and cash flows*

Our operations expose us to risks associated with pandemics, epidemics, and other public health emergencies. In March 2020, the World Health Organization characterized the outbreak of COVID-19 as a pandemic. Concerns about the ongoing COVID-19 pandemic and related variant outbreaks, and the measures taken to control the spread of COVID-19, have significantly impacted health and economic conditions throughout Canada and globally, not all of which may be quantifiable to or immediately identifiable by the Company.

We operate in a critical infrastructure industry, as defined under applicable Canadian and provincial laws. Although we have generally been able to maintain operations sufficient to meet our customers' ongoing needs at such times when shelter-in-place or stay-at-home orders were implemented in Ontario where we operate all of our production facilities, there can be no assurance that we will be able to continue to do so. The COVID-19 pandemic and, in particular, the Kraken variant, has had some, and may continue to have further, negative impacts on our operations, supply chain, workforce, transportation networks and customers, which may reduce our shipments and compress our margins, including as a result of preventative and precautionary measures that we, other businesses and governments are taking.

The COVID-19 pandemic is a widespread public health crisis that has and may continue to adversely affect financial markets and the economies of many countries, including those of Canada and the United States. Any resulting economic downturn or unexpected fluctuation in the rate of inflation could adversely affect demand for our products and contribute to volatile supply and demand conditions affecting prices and volumes in the markets for our products and raw materials. Inflation rates have increased during the COVID-19 pandemic, and the current rise in inflation is driven by a range of factors including rising raw material prices, logistics and transportation setbacks and shortages of intermediate goods and labour. A progression of the COVID-19 pandemic and the related variant outbreaks could also negatively impact our business or results of operations through the temporary closure of our operating facilities or those of our customers or suppliers.

In addition, the ability of our employees, and of our suppliers' and customers' employees, to work may be significantly impacted by individuals contracting or being exposed to COVID- 19 or by governmental control measures, which could significantly impact our production throughout the supply chain and constrict sales channels. Restrictions related to COVID-19 have constrained employee and contractor activity and, as a result, at times limited the volume of product the Company was able to manufacture and distribute. In addition, some employees and contractors may be affected in their ability to engage in on-site operations or otherwise work due to safety concerns related to COVID-19, which has led to some absenteeism and has impacted our productivity. Any on-site exposure to COVID-19 could result in temporary but complete shutdowns to operations. Our customers may be directly impacted by business interruptions or weak market conditions and may not be willing or able to fulfill their contractual obligations. Furthermore, the progression of and global response to COVID-19 increases the risk of further delays in construction activities and equipment deliveries related to our capital projects, including from the availability of qualified labour and potential delays in obtaining permits from government agencies. The extent of such delays and other effects of COVID- 19 on our capital projects, certain of which are outside of our control, is unknown, but they could impact or delay the timing of anticipated benefits of capital projects.

The extent to which COVID-19 may adversely impact our business depends on future developments, which are highly uncertain and unpredictable, including the duration of the outbreak, travel restrictions, business disruptions, new information concerning the severity of the pandemic or emerging COVID-19 variants, the effectiveness of actions globally to contain or mitigate its effects and the efficacy and availability of applicable vaccines.

The COVID-19 pandemic may also disrupt the Company's supply chain, as global lockdowns and restrictions may affect some of our suppliers' ability to produce needed components. In addition, protests and blockades relating to COVID-19 and related government mandates may impact our ability to ship products into the U.S. and may disrupt the transportation infrastructure in Canada, particularly with respect to truck availability. These supply constraints may result in increased component and shipping costs to the Company. Transport of the Company's products both domestically and across international borders may be affected by the impact of COVID-19 on workers in the transportation industry, and border closures or other travel restrictions.

While the COVID-19 pandemic may negatively impact our results of operations, cash flows and financial position, the current level of uncertainty over the economic and operational impacts of COVID-19 means the related financial impact cannot be reasonably estimated at this time. The Company may incur expenses or delays relating to such events outside of our control, which could have a material adverse impact on our business, operating results, and financial condition.

*Parties with whom we do business may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to us*

We are a party to business relationships, transactions, and contracts with various third parties, pursuant to which such third parties have performance, payment and other obligations to us. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, our rights and benefits in relation to our business relationships, contracts, and transactions with such third parties could be terminated, modified in a manner adverse to us, or otherwise impaired. We cannot make any assurances that we would be able to arrange for alternate or replacement business relationships, transactions, or contracts on terms as favourable as our existing business relationships, transactions or contracts if at all. Any inability on our part to do so could have a material adverse effect on our business and results of operations.

*There are risks related to forward-looking information in this Annual Information Form*

The forward-looking information included in this Annual Information Form relating to, among other things, our future results, performance, achievements, prospects, intentions or opportunities or the markets in which we operate (including, in particular, the information contained in "*Description of the Business*" and this section "*Risk Factors*") is based on opinions, assumptions and estimates made by our management in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Our actual results in the future may vary significantly from the historical and estimated results and those variations may be material. We make no representation that our actual results in the future will be the same, in whole or in part, as those included in this Annual Information Form. See "*Forward-Looking Statements*".

*Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our reported financial results or financial condition*

IFRS and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to our business, including but not limited to revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change our reported financial performance or financial condition in accordance with IFRS.

*Our LEW Cogen Plant is newly constructed*

On June 18, 2020, we entered into an arrangement with DTE for the development, construction, and operation of the Cogen Plant at Stelco's LEW facility. The Cogen Plant became operational during the summer of 2022 and although we believe the Cogen Plant will serve to reduce the Company's power costs by utilizing excess industrial gases and reducing exposure to peak electricity pricing, there can be no assurance that such expectations will be realized. In addition, future changes to the regulation of power pricing in Ontario may result in the economic benefits of the Cogen Plant being less than initially anticipated. See "*General Development of the Business – Significant Projects*".

*Tax increases and changes in tax laws and regulations could adversely affect our financial results*

We may be subject to assessments for additional taxes, including sales taxes, which could reduce our operating results. In computing our tax obligations in the jurisdictions in which we operate, we are required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which we have not received rulings from the governing authorities. It is possible that some taxing jurisdictions may attempt to assess additional taxes and penalties on us if the applicable authorities do not agree with our positions. A successful challenge by a tax authority, through asserting either an error in our calculation, or a change in the application of law or an interpretation of the law that differs from ours, could adversely affect the results of operations.

*The Company is dependent on a relatively small number of key personnel*

The Company is dependent on a relatively small number of key personnel, including but not limited to our Directors and executive officers. See "*Directors and Executive Officers of the Company*". The competition for qualified personnel in the steel industry is intense and there can be no assurance that the Company will be able to attract and retain all personnel necessary for the development and operation of its business. The loss of the services of one or more of the Company's key personnel could disrupt the Company's operations and could have a negative impact on our financial condition.

In addition, Alan Kestenbaum does not spend his full business time on company matters and, despite the Company paying management fees pursuant to the Management Services Agreement for his salary, could spend part of his business time pursuing other businesses.

**Risk Factors Related to the Common Shares**

*Potential volatility of Common Share price*

The market price of the Common Shares could be subject to significant fluctuations. Some of the factors that may cause the market price of the Common Shares to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in the Common Shares;
- litigation or regulatory action against us;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with Canadian securities regulators, including, but not limited to, our financial statements;
- publication of research reports or news stories about us, our competitors or our industry;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of the Common Shares by existing shareholders;
- recruitment or departure of key personnel;
- significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by or involving us or our competitors; and
- the other risk factors described in this section of this Annual Information Form.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, our operations and the trading price of the Common Shares may be materially adversely affected.

In addition, broad market and industry factors may harm the market price of the Common Shares. Hence, the price of the Common Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the price of the Common Shares regardless of our operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, operating results, and financial condition.

*Dilution*

The Board may issue an unlimited number of Common Shares or other securities of the Company without any vote or action by the shareholders, subject to the rules of any stock exchange on which the Company's securities may be listed from time to time.

Sales of a substantial number of the Common Shares in the public market, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, particularly sales by the Directors, executive officers, or significant shareholders, could significantly reduce the market price of the Common Shares. We cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price of the Common Shares. If the market price of the Common Shares was to drop as a result, this might impede our ability to raise additional capital and might cause remaining shareholders to lose all or part of their investments.

Further, we cannot predict the size of future issuances of the Common Shares or the effect, if any, that future issuances and sales of the Common Shares will have on the market price of the Common Shares. Sales of substantial amounts of the Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares.

*Future sales of Common Shares by the Directors, executive officers, and significant shareholders*

Subject to compliance with applicable securities laws the Company's Directors, officers, significant shareholders (including Fairfax and Alan Kestenbaum) or their affiliates may sell some or all of their Common Shares in the future. No prediction can be made as to the effect, if any, such future sales of Common Shares will have on the market price of the Common Shares prevailing from time-to-time. However, the future sale of a substantial number of Common Shares by the Company's Directors, officers, significant shareholders (including Fairfax and Alan Kestenbaum) or their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Common Shares or make it more difficult for you to sell your Common Shares at a time and price that you deem appropriate.

*Payment of dividends*

Our primary objective is to deploy capital in a disciplined manner that creates value for our shareholders. We plan to evaluate our capital allocation policies on an on-going basis to ensure that we are maximizing returns for our shareholders. Payment of dividends on the Common Shares is dependent on, among other things, cash flows of the Company's business, and the ability to distribute cash from our subsidiaries, and subject to change. The declaration and payment of future dividends will be at the discretion of the Board and may be affected by various other factors, including the Company's revenues, financial condition, acquisitions and legal, regulatory, or contractual restrictions. There can be no assurance that the Company will be in a position to pay dividends at the rate anticipated (or at all) in the future. Similarly, if determined by the Board to be appropriate, the Company may declare an extraordinary dividend outside the ordinary course, such as the special dividends paid on December 1, 2022, March 20, 2019, and August 15, 2018. Conversely, the Company may elect to suspend quarterly dividends from time-to-time, such as on April 30, 2020, when the Company announced that it would be suspending its quarterly dividend payment of $0.10 per Common Share (since reinstated). The Company announced that it was doing so in order to finance, in part, the required funding for the Initial Consideration. A reduction or cessation of the payment of dividends could materially adversely affect the trading price of the Common Shares. In addition, the Company's ability to pay dividends may be limited by covenants of any existing and future outstanding indebtedness the Company may incur. We cannot provide any assurances as to whether dividends will be paid in the future or whether the amount of any such dividends will decrease or increase. See "*Dividends*" and "*Covenants contained in the ABL Facility credit agreement and the IMA affect and, in some cases, significantly limit or prohibit the manner in which we operate our business and pay dividends*".

*Any issuance of preferred shares could make it difficult for another company to acquire us or could otherwise adversely affect shareholders, which could depress the price of the Common Shares*

Our Board has the authority to issue preferred shares and to determine the preferences, limitations, and relative rights of preferred shares and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our shareholders. Our preferred shares could be issued with liquidation, dividend, and other rights superior to the rights of the Common Shares. The potential issuance of preferred shares may delay or prevent a change in control of us, discourage bids for the Common Shares at a premium over the market price and adversely affect the market price and other rights of the holders of the Common Shares.

*Changes to tax laws may have an adverse impact on holders of the Common Shares*

Changes from time-to-time in the interpretation of, amendments to, or guidance relating to, existing tax laws, or the introduction of new tax legislation may have a material adverse effect on us and on the value of the Common Shares. Changes in enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation may result in material tax adjustments. In addition, the Company and tax authorities could disagree on tax filing positions and any reassessment of the Company's tax filings could result in material adjustments of tax expense, income taxes payable and deferred income taxes.

*If securities or industry analysts publish inaccurate or unfavourable research about us or our business, our trading price and volume could decline*

The trading market for the Common Shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade the Common Shares or publish inaccurate or unfavourable research about our business, our trading price may decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for the Common Shares could decrease, which could cause our trading price and volume to decline.

*Shareholders will have limited control over the Company's operations*

Shareholders will have limited control over changes in our policies and operations, which increases the uncertainty and risks of an investment in the Company. The Board will determine major policies, including policies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, the Board may amend or revise these and other policies without a vote of shareholders. Shareholders will only have a right to vote, as a class, in the limited circumstances described elsewhere in this Annual Information Form. The Board's broad discretion in setting policies and the limited ability of shareholders to exert control over those policies increases the uncertainty and risks of an investment in the Company.

*Financial reporting and other public company requirements*

We are subject to reporting and other obligations under applicable Canadian securities laws and rules of any stock exchange on which the Common Shares are listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations place significant demands on our management, administrative, operational, and accounting resources as well as increase our compliance cost. If we are unable to accomplish any such necessary objectives in a timely and effective manner, our ability to comply with our financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in our reported financial information, which could result in a reduction in the trading price of the Common Shares.

We do not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on our personnel, systems and resources, which could adversely affect our business and financial condition.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Common Shares are currently listed and posted for trading on the TSX under the symbol "STLC". The following table sets forth the high and low reported adjusted closing prices and the trading volume of the Common Shares on the TSX, the Canadian marketplace on which the greatest volume of trading or quotation generally occurs, during the Company's most recently completed financial year.

| Month (2022)[1] | STLC High | STLC Low | STLC Volume | | Month (2022)[1] | STLC High | STLC Low | STLC Volume |
|---|---|---|---|---|---|---|---|---|
| January | $40.36 | $32.02 | 11,828,459 | | July | $36.14 | $31.10 | 9,607,507 |
| February | $38.91 | $34.50 | 6,418,091 | | August | $37.95 | $35.53 | 6,680,379 |
| March | $56.99 | $41.39 | 10,421,199 | | September | $38.18 | $32.06 | 10,009,981 |
| April | $52.38 | $46.16 | 4,966,204 | | October | $34.89 | $33.43 | 7,523,936 |
| May | $46.12 | $36.67 | 6,126,656 | | November | $46.99 | $35.15 | 14,054,228 |
| June | $43.03 | $33.45 | 6,812,083 | | December | $45.98 | $42.98 | 5,845,625 |

Note:
(1) The high and low prices provided in this table are based on the high and low adjusted closing prices of the Common Shares on the TSX. The source used to obtain the data in the table above was the TSX. Past performance should not be seen as an indicator of future performance.

### Prior Sales

*Common Shares* – the Company did not issue any Common Shares during or since the most recently completed financial year.

*Stock Options* – the Company did not issue any Options during or since the most recently completed financial year.

*Restricted Share Units* – the following table summarizes details of the RSUs issued by the Company during and since the end of the Company's most recently completed financial year. Such RSUs were issued to certain executive officers and members of the senior leadership team pursuant to the LTIP, in connection with long-term compensation arrangements.

| Date of Issuance | Price per Security | Number of Securities |
|---|---|---|
| February 28, 2022 | $36.33 | 130,967[1] |
| March 9, 2022 | $43.40 | 1,533[2] |
| May 20, 2022 | $38.56 | 1,539[2] |
| September 9, 2022 | $37.30 | 1,596[2] |
| December 1, 2022 | $44.93 | 15,235[2] |

Notes:
(1) Issued to certain executive officers and/or members of the senior leadership team of the Company pursuant to the LTIP, in connection with long-term compensation arrangements.
(2) Issued to certain executive officers and/or members of the senior leadership team of the Company pursuant to the LTIP, in connection with the RSU dividend equivalent amounts due as a result of the quarterly and special dividend payments, as applicable.

*Stock Appreciation Rights* – the Company did not issue any SARs during or since the most recently completed financial year.

*Deferred Share Units* – the following table summarizes details of the DSUs issued by the Company during and since the end of the Company's most recently completed financial year:

| Date of Issuance | Price per Security | Number of Securities |
|---|---|---|
| January 1, 2022 | $41.22 | 6,321[1] |
| March 9, 2022 | $43.40 | 980[2] |
| April 1, 2022 | $51.99 | 6,718[1] |
| May 20, 2022 | $38.56 | 1,163[2] |
| July 1, 2022 | $32.18 | 10,855[1] |
| September 9, 2022 | $37.30 | 1,299[2] |
| October 1, 2022 | $34.41 | 10,151[1] |
| December 1, 2022 | $44.93 | 13,165[2] |
| January 1, 2023 | $44.29 | 7,886[1] |

Notes:
(1) Issued to certain non-executive, Independent Directors of the Company pursuant to the DSU Plan and on a quarterly basis in connection with annual Director fees and compensation.
(2) Issued to certain non-executive, Independent Directors of the Company, pursuant to the DSU Plan, in connection with the DSU dividend equivalent amounts due as a result of the quarterly and special dividend payments, as applicable.

## DIVIDENDS

Our primary objective is to deploy capital in a disciplined manner that creates value for our shareholders. We plan to evaluate our capital allocation policies on an on-going basis to ensure that we are maximizing returns for our shareholders. There are no restrictions in the Company's articles preventing the Company from paying dividends. Any determination to pay dividends in the future will be at the discretion of the Board and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that the Board may deem relevant.

All of the Common Shares are entitled to an equal share in any dividends declared and paid. In accordance with the Company's dividend policy, the Company's management and Board regularly reviews the Company's rate of dividends to ensure an appropriate level of dividends, including increasing or decreasing the rate of dividends or otherwise declaring an extraordinary dividend.

The table below provides a summary of the cash dividends that have been declared and paid by the Company since the beginning of 2020.

| Quarter in which Dividend was Declared | 2020 (Per Share / Aggregate Cash Payment) $ | 2021 (Per Share / Aggregate Cash Payment) $ | 2022 (Per Share / Aggregate Cash Payment) $ |
|---|---|---|---|
| Q1 | 0.10 / ~ 9 million(1) | 0.10 / ~ 9 million(3) | 0.30 / ~22 million(7) |
| Q2 | Nil(2) | 0.10 / ~ 9 million(4) | 0.30 / ~21 million(8) |
| Q3 | Nil(2) | 0.20 / ~ 15 million(5) | 0.30 / ~19 million(9) |
| Q4 | Nil(2) | 0.30 / ~ 23 million(6) | 3.42 / ~189 million(10) |
| **Total** | **0.10 / ~ 9 million** | **0.70 / ~ 56 million** | **4.32 / ~251 million** |

**Notes**:

(1) On February 18, 2020, the Company declared a quarterly dividend of $0.10 per Common Share.

(2) On April 30, 2020, the Company announced that it would be suspending its quarterly dividend payment of $0.10 per Common Share. The Company announced that it was doing so in order to finance, in part, the required funding for the Initial Consideration.

(3) On February 26, 2021, the Company announced that it was once again declaring a quarterly dividend of $0.10 per Common Share.

(4) On May 4, 2021, the Company declared a quarterly dividend of $0.10 per Common Share.

(5) On August 10, 2021, the Company declared an increased quarterly dividend of $0.20 per Common Share.

(6) On November 10, 2021, the Company declared an increased quarterly dividend of $.0.30 per Common Share.

(7) On February 23, 2022, the Company declared a quarterly dividend of $0.30 per Common Share.

(8) On May 5, 2022, the Company declared a quarterly dividend of $0.30 per Common Share.

(9) On August 10, 2022, the Company declared a quarterly dividend of $0.30 per Common Share.

(10) On November 15, 2022, the Company declared a special dividend of $3.00 per Common Share, or approximately $165 million, payable on December 1, 2022 to shareholders of record as of November 25, 2022. This special cash dividend represented excess cash from operations arising from the Company's positive financial performance. In addition, on the same date, the Company declared an increased quarterly of $0.42 per Common Share.

Pursuant to the terms of the Company's Long-Term Incentive Plan (the "**Long-Term Incentive Plan**" or "**LTIP**"), any holder of RSUs and PSUs, as applicable, and pursuant to the terms of the Company's Deferred Share Unit Plan ("**DSU Plan**") any holders of DSUs, is entitled to a dividend equivalent amount of RSUs, DSUs or PSUs, as applicable, to the extent a dividend is paid on the Common Shares. Each RSU, DSU or PSU holder who holds RSUs, DSUs or PSUs as of the record date for such dividend shall be credited with such number of additional RSUs, DSUs or PSUs, as applicable, on each such dividend payment date, that results upon the division of: (i) the amount obtained by multiplying the amount of the dividend declared and paid per Common Share by the number of RSUs, DSUs or PSUs held by the RSU, DSU or PSU holder, as applicable, on the record date for the payment of such dividend, by (ii) the closing price of a Common Share on the trading day immediately preceding the dividend payment date.

Pursuant to the terms of the ABL Facility, Stelco Inc. is restricted from making dividend payments or other distributions to its shareholder, Stelco Holdings Inc., unless the applicable payment conditions specified in the ABL Facility are satisfied, including, among other conditions: (i) Stelco Inc. must not be in default under the ABL Facility; and (ii) Stelco Inc. must have certain excess availability under the terms of the ABL Facility that at all times during the 30 consecutive days immediately preceding the date of any such dividend payment and after giving effect to any such dividend payment must not be less than 20% of the maximum amount of the revolving portion of the ABL Facility.

## CAPITAL STRUCTURE

### Authorized Share Capital

Our authorized share capital consists of (i) an unlimited number of Common Shares and (ii) an unlimited number of preferred shares, issuable in series. Except as required by law or as provided for in any special rights or restrictions attaching to any series of preferred shares issued from time to time, the preferred shares will not be entitled to receive notice of, attend or vote at any meeting of the shareholders. As at February 16, 2023, there were 55,128,694 Common Shares issued and outstanding and no preference shares issued and outstanding.

*Common Shares*

Holders of Common Shares are entitled to one vote in respect of each Common Share held at all meetings of holders of shares, other than meetings at which only the holders of another class or series of shares are entitled to vote separately as a class or series. The holders of the Common Shares are entitled to receive any dividend declared by the Board in respect of the Common Shares, subject to the rights of the holders of other classes of shares. The holders of the Common Shares will be entitled to receive, subject to the rights of the holders of other classes of shares, the remaining property, and assets of the Company available for distribution, after payment of liabilities, upon the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary.

*Preferred Shares*

The preferred shares may at any time and from time to time be issued in one or more series, each series to consist of such number of preferred shares as may, before the issue thereof, be determined by resolution of the Board. Subject to the provisions of the CBCA, the Board may, by resolution, fix from time to time before the issue thereof the designation, rights, privileges, restrictions and conditions attaching to the preferred shares of each series including, without limitation, any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms or conditions of redemption or purchase, any conversion rights, any voting rights, any retraction rights and any rights on the liquidation, dissolution or winding up of the Company, any sinking fund or other provisions, the whole to be subject to the issue of a certificate of amendment setting forth the designation, rights, privileges, restrictions and conditions attaching to the preferred shares of the series. Except as required by law or as provided for in any special rights or restrictions attaching to any series of preferred shares, the holders of preferred shares will not be entitled to receive notice of, attend or vote at any meeting of shareholders.

Generally, preferred shares of each series, if and when issued, will, with respect to the payment of dividends, rank on parity with the preferred shares of every other series and be entitled to preference over the Common Shares and any other shares of the Company ranking junior to the preferred shares with respect to payment of dividends. If any amount of cumulative dividends (whether or not declared) or any amount payable on any such distribution of assets constituting a return of capital in respect of the preferred shares of any series is not paid in full, the preferred shares of such series shall participate ratably with the preferred shares of every other series in respect of all such dividends and amounts.

In the event of liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of preferred shares will generally be entitled to preference with respect to distribution of the property or assets of the Company over the Common Shares and any other shares of the Company ranking junior to the preferred shares with respect to the repayment of paid-up capital remaining after payment of all outstanding debts on a *pro rata* basis, and the payment of any and all declared but unpaid cumulative dividends, or any and all declared but unpaid non-cumulative dividends, on the preferred shares. We currently anticipate that there will be no pre-emptive, subscription, redemption or conversion rights attaching to any series of preferred shares issued from time to time.

## Long-Term Incentive Plan

*Overview*

The LTIP is designed to promote the alignment of senior management, employees, and consultants of the Company with shareholder interests and the creation of sustainable shareholder value, and facilitate recruitment, motivation and retention of executives and key talent. Pursuant to the LTIP, the Company may grant Options, SARs, RSUs and PSUs to eligible participants. Each award is subject to the terms and conditions set forth in the LTIP and to those other terms and conditions specified by the Compensation Committee. SARs track the price of the Common Shares but are not entitled to receive dividends. RSUs and PSUs also track the price of the Common Shares and the number of RSUs and PSUs held by a participant are adjusted for any dividends declared and paid on the Common Shares, in accordance with the provisions of the LTIP. Options and SARs can be issued as standalone grants, or issued as tandem awards pursuant to the LTIP.

*Eligibility*

Employees of the Company or any of its affiliates, officers of the Company or of any of its affiliates and consultants of the Company or any of its affiliates are eligible to be granted awards under the LTIP.

*Shares Subject to the LTIP*

Up to 2,500,000 Common Shares (being approximately 4.5% of the currently issued and outstanding Common Shares) may be issued pursuant to treasury-settled awards under the LTIP. The maximum number of Common Shares that: (i) are issuable to reporting insiders (as defined in NI 55-104); and (ii) may be issued to reporting insiders within a one-year period, in each case, pursuant to awards under the LTIP and any other share-based compensation arrangement that the Company adopts is 10% of the Common Shares outstanding from time to time. The number of Common Shares subject to each award, the exercise price, the expiry time, the extent to which such award is exercisable and other terms and conditions relating to such awards are determined by the Board or the Compensation Committee. No participant may be granted awards in any single calendar year with respect to more than 5% of the issued and outstanding Common Shares. If, and to the extent, awards granted under the plan terminate, expire, cancel, or are forfeited without being exercised and/or delivered, Common Shares subject to such awards may again be available for grant under the LTIP. In addition, if and to the extent an award is settled for cash, the Common Shares subject to the award may again be available for grant under the plan.

In the event of any recapitalization, reorganization, arrangement, amalgamation, merger, stock split or consolidation, stock dividend or other similar event or transaction, substitutions or adjustments may be made by the Board or the Compensation Committee to: (i) the aggregate number, class and/or issue of the securities reserved for issuance under the LTIP; (ii) the number, class and/or issue of securities subject to outstanding awards; and (iii) the exercise price of outstanding Options or SARs, in each case in a manner that reflects equitably the effects of such event or transaction.

*RSUs*

Under the terms of the LTIP, the Compensation Committee may grant RSU awards to our senior management or any other eligible participant. The vesting period for RSUs subject to an award is determined by the Compensation Committee, provided that the vesting period and payment of awards shall be no later than the end of the third calendar year after each grant date. Each vested RSU entitles the holder thereof to receive either: (i) one Common Share; or (ii) at the election of the participant, a cash distribution on the vesting date, in each case, less applicable statutory withholdings and subject to active employment on the vesting date. Subject to the terms of the LTIP, unvested and unpaid awards are forfeited upon the termination or resignation of an employee, although the Board has discretion to determine any vested entitlements. Awards vest immediately and the distribution amount is paid if employment is terminated without cause within twelve (12) months following a change of control of the Company. Upon retirement of a participant, the RSUs continue to vest following retirement provided that the participant agrees to enter into a non-competition and non-solicitation agreement with the Company. Upon the death of a participant, all vested RSUs are paid out within three (3) months of the participant’s death, and any unvested RSUs expire immediately on the date of the participant’s death. As at February 16, 2023, there were 135,166 RSUs issued and outstanding under the LTIP.

*PSUs*

The Compensation Committee may grant PSUs under the LTIP to our senior management or any other eligible participant. Under the terms of the LTIP, PSUs vest based upon, and subject to achieving, performance objectives over a specified performance period determined by the Compensation, Committee. Performance objectives may relate to a combination of shareholder return and return on invested capital, or such other factors as may be determined by the Compensation Committee from time to time. Generally, PSUs are expected to vest based on a performance factor (ranging from 0% to 200%) on the last day of the performance period. Vested awards entitle the participant to receive either (i) Common Shares; or (ii) at the election of the participant, a cash distribution from the Company in an amount equal to the fair market value of the Common Shares determined on the vesting date, in each case, less applicable statutory deductions and subject to active employment on the vesting date. Subject to the terms of the LTIP, unvested and unpaid awards are forfeited upon the termination or resignation of an employee. Awards vest immediately, and the distribution amount is paid if employment is terminated without cause within twelve (12) months following a change of control of the Company. The PSUs continue to vest following retirement provided that the participant agrees to enter into a non-competition and non-solicitation agreement with the Company. Upon the death of a participant, all vested PSUs are paid out within three (3) months of the participant's death, and any unvested PSUs expire immediately on the date of the participant's death. Performance objectives may be measured either in absolute terms or relative to the performance of one or more similarly situated companies or a published index covering the performance of a number of companies. To date, the Company has not issued any PSUs.

*SARs*

The Compensation Committee may grant SAR awards under the LTIP to our senior management or any other eligible participant. Under the terms of the LTIP, a SAR permits the participant to receive an amount in cash equal to the number of SARs exercised by the participant, multiplied by the amount by which the fair market value of the Common Shares determined on the exercise date exceeds the fair market value of the Common Shares determined on the date the applicable SARs were granted. The Compensation, Committee has the authority to determine the terms, vesting period and conditions of each SAR and the manner and time payment of amounts attributable to a SAR; provided that the SARs subject to an award expire no later than ten (10) years after the grant date of the award. SARs may be granted on a stand- alone basis or in tandem with Options under the LTIP. In the event of a tandem award, the SARs that are subject to the tandem award vest and become exercisable on the same dates as the Options that are subject to the tandem award. The exercise of an Option or a SAR under a tandem award is at the election of the participant. The exercise of an Option granted under a tandem award results in the surrender of the corresponding SAR granted under the tandem award, and the exercise of a SAR granted under a tandem award results in the surrender of the corresponding Option granted under the tandem award. Under the LTIP, the Compensation Committee may determine a vesting schedule for SARs other than as set forth in the paragraph above, provided that no portion of the SARs may vest prior to the first anniversary of the grant date, except in the case of (i) death, disability, retirement, or involuntary termination of employment or service without cause, or (ii) the occurrence of a change of control of the Company. As at February 16, 2023, 53,335 SARs were issued and outstanding under the LTIP.

*Options*

The Compensation Committee may grant Option awards under the LTIP to our senior management or any other eligible participant. Under the terms of the LTIP, the exercise price of any Option may not be less than the fair market value of the Common Shares determined on the date on which the Option is granted, or such other minimum price as is permitted by the TSX in accordance with its policies from time-to-time. The Board or the Compensation Committee is entitled to determine the term and vesting period for each Option; provided, however, that the exercise period of any Option may not exceed seven (7) years from the date of grant. Options may be granted on a stand-alone basis or in tandem with SARs. See "*SARs*" above. As at February 16, 2023, no Options were issued and outstanding under the LTIP.

*Assignability*

Awards under the LTIP are non-assignable and non-transferable although they are assignable to and may be exercisable by a participant's legal heirs or personal representatives in certain cases.

*Amendments*

Shareholder approval is required for amendments to the LTIP to: (i) reduce the exercise price or purchase price of awards under the LTIP; (ii) extend the term under an award; (iii) remove or increase the insider participation limits; (iv) increase the maximum number of securities issuable, either as a fixed number or a fixed percentage of our outstanding capital represented by such securities; (v) amend the group of participants that are eligible to participate under the LTIP to include non-executive Directors; (vi) permit awards under the LTIP to be transferable or assignable by participants, other than by will or by the laws of descent and distribution; and (vii) amend an amending provision within the LTIP.

The Board or the Compensation Committee may, without shareholder approval, amend the LTIP with respect to: (i) amendments of a ''housekeeping nature''; (ii) changes to the vesting provisions of the LTIP or any award; (iii) changes to the provisions of the LTIP relating to the expiration of awards prior to their respective expiration dates upon the occurrence of certain specified events; (iv) the cancellation of an award; or (v) any other amendment to the LTIP or an award which is approved by any applicable stock exchange on a basis which does not require shareholder approval to be obtained.

On February 16, 2021, the Board amended the LTIP by providing participants with RSUs and/or PSUs the right to receive either (i) for each vested RSU held, one Common Share purchased by the Company on the participant's behalf based on the fair market value determined on the vesting date; or (ii) at the election of the participant, a cash distribution from the Company in an amount equal to the fair market value of a Common Share determined on the vesting date, in each case, less applicable statutory deductions and subject to active employment on the vesting date.

**DSU Plan**

The Company has adopted a DSU Plan to provide Directors with the opportunity to participate in the long-term success of the Company and to promote a greater alignment of interests between Directors and shareholders. Under the DSU Plan, eligible Directors can elect to receive all or a portion of their retainer and fees in the form of DSUs. On the date of any payment in respect of retainer or fees to eligible Directors who have elected to receive all or a portion of such payment in DSUs, each such Director is granted such number of DSUs equal to the amount of the payment so elected to be received in DSUs divided by the fair market value of the Common Shares determined on the date of such payment. Each DSU represents the right to receive, on a deferred payment basis, the cash equivalent of the fair market value of one common share determined on the settlement date, on the terms contained in the DSU Plan. The amount may not be paid out until such time as the Director's service to the Company terminates. All DSU awards are settled in cash. An eligible Director cannot redeem the DSUs until he or she ceases to be a member of the Board. As at February 16, 2023, there were 194,005 DSUs issued and outstanding under the DSU Plan.

**Nomination of Directors**

Director nominees are recommended to the Board by the Governance and Nominating Committee in accordance with its charter. Directors are elected by the Shareholders of the Company in accordance with the Majority Voting Policy at every annual general meeting of the Company, but if the election of Directors is not tabled at a Shareholder meeting, the incumbent Directors continue in office until their successors are elected or appointed.

We have included certain advance notice provisions in our by-laws with respect to the election of Directors (the "**Advance Notice Provisions**"). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general or, where the need arises, special meetings; (ii) ensure that all shareholders receive adequate notice of Board nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote. Only persons who are nominated by shareholders in accordance with the Advance Notice Provisions will be eligible for election as Directors. Nominations of persons for election to the Board may be made for any annual meeting of shareholders, or for any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of Directors.

Under the Advance Notice Provisions, a shareholder wishing to nominate a Director would be required to provide notice in the prescribed form within the prescribed time periods. These time periods include: (i) in the case of an annual meeting of shareholders (including annual and special meetings), not less than 30 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting of shareholders is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made (the "**Notice Date**"), notice by the shareholder may be received not later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose which includes electing Directors, not later than the close of business on the 15th day following the Notice Date.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, the discretion to declare that such defective nomination shall be disregarded.

## DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

### Board of Directors and Executive Officers

The following table sets out, for each of the Directors and executive officers as of February 16, 2023, the person's name, jurisdiction of residence, position(s) with the Company, principal occupation and whether the individual is independent as that term is defined under National Instrument 52-110. The Directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As of February 16, 2023, the Directors and executive officers, as a group, beneficially owned, or controlled or directed, directly or indirectly, 8,691,846 Common Shares, representing approximately 15.8% of the issued and outstanding Common Shares on a non-diluted basis.

| Name, Province or State and Country of Residence | Age | Position/Title | Since | Independent[1] | Principal Occupation |
|---|---|---|---|---|---|
| Alan Kestenbaum ............... *Florida, USA* | 61 | Executive Chairman and Chief Executive Officer | 09/25/2017 | No | Executive Chairman and Chief Executive Officer of the Company |
| Heather Ross[2][3][4] ................. *Ontario, Canada* | 60 | Lead Director | 06/04/2019 | Yes | Corporate director |
| Monty Baker[2][5][6][7] .............. *Ontario, Canada* | 67 | Director | 08/12/2020 | Yes | Corporate director |
| Michael W. Dees[4][6] ............ *New York, USA* | 49 | Director | 09/25/2017 | No | Partner, Lindsay Goldberg |
| Michael Mueller[4][6][7][8] .......... *Ontario, Canada* | 75 | Director | 06/04/2019 | Yes | Corporate director |
| Indira Samarasekera[9]……… *British Columbia, Canada* | 70 | Director | 05/02/2018 | Yes | Corporate director |
| Daryl Wilson[2][7]………………. *Ontario, Canada* | 63 | Director | 06/04/2021 | Yes | Corporate director |
| Sujit Sanyal ........................... *Ontario, Canada* | 66 | Chief Operating Officer | 09/25/2017 | N/A | Chief Operating Officer of the Company |
| Paul D. Scherzer ............... *Ontario, Canada* | 50 | Chief Financial Officer | 03/16/2020 | N/A | Chief Financial Officer of the Company |
| Paul Simon ............................ *Ontario, Canada* | 45 | General Counsel and Corporate Secretary | 09/25/2017 | N/A | General Counsel and Corporate Secretary of the Company |

(1) Based on information provided by each Director concerning his or her background, employment and affiliations, the Board has determined that Mr. Baker, Mr. Mueller, Ms. Ross, Dr. Samarasekera and Mr. Wilson, collectively representing five (5) of the current seven (7) members of the Board, are "independent" as that term is defined under NI 52-110. Pursuant to NI 52-110, an Independent Director is a Director who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a Director's independent judgment.
(2) Member of the Audit Committee.
(3) Chair of the Governance and Nominating Committee.
(4) Member of the Compensation Committee.
(5) Chair of the Compensation Committee.
(6) Member of the Governance and Nominating Committee.
(7) Member of the Environmental, Health and Safety Committee.
(8) Chair of the Audit Committee.
(9) Chair of the Environmental, Health and Safety Committee.

**Biographical Information Regarding the Directors of the Company**

*Alan Kestenbaum, Executive Chairman* — Alan Kestenbaum has extensive investing and operating experience in the natural resources sectors as well as a successful track record in turnarounds and restructurings. He currently serves as our Executive Chairman and Chief Executive Officer where he is responsible for strategic direction and growth initiatives. He was also the Executive Chairman and founder of Globe Specialty Metals and was the former Executive Chairman of Ferroglobe PLC ("**Globe**") (NASDAQ: GSM). Prior to forming Globe Specialty Metals, Mr. Kestenbaum founded Marco International, a leading international metals trader and investor, and led its expansion in North America and around the globe. Prior to founding Marco International, he was employed by Glencore and then Philipp Brothers. In 2019 he became a minority owner and limited partner of the Atlanta Falcons. Mr. Kestenbaum also serves as Executive Chairman & CEO of Sports Ventures Acquisition Corp., a blank check company established to pursue merger, acquisition, or other business combination transactions, most likely in the sports, media, and entertainment sectors. He has a B.A. in Economics from Yeshiva University and has been involved in numerous educational and communal boards.

*Heather Ross, Lead Director* — Heather Ross is the Lead Director of the Board. She is an ICD.D designated director who currently acts as an independent director of the Information Services Corporation (Governance and Nominating Committee), and Atlantic Packaging (Chair of the Governance and Nominating Advisory Committee and Member of the Human Resources Advisory Committee). She previously sat on the Boards of RSA Canada (Chair, Conduct Review and Human Resources Committee, and Member of the Nomination and Governance Committee), the Museum of Contemporary Art - Toronto, and TD Meloche Monnex. With a corporate career that spanned close to thirty-three years, she is a senior executive who has worked in the banking (TD Bank Group) and technology (IBM Canada Ltd. and Lenovo Canada) sectors leading significant mandates across both Canada and the U.S. With a track record of success across a diversity of roles, including President and General Manager of Lenovo Canada Ltd, and CIO, TD Bank Group, and most recently, Senior Vice President, Operations at TD Canada Trust, she has built high levels of functional experience across a multitude of disciplines including strategy, innovation & transformation, operations & technology, acquisition/divestiture, P&L, and marketing/sales. She currently resides in Toronto, holds an honours degree in commerce from Queen's University, and is functional in both English and French.

*Monty Baker, Director* – Monty Baker is a retired partner of PricewaterhouseCoopers ("**PwC**"), where he held various senior roles, including as the Canadian leader for the PwC Canada Management Consulting group. He also served on PwC's partnership board and was a member of the Global PwC Consulting Advisory Board from 1999 to 2002 at which time he moved to IBM. Until his retirement in 2011, he was the Vice President, Global BTO HR Solutions at IBM where he was responsible for overall strategy, sales, marketing, and the delivery for Human Resource Outsourcing. Mr. Baker is a graduate of the University of Toronto and a Chartered Professional Accountant. He received his chartered director designation from The Directors College in 2013. Currently, Mr. Baker is a director of the OMERS Administrative Corporation where he is Chair of the Human Resources Committee and serves as a member of the Audit and Actuarial Committee. In addition, Mr. Baker is on the Board of Trustees for Slate Office REIT where he is the Interim Chair of the Board of Trustees, Chair of the Audit Committee as well a member of the Governance committee and Investment committee.

*Michael W. Dees, Director* — Michael W. Dees has served as a member of the Board since September 25, 2017. Mr. Dees has been with Lindsay Goldberg since 2004, serving as a Principal before becoming a Managing Partner. Previously, he worked at Morgan Stanley in the private equity and real estate private equity groups in New York and Tokyo. He earned his M.B.A. from Harvard Business School, where he was a George F. Baker Scholar, and his B.A. in Economics from Harvard College. Mr. Dees currently serves as a director of Creation Industries LP, Liveo Research GmbH, Summit Interconnect Inc., Galen Mental Health LLC, Doppler Veterinary, MMS Holdings and Reign Research Holdings. He has previously served as a director of various private and public companies, including Bell Nursery Holdings LLC, Crane & Co. Inc., Woodspring Hotels Holdings LLC, Omega Healthcare Investors, Inc. (f/k/a Aviv REIT, Inc.), Klöckner & Co SE, Rosetta LLC, Dealer Tire Holdings LLC, Schur Flexible GmbH, PT Solutions, Atlas Packaging, Paccor Holdings, and Odfjell Terminals BV.

*Michael Mueller, Director* — Michael Mueller is a former global leader of PwC's Private Company Services/Middle Market Practice and a former member of PwC's Global Audit Leadership Team, Global Advisory Leadership Team, and the Global Markets Council. His previous positions with the firm also included National Managing Partner for Canada and Senior Relationship Partner for a number of the firm's most significant clients. He is a Chartered Professional Accountant, and a Chartered Business Valuator. Mr. Mueller previously served as a member of the board of directors for the Windsor Detroit Bridge Authority and completed his tenure as a member of the management advisory board of the Odette School of Business at the University of Windsor at the end of 2019. Mr. Mueller has significant experience in financial management and accounting, having led global organizations through complex matters such as restructuring work across industry and government. He also has extensive board experience, notably as the chairman and member of the board of Smart Technologies Inc. from 2010 to 2016, and as a member of the board of Hydro One Inc. from 2007 to 2014. Mr. Mueller is from Windsor, Ontario, and holds an honours degree in commerce and received an honorary Doctor of Laws from the University of Windsor.

*Indira Samarasekera, Director* – Indira Samarasekera is a senior advisor at Bennett Jones LLP, a law firm, and a corporate director. Dr. Samarasekera was President and Vice Chancellor of the University of Alberta from 2005 to 2015 and prior to that, the Vice President, Research at the University of British Columbia from 2000 to 2005. She is a member of the Trilateral Commission. Dr. Samarasekera holds a B.Sc. (in mechanical engineering) from the University of Ceylon (Sri Lanka), an M.Sc. (in mechanical engineering) from the University of California, as a Hayes Fulbright Scholar, and a Ph.D. (in metallurgical engineering) from the University of British Columbia. She is an Officer of the Order of Canada and a Foreign Associate of the U.S. National Academy of Engineering. Dr. Samarasekera is a member of the board of directors of Magna International Inc., TC Energy Corporation and Intact Financial Corporation (Chair) and a former member of the board of directors of The Bank of Nova Scotia.

*Daryl Wilson, Director* - Daryl Wilson is a versatile leader with more than 35 years of progressive industrial management experience in environmental technology, operations, manufacturing, human resources, product development, and organizational change developed in world class organizations, including Dofasco, Toyota, and Zenon Environmental. Mr. Wilson is currently the Executive Director of the Hydrogen Council and a director of ESS, Inc. In addition, from 2006 to 2019, Mr. Wilson served as CEO of Hydrogenics, a publicly listed leading provider of advanced hydrogen solutions. Mr. Wilson also served on the board of ATS Automation from 2009 to 2019 and is a certified corporate director. Mr. Wilson holds a B.A.Sc. in Chemical Engineering from the University of Toronto and received his MBA from McMaster University.

**Biographical Information Regarding the Executive Officers of the Company**

*Alan Kestenbaum, Executive Chairman and Chief Executive Officer* — Please see above under "—*Biographical Information Regarding the Directors of the Company*".

*Sujit Sanyal, Chief Operating Officer* — Sujit Sanyal has been our Chief Operating Officer since September 2017. Mr. Sanyal is an accomplished senior executive with more than 39 years of management and leadership distinctions in the steel industry. Prior to joining the Company, Mr. Sanyal was the President and Chief Executive Officer of Arcelor Mittal Long Products Canada ("**AMLP**") located in Contrecoeur, Quebec. He has held various positions, including General Manager, VP (Operations), and Chief Operating Officer at AMLP. Mr. Sanyal holds a Master of Technology degree in Metallurgical Engineering from the Indian Institute of Technology and completed the Executive Management program at the Wharton School, University of Pennsylvania.

*Paul D. Scherzer, Chief Financial Officer* — Paul Scherzer has been our Chief Financial Officer since March 2020. Mr. Scherzer spent close to 25 years as a metals and mining investment banker focusing primarily on the steel and metals industries, including over 17 years with Credit Suisse in New York and Toronto where he was Head of Americas Metals & Mining in the investment banking department. More recently, he headed the Industrial Materials & Services team in the investment banking group of BNP Paribas in New York. He has been involved with some of the most significant North American and cross-border steel-related transactions over the last 25 years and has a wealth of steel industry, M&A and capital markets knowledge. Mr. Scherzer graduated from the University of Western Ontario's Ivey Business School in 1995 with a B.A. in Honours Business Administration, with distinction.

*Paul Simon, General Counsel and Corporate Secretary* — Paul Simon has been our General Counsel and Corporate Secretary since August, 2017. Prior to joining Stelco, Mr. Simon was a partner at Borden Ladner Gervais LLP specializing in securities law, mergers and acquisitions and corporate law. Mr. Simon is a graduate of Queen's University Faculty of Law and holds an Honours Bachelor of Commerce degree from McMaster University.

## Penalties or Sanctions

To our knowledge, based on information supplied by the Directors and executive officers of the Company, none of the Directors or executive officers of the Company and no shareholder holding a sufficient number of securities to affect materially the control of the Company, is or has been, within the ten years prior to the date of this Annual Information Form, subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

## Individual Bankruptcies

To our knowledge, based on information supplied by the Directors and executive officers of the Company, none of the Directors or executive officers of the Company and no shareholder holding a sufficient number of securities to affect materially the control of the Company, is, as at the date of this Annual Information Form or has, within the ten years prior to the date of the Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

## Corporate Cease Trade Orders and Bankruptcies

To our knowledge, based on information supplied by the Directors and executive officers of the Company, none of the Directors or executive officers of the Company and no shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this Annual Information Form, or has been within the ten (10) years before the date of this Annual Information Form, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, “order” means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

## Other Proceedings

Mr. Kestenbaum is a former director and Executive Chairman of Globe. In connection with the business combination transaction (the “**Globe Transaction**”) between Globe and Grupo FerroAtlantica, S.A.U., a stockholder litigation class action was commenced on behalf of Globe stockholders challenging the Globe Transaction in the Court of Chancery of the State of Delaware (“**Court of Chancery**”) (In Re Globe Specialty Metals, Inc. Stockholders Litigation, Consol. C.A. No. 10865) (the “**Class Action**”). The Class Action alleged that the directors of Globe, breached their fiduciary duties to Globe stockholders in connection with the Globe Transaction by allegedly failing to engage in adequate decision-making process in recommending that Globe stockholders vote in favour of the Globe Transaction and thereby breaching their fiduciary duties. The Class Action also alleged that Globe aided and abetted in such conduct. Pursuant to an order of the Court of Chancery dated February 15, 2016, the Court of Chancery issued a final order and judgement approving the settlement of the Class Action. Accordingly, pursuant to the order, the Court of Chancery approved the settlement of the Class Action, dismissed the Class Action and, *inter alia*, ordered the release of all claims against the defendant parties, including Mr. Kestenbaum, without prejudice. The Class Action settlement included a payment of US$32.5 million to the plaintiff class.

**Committees of the Board**

Our Board has established the following committees: the (i) Audit Committee; (ii) Compensation Committee; (iii) Governance and Nominating Committee; and (iv) Environment, Health and Safety Committee.

*Audit Committee*

The Audit Committee is currently comprised of four (4) Independent Directors, each of whom are persons determined by the Company to be "independent" as that term is defined under NI 52-110 and financially literate within the meaning of NI 52-110.

The Audit Committee is comprised of Michael Mueller, who acts as Chair of the committee, Monty Baker, Heather Ross and Daryl Wilson. Each member of the Audit Committee is "independent" as that term is defined under NI 52-110. Pursuant to NI 52-110, an Independent Director is a Director who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a Director's independent judgment.

Each member of the Audit Committee has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements, as well as an understanding of the internal controls and procedures necessary for financial reporting.

Our Board has adopted a written charter for the Audit Committee, in the form set out under Appendix "B" to this Annual Information Form, which sets out the Audit Committee's responsibilities. The Audit Committee's responsibilities include: (i) reviewing and approving the engagement of the auditors; (ii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents, including our annual information form and management's discussion and analysis; (iii) assessing our accounting policies; (iv) reviewing our risk management procedures; (v) reviewing any significant transactions outside our ordinary course of business and any legal matters that may significantly affect our financial statements; (vi) overseeing the work and confirming the independence of the external auditors; and (vii) reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management, including, without limitation, the whistleblower policy.

The Audit Committee maintains direct communication channels with the Chief Financial Officer and the external auditors of the Company to discuss and review such issues as the Audit Committee may deem appropriate.

Audit Fees, Audit Related Fees, Tax Services and All Other Fees

The following table sets forth the fees billed for various services provided by KPMG LLP to the Company during the Company's last two fiscal years:

| Fee | 2022 | 2021 |
|---|---|---|
| Audit fees(1) | $1,052,500 | $1,144,200 |
| Audit related fees(2) | $98,690 | $79,825 |
| Tax services(3) | $112,300 | $32,500 |
| All Other Fees(4) | - | - |
| Total fees | $1,263,490 | $1,256,525 |

**Notes**:

(1) Fees for audit services.
(2) Fees for assurance and related services not included in audit service above.
(3) Fees for tax compliance, tax advice and tax planning.
(4) All other fees not included above.

*Compensation Committee*

The Compensation Committee is comprised of Monty Baker, who acts as Chair of the committee, Michael Dees, Michael Mueller, and Heather Ross. The Compensation Committee is responsible for: (i) considering questions of management succession; (ii) administering any compensation incentive programs of the Company; (iii) assessing the performance of management of the Company; and (iv) reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to Directors and officers of the Company.

*Governance and Nominating Committee*

The Governance and Nominating Committee is comprised of Heather Ross, who acts as Chair of the committee, Monty Baker, Michael Dees and Michael Mueller. The Governance and Nominating Committee is responsible for: (i) assessing the effectiveness of the Board, each of its committees and individual Directors; (ii) overseeing the recruitment and selection of candidates as Directors; (iii) organizing an orientation and education program for new Directors; (iv) considering and approving proposals by the Directors to engage outside advisors on behalf of the Board as a whole or on behalf of the Independent Directors; and (v) reviewing and making recommendations to the Board concerning any change in the number of Directors composing the Board.

*Environment, Health and Safety Committee*

The Environment, Health and Safety Committee is comprised of Dr. Indira Samarasekera, who acts as Chair of the committee, Michael Dees, Michael Mueller and Daryl Wilson. The primary role of the Environment, Health and Safety Committee is to assist the Board in fulfilling certain of its oversight responsibilities by, among other things, overseeing the establishment and administration of the environmental, health and safety policies, programs, procedures and initiatives for the Company, including those that promote the safety and health of the Company's employees, contractors and customers, in addition to the public and the environment, and reviewing periodically the reputation of the Company as a responsible corporate citizen and efforts to employ sustainable business practices consistent with the purpose and values of the business.

## CONFLICTS OF INTEREST

A majority of the Board consists of members who are regarded as being independent of the Company and the entire Audit Committee is composed of Independent Directors. In addition, Heather Ross acts as Lead Director who is responsible for ensuring that the Directors who are independent have opportunities to meet without management and non-independent Directors present, as necessary. As a result, the Board believes that it is able to facilitate independent judgment in carrying out its responsibilities. Discussions among Independent Directors are led by the Lead Director who provides feedback subsequently to the Executive Chair of the Board and to the Board.

A Director who has a material interest in a matter before the Board or any committee on which he or she serves is required to disclose such interest as soon as the Director becomes aware of it. In situations where a Director has a material interest in a matter to be considered by the Board or any committee on which he or she serves, such Director may be required to recuse himself or herself from the meeting while discussions and voting with respect to the matter are taking place. Directors are also required to comply with the relevant provisions of the CBCA regarding conflicts of interest.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are, from time to time, involved in legal proceedings of a nature considered normal to our business. We believe that none of the litigation in which we are currently involved or have been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to our consolidated financial condition and results of operations.

We are not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against us, nor have we entered into any settlement agreements before a court or with a securities regulatory authority.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Annual Information Form, there are no material interests, direct or indirect, of any Director or executive officer of the Company, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of the aggregate votes attached to the Common Shares, or any associate or affiliate of any of the foregoing persons, in any transaction within the three (3) years before the date hereof that has materially affected or is reasonably expected to materially affect us or any of our subsidiaries.

## INTERESTS OF EXPERTS

The auditor of the Company is KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, located at 21 King St W., Suite 700, Hamilton, Ontario, L8P 4W7. KPMG has been the Company's auditor since September 25, 2017. Accordingly, KPMG was the auditor in respect of the consolidated financial statements of the Company for the year ended December 31, 2022. KPMG has advised the Company that it is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and applicable legislation or regulations.

## MATERIAL CONTRACTS

The following are our only material agreements that are in effect as of the date hereof (other than certain agreements entered into in the ordinary course of business):

1. Investor Rights Agreement;
2. Management Services Agreement;
3. Option Agreement – see *"General Development of the Business - Notable Transactions – Minntac Mine Option"*; and
4. Share Purchase Agreement – *"General Development of the Business - Equity Transactions – 2021 Share Repurchase".*

Copies of the foregoing documents are available on the Company's profile on SEDAR at www.sedar.com.

Investor Rights Agreement

The Company entered into an investor rights agreement dated November 10, 2017 and subsequently amended effective August 13, 2021 (the "**Investor Rights Agreement**") between it and Bedrock Industries B.V. and certain of its affiliates (Bedrock Industries B.V., together with any of its affiliates, the "**Bedrock Group**") with respect to certain registration rights.

The following is a summary of the material terms of the Investor Rights Agreement. This description is not complete and is qualified by reference to the terms of the Investor Rights Agreement, which has been filed with the Canadian securities regulatory authorities. Investors are encouraged to read the full text of the agreement.

Pursuant to the Investor Rights Agreement, the Bedrock Group has the right to make demand registration requests that, if and when exercised, would require Stelco Holdings Inc. to file a Canadian prospectus (and otherwise assist with public offerings) for the Common Shares held by the Bedrock Group in accordance with Canadian securities laws and the terms and conditions of the Investor Rights Agreement. The Bedrock Group's registration rights include a right to specify the intended method of disposition of securities (which may include the use of a short form prospectus, including a base shelf prospectus and a shelf prospectus supplement, if the Company then qualifies to use such procedures). We may participate in the offering initiated by the Bedrock Group, subject to prescribed priorities in the event of an underwriters' cutback.

If we propose to qualify or distribute any of our securities in a form and manner that would permit qualification of Common Shares held by the Bedrock Group, we will be required to give prompt notice to the Bedrock Group and the Bedrock Group will have the right to participate in any such offering, subject to prescribed priorities in the event of an underwriters' cutback (a "Piggyback Registration").

We are entitled to postpone or suspend a demand registration request for a period of up to 60 days during any 12-month period where the Board has determined in its good faith judgment that the filing of a prospectus would require us to disclose any material non-public information that we have a *bona fide* purpose for preserving as confidential and the disclosure of which would have a material adverse effect on our business. We are also not obligated to take any action to effect a registration request (i) in any particular calendar year after having effected two demand registrations pursuant to the Investor Rights Agreement in such calendar year; or (ii) if such a request or a Piggyback Registration was effected within the previous 90 days.

All costs and expenses associated with any demand registration or Piggyback Registration will be borne by us other than underwriting commissions and the fees of counsel of the Bedrock Group. We will also be required to provide indemnification and contribution for the benefit of the Bedrock Group and its affiliates and representatives in connection with any demand registration or Piggyback Registration.

The Investor Rights Agreement terminates, subject to the survival of certain provisions, on the date that the Bedrock Group no longer holds any of the Common Shares.

Management Services Agreement

Stelco Inc. and ManagementCo are party to a Management Services Agreement, as amended (the "**Management Services Agreement**"). Pursuant to the Management Services Agreement, ManagementCo provides certain management and other administrative services to the Company, including senior management services, financial, managerial, operational and administrative advice, and advice and counsel in connection with strategic transactions. Mr. Kestenbaum is compensated for his executive role with the Company with payments made through the Management Services Agreement. The Company incurred expenses of $15 million for the year ended December 31, 2022 in respect of the Management Services Agreement.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company is Computershare Trust Company of Canada at its principal offices located at 100 University Avenue, Toronto, Ontario M5J 2Y1.

## ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com and on the Company's website at www.stelco.com. Additional information including Directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its most recent annual meeting of security holders that involved the election of Directors. Additional financial information is provided in the Company's financial statements and MD&A for its most recently completed financial year.

## APPENDIX "A"

## GLOSSARY

"**2020 ABL Amendments**" has the meaning ascribed thereto under "*General Development of the Business – Funding Arrangements*";

"**2020 IMA Amendments**" has the meaning ascribed thereto under "*General Development of the Business – Funding Arrangements*";

"**2020 RPA Amendment**" has the meaning ascribed thereto under "*General Development of the Business – Funding Arrangements*";

"**2021 ABL Amendment**" has the meaning ascribed thereto under "*General Development of the Business – Funding Arrangements*";

"**2021 IMA Amendment**" has the meaning ascribed thereto under "*General Development of the Business – Funding Arrangements*";

"**2021 RPA Amendments**" has the meaning ascribed thereto under "*General Development of the Business – Funding Arrangements*";

"**2021 Share Repurchase**" has the meaning ascribed thereto under *"General Development of the Business - Equity Transactions";*

"**2022 IMA Amendment**" has the meaning ascribed thereto under "*General Development of the Business – Funding Arrangements*";

"**2022 RPA Amendment**" has the meaning ascribed thereto under "*General Development of the Business – Funding Arrangements*";

"**2022 NCIB**" has the meaning ascribed thereto under "*General Development of the Business – Equity Transactions – Normal Course Issuer Bids*";

"**2023 NCIB**" has the meaning ascribed thereto under "*General Development of the Business – Equity Transactions – Normal Course Issuer Bids*";

"**ABL Facility**" has the meaning ascribed thereto under "*General Development of the Business - Funding Arrangements*";

"**Advance Notice Provisions**" has the meaning ascribed thereto under "*Capital Structure*";

"**AHSS**" has the meaning ascribed thereto under "*Description of the Business*";

"**AMD**" has the meaning ascribed thereto under "*Description of the Business*";

"**AMLP**" has the meaning ascribed thereto under "*Directors and Executive Officers of the Company*";

"**Annual Information Form**" means this annual information form;

"**Audit Committee**" means the audit committee of the Board, as further described under the heading "*Directors and Executive Officers of the Company*";

"**Base Shelf Prospectus**" has the meaning ascribed thereto under *"General Development of the Business - Equity Transactions";*

"**Baycoat**" has the meaning ascribed thereto under "*Description of the Business*";

"**Bedrock Group**" has the meaning ascribed thereto under "*Material Contracts*";

"**Board**" means the board of Directors of Stelco Holdings Inc.;

"**CBCA**" has the meaning ascribed thereto under "*Corporate Structure*";

"**CBO Leases**" has the meaning ascribed thereto under "*General Development of the Business - Land*";

"**CEPA**" has the meaning ascribed thereto under "*Description of the Business*";

"**CITT**" has the meaning ascribed thereto under "*General Development of the Business*";

"**CGL**" has the meaning ascribed thereto under "*Description of the Business*";

"**Class Action**" has the meaning ascribed thereto under "*Directors and Executive Officers of the Company*";

"**CO2e**" means carbon dioxide equivalent;

"**Cogen Plant**" has the meaning ascribed thereto under "*General Development of the Business – Significant Projects*";

"**Coke Battery Upgrade Project**" has the meaning ascribed thereto under "*General Development of the Business – Significant Projects*";

"**Cold Mill Lease**" has the meaning ascribed thereto under "*General Development of the Business – Land*";

"**Common Shares**" has the meaning ascribed thereto under "*Corporate Structure*";

"**Company**" has the meaning ascribed thereto under "*Explanatory Notes*";

"**Compensation Committee**" means the compensation committee of the Board, as further described under the heading "*Directors and Executive Officers of the Company*";

"**Court of Chancery**" has the meaning ascribed thereto under "*Directors and Executive Officers of the Company*";

"**COVID-19**" has the meaning ascribed thereto under "*General Development of the Business*";

"**D.C. Chrome**" has the meaning ascribed thereto under "*Description of the Business*";

"**Directors**" means the directors of Stelco Holdings Inc., and "**Director**" means any one of them;

"**DSU Plan**" has the meaning ascribed thereto under "*Dividends*";

"**DSUs"** means deferred share units that may be issued under the DSU Plan from time-to-time;

"**DTE**" has the meaning ascribed thereto under "*General Development of the Business*";

"**EAF**" has the meaning ascribed thereto under "*Description of the Business*";

"**ELHTs**" has the meaning ascribed thereto under "*Description of the Business*";

"**Environment, Health and Safety Committee**" means the environment, health and safety committee of the Board, as further described under the heading "*Directors and Executive Officers of the Company*";

"**Environmental Framework Agreements**" has the meaning ascribed thereto under "*Description of the Business*";

"**ESA**" has the meaning ascribed thereto under "*General Development of the Business*";

"**Fairfax**" has the meaning ascribed thereto under "*Explanatory Notes*";

"**Federal Backstop**" has the meaning ascribed thereto under "*General Development of the Business*";

"**forward-looking information**" has the meaning ascribed thereto under "*Forward-Looking Statements*";

"**GHG**" has the meaning ascribed thereto under "*Description of the Business*";

"**Globe**" has the meaning ascribed thereto under "*Directors and Executive Officers of the Company*";

"**Globe Transaction**" has the meaning ascribed thereto under "*Directors and Executive Officers of the Company*";

"**Governance and Nominating Committee**" means the governance and nominating committee of the Board, as further described under the heading "*Directors and Executive Officers of the Company*";

"**Historic Members**" has the meaning ascribed thereto under "*Description of the Business*";

"**HW**" has the meaning ascribed thereto under "*Description of the Business*";

"**HW Lands**" has the meaning ascribed thereto under "*General Development of the Business - Land*";

"**HW Leases**" has the meaning ascribed thereto under "*General Development of the Business - Land*";

"**HW Sale and Leaseback**" has the meaning ascribed thereto under "*General Development of the Business - Land*";

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board;

"**IMA**" has the meaning ascribed thereto under "*General Development of the Business*";

"**Independent Director**" means a Director who is independent of the Company in accordance with applicable Canadian securities law;

"**Initial Consideration**" has the meaning ascribed thereto under "*General Development of the Business*";

"**Investor Rights Agreement**" has the meaning ascribed thereto under ''*Material Contracts*";

"**ISED Canada**" has the meaning ascribed thereto under "*General Development of the Business*";

"**ISED Contribution**" has the meaning ascribed thereto under "*General Development of the Business*";

"**June Offering**" has the meaning ascribed thereto under *"General Development of the Business - Equity Transactions";*

"**k nt**" means thousand net tons;

“**Lands**” has the meaning ascribed thereto under “*General Development of the Business - Land*”;

“**Land Vehicle**” has the meaning ascribed thereto under “*General Development of the Business - Land*”;

“**Lead Director**” means the Independent Director who is responsible for ensuring the appropriate leadership for the Independent Directors, as further described under *“Directors and Executive Officers of the Company”;*

“**LEW**” has the meaning ascribed thereto under “*Description of the Business*”;

“**LEW Lands**” has the meaning ascribed thereto under “*General Development of the Business - Land*”;

“**LG Bedrock**” means LG Bedrock Holdings LP;

“**Lindsay Goldberg**” means Goldberg Lindsay & Co. LLC;

“**Local**” has the meaning ascribed thereto under “*Description of the Business*”;

“**Long Term Incentive Plan**” or “**LTIP**” has the meaning ascribed thereto under “*Dividends*”;

“**Main Pension Plans**” has the meaning ascribed thereto under “*Description of the Business*”;

“**ManagementCo**” means Bedrock Industries Management Co., Inc.;

“**Management Services Agreement**” has the meaning ascribed thereto under *“Material Agreements”*;

“**March Offering**” has the meaning ascribed thereto under *“General Development of the Business - Equity Transactions”;*

“**March Prospectus Supplement**” has the meaning ascribed thereto under *“General Development of the Business - Equity Transactions”;*

“**May Prospectus Supplement**” has the meaning ascribed thereto under *“General Development of the Business - Equity Transactions”;*

“**MD&A**” means management’s discussion and analysis of financial condition and results of operations;

“**MECP**” means the Ontario Ministry of the Environment, Conservation and Parks;

“**Minntac Mine**” has the meaning ascribed thereto under “*General Development of the Business*”;

“**Minntac Option**” has the meaning ascribed thereto under “*General Development of the Business*”;

“**Minntac Option Term**” has the meaning ascribed thereto under “*General Development of the Business*”;

“**m nt**” means million net tons;

“**Mortgage**” has the meaning ascribed thereto under “*General Development of the Business*”;

“**NCIB**” means a normal course issuer bid conducted pursuant to the TSX rules;

“**New Pension Plans**” has the meaning ascribed thereto under “*Description of the Business*”;

“**Notice**” has the meaning ascribed thereto under “*Description of the Business*”;

“**Notice Date**” has the meaning ascribed thereto under “*Capital Structure*”; “**NOx**” has the meaning ascribed thereto under “*Description of the Business*”; “**nt**” or “**net tons**” means net tons equal to 2,000 pounds;

“**OPEB**” has the meaning ascribed thereto under “*General Development of the Business*”;

“**OPEB Funding Agreement**” has the meaning ascribed thereto under “*Description of the Business*”;

“**Option Agreement**” has the meaning ascribed thereto under “*General Development of the Business*”; “**Options**” means stock options that may be issued under the LTIP from time-to-time;

“**Pellet Agreement**” has the meaning ascribed thereto under “General Development of the Business”;

“**Pension Act**” has the meaning ascribed thereto under “*Description of the Business*”;

“**Pension Agreement**” has the meaning ascribed thereto under “*Description of the Business*”;

“**Piggyback Registration**” has the meaning ascribed thereto under “*Material Contracts*”;

“**Plan**” means the court approved plan of compromise, arrangement and reorganization under the *Companies’ Creditors Arrangement Act* and the CBCA dated June 30, 2017.

“**Primobius**” means Primobius GmbH;

“**Province**” means the Province of Ontario;

“**Provincial Plan**” has the meaning ascribed thereto under “*Description of the Business*”;

“**Provincial Program**” has the meaning ascribed thereto under “*Description of the Business*”;

"**PSUs**" means performance share units that may be issued under the LTIP from time-to-time;

"**Purchaser**" has the meaning ascribed thereto under "*General Development of the Business*";

"**PwC**" has the meaning ascribed thereto under "*Directors and Executive Officers of the Company*";

"**RPA**" has the meaning ascribed thereto under "*General Development of the Business*";

"**RRSP**" means registered retirement savings plan;

"**RSUs"** means restricted share units that may be issued under the LTIP from time-to-time;

"**SARs**" means share appreciation rights that may be issued under the LTIP from time-to-time;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval at www.sedar.com;

"**shareholders**" means the holders of the Common Shares, and "**shareholder**" means any one of them;

"**Share Purchase Agreement**" has the meaning ascribed thereto under *"General Development of the Business - Equity Transactions";*

"**SIB**" has the meaning ascribed thereto under *"General Development of the Business - Equity Transactions – Substantial Issuer Bids";*

"**SO2**" has the meaning ascribed thereto under "*Description of the Business*";

"**Special Regulation**" means *U.S. Steel Canada Inc. Pension Plans*, O. Reg 255/17;

"**Stelco**" has the meaning ascribed thereto under "*Explanatory Notes*";

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder;

"**Tax Savings Agreement**" has the meaning ascribed thereto under "*Description of the Business*";

"**Tax Savings Payments**" has the meaning ascribed thereto under "*Description of the Business*";

"**tonnes**" means metric tons or 2,205 pounds;

"**TPM**" has the meaning ascribed thereto under "*Description of the Business*";

"**TSX**" has the meaning ascribed thereto under "*Corporate Structure*";

"**UHSS**" has the meaning ascribed thereto under "*Description of the Business*";

"**United States**" or "**U.S.**" has the meaning ascribed thereto in Regulation S under the U.S. Securities Act of 1933, as amended;

"**USS**" means the United States Steel Corporation;

"**USW**" has the meaning ascribed thereto under "*Description of the Business*";

"**VOC**" has the meaning ascribed thereto under "*Description of the Business*";

"**Water Lot Lease**" has the meaning ascribed thereto under "*General Development of the Business*"; and

"**Z-Line**" has the meaning ascribed thereto under "*Description of the Business*".

## APPENDIX “B”

## STELCO HOLDINGS INC.
## CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

### FUNCTION AND PURPOSE

The Audit Committee (the “**Committee**”) shall assist the Board of Directors (the “**Board**”) of Stelco Holdings Inc. (the “**Company**”) in fulfilling its oversight responsibilities by: (i) monitoring the integrity of the corporate accounting and financial reporting processes and financial information that will be provided to shareholders and others; (ii) reviewing the compliance by the Company with certain legal and regulatory requirements; (iii) reviewing areas of potential significant financial risk to the Company; (iv) evaluating the independent auditor’s qualifications and independence; (v) monitoring the performance of the independent auditors as well as any other public accounting firm engaged to perform other audit, review, or attest services; and (vi) reporting regularly on all such matters to the Board.

While the Committee has the duties and responsibilities set forth in this Charter, the role of the Committee is that of oversight. The Committee is not responsible for planning or conducting the audit or determining whether the financial statements of the Company are complete and accurate and in accordance with applicable accounting rules. Such activities are the responsibility of management and the independent auditors. The Committee and its members are not preparers, auditors, or certifiers of the financial statements or guarantors of the independent auditors’ reports. It is not the duty or responsibility of the Committee to ensure that the Company complies with all laws and regulations. The Committee and each of its members shall be entitled to rely on: (a) the integrity of those persons and organizations within and outside of the Company from which it receives information; (b) the accuracy of the financial and other information provided to the Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board); and (c) representations made by management as to any audit and non-audit services provided by the independent auditors.

### COMPOSITION AND ORGANIZATION

Membership and Qualifications

*Composition:* The Committee shall be composed of at least three directors, including a Chairman, all appointed by the Board taking into account any recommendation of the Governance, Compensation and Nominating Committee.

*Independence:* Subject to the permitted phase-in periods afforded by Section 3.2 of National Instrument 52-110 – *Audit Committees*, each member of the Committee shall be independent, as determined in accordance with the rules of applicable stock exchanges and securities regulatory authorities.

*Financial Literacy:* All members of the Committee must be financially literate, meaning that he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s, financial statements. A director who is not financially literate may be appointed to the committee, provided that such director becomes financially literate within a reasonable period of time following such appointment.

Meetings

*Frequency*: The Committee shall meet as frequently as the Chairman of the Committee deems appropriate. The Committee may meet with the independent auditors and management separately, to the extent the Committee deems necessary and appropriate.

*Agendas and Notice*: The Chairman of the Committee shall establish the meeting dates and the meeting agenda. The Chairman of the Committee or the Company Secretary shall send proper notice of each Committee meeting and information concerning the business to be conducted at the meeting, to the extent practical, to each member prior to each meeting. The Chairman or a majority of the members of the Committee may call a special meeting of the Committee at any time. While the Committee is expected to communicate regularly with management of the Company, the Committee shall exercise a high degree of independence in establishing its meeting agenda and in carrying out its responsibilities.

*Holding and Recording Meetings*: Committee meetings may be held in person or telephonically, or action may be taken by written consent in accordance with the applicable corporate law. The Committee may act by a majority vote at a meeting of the Committee or by a writing or writings signed by all of its members without a meeting. The Committee shall keep written minutes of its meetings and submit such minutes to the Board. The Committee may request that members of management be present at Committee meetings as needed in order to execute the Committee's primary responsibilities. The Committee shall report to the Board with respect to its meetings, and all actions taken or authorized by the Committee shall be reported to the Board at its next meeting following such action(s) by the Committee.

*Quorum*: A majority of the members of the Committee shall constitute a quorum for meetings of the Committee.

*Compensation of the Committee*: The compensation of Committee members shall be determined by the Governance, Compensation and Nominating Committee.

*Chairperson*: If the Chairman of the Committee is not present at any meeting of the Committee, an acting Chairman for the meeting shall be chosen by majority vote of the Committee from among the members present. In the case of a deadlock on any matter or vote, the Committee shall refer the matter to the Board.

## AUTHORITY AND RESPONSIBILITIES

<u>Independent Auditors</u>

*Selection and Disengagement of Independent Auditors:* The Committee shall have the sole authority and the direct responsibility for the appointment, compensation, retention and oversight of the independent auditors for the Company (including the resolution of disagreements between management and the independent auditors regarding financial reporting) and the independent auditors shall report directly to the Committee.

*Performance and Independence of Independent Auditors:* The Committee shall evaluate the qualifications and performance and confirm the independence of the independent auditors on an ongoing basis, but not less frequently than annually. The Committee shall confirm receipt from the independent auditors of a formal written statement delineating all relationships between the Company and its subsidiaries and the independent auditors, consistent with applicable accounting rules and standards. The Committee shall actively engage in a dialogue with the auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditors and shall take, or recommend that the full Board take, appropriate action to oversee the independence of the auditors.

*Approval of Independent Auditor Services:* The Committee shall review and approve the independent auditors' annual engagement letter and all audit, audit-related, tax and other non-audit permissible services proposed to be provided by the independent auditors, and the fees for such services.

*Review of Independent Auditor Report:* The Committee shall review: (i) any reports required to be prepared by the independent auditors on all critical accounting policies and practices to be used; (ii) all alternative treatments within applicable accounting rules for policies and practices related to material items that have been discussed with management, including the ramifications of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and (iii) any other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

<u>Financial Reporting Process</u>

*Open Communication:* The Committee shall provide and facilitate an open avenue of communication between the independent auditors, the Board, management and the accounting and finance department of the Company. The Committee shall also provide and facilitate sufficient opportunity for the independent auditors (and internal auditors, if any) to meet with members of the Committee without members of management present.

*System of Financial Controls:* The Committee shall oversee the process in which management shall design, implement, amend, maintain, and enforce a comprehensive system of financial controls (including the right internal and external people and resources, policies, processes and enforcement) aimed at ensuring the integrity and compliance of the books and records of the Company with the International Financial Reporting Standards ("**IFRS**") and other applicable laws and regulations and sound business practices, as well as protecting the value of the assets of the Company and safeguarding the credibility of its brand, employees, management team, the Board and shareholders. Such system of financial controls will embody the adoption of best practices in financial controls and foster honesty, integrity, accuracy, and transparency in all aspects of the Company and its subsidiaries. It will include but not be limited to: (i) setting the right tone at the top; (ii) active review of business unit performance by executive management, with regular reporting to and oversight by the Board; (iii) an accurate, stable and reliable general ledger; (iv) a robust internal audit function; (v) unambiguous compliance with IFRS, accounting standards, or applicable laws and regulations; and (vi) full transparency with the Board, Audit Committee, Governance, Compensation and Nominating Committee and external auditors. Such system shall also incorporate the principles contained within the Company's Code of Business Conduct and Ethics, as adopted by the Board and as may be superseded or amended from time to time.

The Committee shall consider and review the adequacy and effectiveness of the Company's internal control and management information systems through discussions with senior executives of the Company and the external auditor relating to the maintenance of: (i) necessary books, records and accounts in sufficient detail to accurately and fairly reflect the Company's transactions; (ii) effective internal control over financial reporting, including seeking to ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, the Company's disclosure controls and procedures and periodically assess the adequacy of those procedures and recommend any proposed changes to the Board for consideration; (iii) adequate processes for assessing the risk of material misstatements in the financial statements and for detecting control weaknesses or fraud; and (iv) the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company. The Committee shall satisfy itself, through discussions with senior executives of the Company that the adequacy of internal controls, systems and procedures has been periodically assessed in accordance with regulatory requirements and recommendations. Finally the Committee shall periodically review the Company's policies and procedures for reviewing and approving or ratifying related-party transactions.

*Annual Audit Review:* The Committee shall review with management and the independent auditors the financial statements (including the notes thereto) of the Company for each fiscal year, together with the independent auditors' audit and audit report thereon. In performing such review, the Committee shall review the scope of the audit, the audit procedures utilized, any difficulties or disputes encountered during the audit, any changes in accounting practices or principles, and any other matters related to the conduct of the audit brought to the Committee's attention by management or the independent auditors, or which are raised by members of the Committee. In connection with the annual reviews, the Committee shall inquire about and review with management and the independent auditors any significant risks or exposures faced by the Company and discuss with management the steps taken to minimize such risk or exposure. Such risks and exposures include, but are not limited to: (i) threatened and pending litigation; (ii) claims against the Company or its subsidiaries; (iii) tax matters, regulatory compliance and correspondence from regulatory authorities; and (iv) environmental exposure.

*Quarterly Reviews:* The Committee shall review with management and the independent auditors the financial statements of the Company each quarter, together with the independent auditors' review thereof pursuant to professional standards and procedures for conducting such reviews, as established by generally accepted auditing standards. In connection with the quarterly reviews, the Committee shall inquire about and review with management and the independent auditors any significant risks or exposures faced by the Company and discuss with management the steps taken to minimize such risk or exposure.

*Internal Audit*: From time to time, the Committee shall assess any requirements or changes with respect to the establishment or operations of an internal audit function having regard to the size and stage of development of the Company at any particular time.

*Review of Audit Scope:* The Committee shall consider and review with management and the independent auditors the scope of the audit for the current fiscal year and the plan of the independent auditors in conducting the audit.

*Legal Compliance; Investigations*: In connection with the annual audit review, the Committee shall inquire about and review with management any legal and regulatory matters that may have a material impact on the Company, including (without limitation) anti-bribery and trade sanction compliance matters.

*Financial Reporting Disclosure*: The Committee shall review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, the quarterly financial statements, management discussion and analysis, financial reports, financial projections and other applicable financial disclosure, prior to the public disclosure of such information. Further the Committee shall review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms, annual reports to shareholders, management proxy circulars, material change disclosures of a financial nature and similar disclosure documents prior to the public disclosure of such documents or information.

Finance and Investment Oversight

*Financial Resources:* The Committee shall periodically review and make recommendations to the Board with respect to the Company's financial resources, financing requirements, currency hedging, investment strategies (if any) and related matters.

*Incurrence of Debt or Equivalents:* Irrespective of the dollar amount involved, issuance of debt securities or off-balance sheet financing shall require Committee recommendation and Board approval; borrowings under Stelco Inc.'s revolving credit facilities are not subject to this provision.

*Other Financial Matters:* The Committee shall receive and review reports from management with respect to significant financial matters, including any significant transactions outside the ordinary course of business of the Company as requested by the Board or as deemed appropriate by the Committee from time to time.

Risk Management

With management's input, the Committee shall review the Company's major business, operational, and financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives or hedging arrangements. With the Committee's oversight, management shall establish guidelines, policies and practices regarding risk management, including, but not limited to, derivative policies, insurance programs and necessary practices and procedures to monitor and control major business, operational and financial risks.

Environmental, Health & Safety, Social and Governance

The Committee shall consider and review with management and the Environment, Health and Safety Committee (the "EHS Committee") issues relating to the environment, health and safety and the communities in which it conducts its operations, and the Company's efforts to minimize to the extent practicable any adverse impacts in these areas. The Committee shall also consider and review with management and the EHS Committee the Company's governance structure to ensure appropriate controls and oversight with respect to issues in these areas.

Review of Hiring Policy

The Committee shall review and approve any individual as an employee or director of the Company that is, or has been previously been, a partner or employee of the present or former external auditor of the Company.

Whistleblower Policy

*Submission of Complaints*: The Committee shall establish, maintain and oversee the Whistleblower Policy for: (i) the receipt, retention, and treatment of complaints received by the Company, including incidents of retaliation received by the Company, regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.

Access to Records, Legal Counsel and Advisors

*Access to Records and Personnel*: The Committee shall have full access to any relevant records of the Company that it deems necessary to carry out its responsibilities. The Committee may request that any officer or other employee of the Company or any of its subsidiaries or any advisor to the Company meet with members of the Committee or its advisors, as it deems necessary to carry out its responsibilities.

*Independent Advisors:* The Committee shall have the authority to engage and determine funding for such independent legal, accounting and other advisors as it deems necessary to carry out its responsibilities. Such independent advisors may be the regular advisors to the Company. The Committee is empowered to cause the Company or any of its subsidiaries, as applicable, to pay the compensation of such advisors as established by the Committee.

Funding of the Audit Committee

*Funding:* The Company shall provide appropriate funding, as determined by the Committee, for: (i) payment of compensation to the independent auditors or any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; (ii) any other advisors engaged by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Other Responsibilities

*Reports to Board of Directors:* The Committee shall report regularly to the Board regarding the meetings of the Committee with such recommendations to the Board as the Committee deems appropriate.

*Review of this Charter:* The Committee shall periodically review and reassess the adequacy of this Charter and recommend any proposed changes to the Board for its approval.

*Regulatory Developments:* The Committee shall monitor and provide reports to the Board with respect to developments in accounting rules and practices, income tax laws and regulations, and other regulatory requirements that affect matters within the scope of the Committee's authority and responsibilities.

*IT and Information Security:* The Committee shall assess with management, the material risk exposures relating to the Company’s information technology systems and information security, together with the Company’s actions, policies and procedures, to identify, monitor and mitigate such exposures.

*Delegation:* Subject to applicable law, the Committee may delegate any or all of its functions to any of its members or any sub-set thereof, or other persons, from time to time as it sees fit.

*Other Responsibilities:* The Committee shall perform such other duties as may be required by law or requested by the Board or deemed appropriate by the Committee. The Committee shall discharge its responsibilities, and shall assess the information provided to the Committee, in accordance with its business judgment. The Committee shall have the authority to conduct or authorize investigations into any matters within the scope of its responsibilities as it shall deem appropriate.