

Unaudited Interim Condensed Financial Statements

**Stelco Holdings Inc.**

For the Five Days Ended September 30, 2017

**Stelco Holdings Inc.**

**Interim condensed statement of loss and comprehensive loss**

(In Canadian dollars)  
(unaudited)

	<b>Five days ended September 30, 2017 \$</b>
<b>Operations</b>	
Total revenue	—
Cost of goods sold	—
<b>Gross profit</b>	<u>—</u>
Legal and consulting fees	3,577,399
<b>Operating loss</b>	<u><b>(3,577,399)</b></u>
Loss before income taxes	<b>(3,577,399)</b>
Income tax expense	—
<b>Loss and comprehensive loss for the period</b>	<u><b>(3,577,399)</b></u>
<b>Loss per share (basic)</b>	<u><b>\$(357,740)</b></u>
<b>Loss per share (diluted)</b>	<u><b>\$(357,740)</b></u>

**Stelco Holdings Inc.**

**Interim condensed statements of financial position**

(In Canadian dollars)

(unaudited)

	September 30, 2017	September 25, 2017
	\$	\$
Cash	10	10
Prepaid transaction costs	208,226	—
<b>Total assets</b>	<b>208,236</b>	<b>10</b>
Trade and other payables	3,785,625	—
<b>Total current liabilities</b>	<b>3,785,625</b>	<b>—</b>
<b>Total liabilities</b>	<b>3,785,625</b>	<b>—</b>
<b>Equity (deficiency)</b>		
Share capital	10	10
Retained deficit	(3,577,399)	—
<b>Total equity (deficiency)</b>	<b>(3,577,389)</b>	<b>10</b>
<b>Total liabilities and shareholder's equity</b>	<b>208,236</b>	<b>10</b>

*See accompanying notes.*

On behalf of the Board of Directors

Brian Levitt, Director

Jeffrey Bunder, Director

**Stelco Holdings Inc.**

**Interim condensed statement of cash flows**

(In Canadian dollars)  
(unaudited)

	<b>Five days ended September 30, 2017</b>
	<u>\$</u>
<b>Operating activities</b>	
Loss for the period	(3,577,399)
Add (deduct) items not affecting cash	
Changes in non-cash working capital balances related to operations:	
Trade and other payables	3,785,625
Prepaid transaction costs	(208,226)
	<u>—</u>
<b>Cash from operating activities</b>	<u>—</u>
<b>Investing activities</b>	
<b>Cash from investing activities</b>	<u>—</u>
<b>Financing activities</b>	
Issuance of shares to Bedrock Industries B.V.	10
<b>Cash from financing activities</b>	<u>10</u>
Net increase in cash and cash equivalents	10
Cash and cash equivalents, beginning of period	—
<b>Cash and cash equivalents, end of period</b>	<u><u>10</u></u>

*See accompanying notes*

**Stelco Holdings Inc.**

**Interim condensed statements of changes in equity (deficiency)**

(In Canadian dollars)

(unaudited)

	<b>Number of common shares</b>	<b>Amount of common shares \$</b>	<b>Retained deficit \$</b>	<b>Total equity (deficiency) \$</b>
<b>At September 25, 2017</b>	10	10	—	10
Loss and comprehensive loss for the period	—	—	(3,577,399)	(3,577,399)
<b>At September 30, 2017</b>	<b>10</b>	<b>10</b>	<b>(3,577,399)</b>	<b>(3,577,389)</b>

*See accompanying notes*

## Stelco Holdings Inc.

### Notes to interim condensed financial statements

(Expressed in Canadian dollars)

September 30, 2017

#### 1. Corporate information

Stelco Holdings Inc. ("Stelco Holdings" or the "Company") was incorporated on September 25, 2017 under the *Canada Business Corporations Act* and issued 10 shares to Bedrock Industries B.V. ("Bedrock Industries") on that date. The Company was formed for the purposes of completing a public offering of its common shares. As at September 30, 2017, the Company is a wholly owned subsidiary of Bedrock Industries.

The Company's registered and head offices are located at 386 Wilcox Street, Hamilton, Ontario.

#### 2. Basis of presentation

##### Statement of Compliance

The interim condensed financial statements have been prepared by management in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's statement of financial position as at September 25, 2017 ("Financial Statement").

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's Financial Statement.

These interim condensed financial statements were authorized for issue in accordance with a resolution of the directors on November 13, 2017.

#### 3. Share capital

The Company is authorized to issue (i) an unlimited number of common shares and (ii) an unlimited number of preferred shares, issuable in series. There are currently 10 common shares and no preferred shares issued and outstanding.

#### 4. Related party transactions

The Company's controlling shareholder is Bedrock Industries, which directly owns all of the Company's issued and outstanding common shares. Bedrock Industries is wholly-owned by Bedrock Industries L.P. The principal limited partners of Bedrock Industries L.P. are LG Bedrock Holdings LP, a Delaware limited partnership ("LG Bedrock"); and AK Bedrock LLC, a Delaware limited liability company wholly owned by Alan Kestenbaum. The General Partner of Bedrock is Bedrock Industries GP LLC, a Delaware limited liability company whose sole member is LG Bedrock. LG Bedrock's general partner is LG Bedrock Holdings GP LLC, a Delaware limited liability company (the "LG GP"). Alan E. Goldberg and Robert D. Lindsay are the executive managers of the LG GP and, through a series of affiliated investment funds and vehicles, share ownership and voting control of the LG GP.

The Company and Stelco Inc. are related parties because they are members of the same group (both controlled by Bedrock Industries).

## **Stelco Holdings Inc.**

### **Notes to interim condensed financial statements**

(Expressed in Canadian dollars)

September 30, 2017

#### **4. Related party transactions (continued)**

As at September 30, 2017, the Company had payables of \$3,785,625 to Stelco Inc. with respect to costs incurred as a result of the initial public offering (note 5). A portion of these costs, totaling \$208,226, have been recorded in the statement of financial position as prepaid transaction costs, which relate to third party costs incurred that are directly attributable to the share offering. Upon completion of the offering, these costs will be transferred to equity.

The Company's key management personnel are comprised of the Board and certain members of the executive team of the Company. During the period ended September 30, 2017, the Company recorded \$nil as an expense related to key management personnel.

#### **5. Events after the reporting period**

##### **Initial public offering**

The Company completed a public offering on November 10, 2017. Upon closing of the offering, Bedrock Industries' ownership interest in Stelco Holdings Inc. was reduced from 100% to 84.8% of the issued and outstanding common shares, totaling 75,283,887 shares. The total number of shares outstanding as at the closing date was 88,813,637, which included the sale of 1,764,750 common shares pursuant to the exercise in full by the underwriters of their over-allotment option.

##### **Acquisition of Stelco Inc.**

On November 10, 2017 prior to closing of the offering, the Company acquired all of the issued and outstanding shares of Stelco Inc. from Bedrock Industries resulting in Stelco Inc. becoming a wholly owned subsidiary of the Company.

The acquisition by the Company of Stelco Inc. from Bedrock Industries is a transaction amongst entities under common control. The Company will account for this transaction using book value accounting, based on the book values that would be recognized in the consolidated financial statements of Bedrock Industries upon its acquisition of Stelco Inc. on June 30, 2017. The acquisition of Stelco Inc. on June 30, 2017 was accounted for by Bedrock Industries as a business combination at fair value in accordance with IFRS 3 *Business Combinations*.

Bedrock Industries paid total cash consideration in the amount of \$70 million to acquire Stelco Inc. The business combination occurred coincident with Stelco Inc.'s emergence from CCAA, and the acquired assets and assumed liabilities have been adjusted to their fair values assigned through completion of a preliminary purchase price allocation, as described below. The excess of the preliminary fair value of net identifiable assets acquired of Stelco over the purchase price reflects a bargain purchase gain under IFRS 3. The preliminary amount of bargain purchase gain and other balances could be materially different depending on the outcome of the finalization of the analysis of fair values as noted above. The bargain purchase gain of \$227 million is recorded by Bedrock Industries prior to the common control transaction that is recognized at book value and will therefore not be recorded by the Company.

**Stelco Holdings Inc.**

**Notes to interim condensed financial statements**

(Expressed in Canadian dollars)

September 30, 2017

**5. Events after the reporting period (continued)**

<b>Net identifiable assets acquired</b>	<b>June 30, 2017</b>
	<b>\$</b>
Working capital	
Cash and cash equivalents	\$30,483,210
Restricted cash	22,078,557
Trade and other receivables	168,525,568
Inventories	282,375,066
Prepaid expenses	59,035,876
Trade and other payables	(94,380,313)
Other liabilities	(31,101,406)
Employee benefit commitment	(31,179,827)
	<u>\$405,836,731</u>
Property, plant and equipment	269,288,745
Investment in joint ventures	6,300,000
Intangible assets	7,900,000
Finance lease obligation	(22,936,800)
Long-term debt	(78,553,645)
Provisions	(5,095,685)
Employee benefit commitment	(286,183,570)
	<u>\$296,555,776</u>
<b>Consideration transferred</b>	<b>\$70,000,000</b>
<b>Bargain purchase gain</b>	<b><u>\$226,555,776</u></b>