MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF STELCO INC.

The following Management's Discussion and Analysis ("**MD&A**") has been prepared with respect to Stelco Inc. In this MD&A only, references to the "**Company**", "**Stelco**", "**we**", "**us**" or "**our**" refer to Stelco Inc. and its consolidated subsidiaries, and do not include or refer to Stelco Holdings Inc. ("**Holdings**"). This MD&A is dated as of November 13, 2017. This MD&A should be read in conjunction with our audited consolidated financial statements and unaudited interim consolidated financial statements. This MD&A contains certain forward-looking information that involves risks and uncertainties, including but not limited to, those described in the "*Risk Factors*" section of this MD&A and in the "*Risk Factors*" section in the final long-form supplemented PREP prospectus (the "**Prospectus**") of our parent, Holdings, dated November 2, 2017 at www.sedar.com in respect of Holdings' initial public offering that closed on November 10, 2017.

See "*Forward-Looking Information*" and "*Risk Factors*" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors, including those described in "*Risk Factors*" and elsewhere in this MD&A.

Basis of Presentation

Our audited consolidated financial statements and unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and are presented in millions of Canadian dollars unless otherwise indicated. We manage our business on the basis of one operating and reportable segment.

All references in this MD&A to: "Fiscal 2016" are to our fiscal year ended December 31, 2016; "Q2 2017" are to our fiscal quarter ended June 30, 2017; "Q3 2017" are to our fiscal quarter ended September 30, 2017; "Q2 2016" are to our fiscal quarter ended June 30, 2016; and "Q3 2016" are to our fiscal quarter ended September 30, 2016.

Non-IFRS Financial Measures

In this MD&A, we make reference to certain non-IFRS measures which we use in addition to IFRS measures to evaluate the financial condition and results of operations of the business. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures including ''EBITDA'', ''Adjusted EBITDA'', ''Adjusted EBITDA per net ton'', ''Selling Price per net ton'', and ''Shipping Volume'' to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management uses these non-IFRS financial measures in order to facilitate operating performance comparisons from period-to-period, to prepare annual operating budgets and forecasts, and drive performance through our management compensation program. See "*How We Assess the Performance of Our Business*" for definition of these terms. See also "*Selected Annual and Quarterly Financial Information*" for a reconciliation of the various non-IFRS measures used herein.

FORWARD-LOOKING INFORMATION

This MD&A 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 our 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: "*– Overview*"; "*Results of Operations*"; "*Liquidity and Capital Resources*"; "*Outlook*" and "*Estimates and Assumptions*".

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of 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.

The forward-looking information contained in this MD&A represents management's expectations as of the date of this MD&A and is 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 MD&A for each financial year up to and including in respect annual shipment growth targets in 2022 disclosed in the "*Outlook*" section of this MD&A, including to provide information on our annual shipment growth targets disclosed therein, actual results and a discussion of variances from our growth targets. For certain assumptions and material factors about our target growth in annual shipments by the end of fiscal year 2022 contained in this MD&A, please see the "*Forward-Looking Information*" section of the Prospectus. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to, those described below and referred to under the heading "*Risk Factors*".

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.

Overview

Stelco Inc. (formerly known as U. S. Steel Canada Inc. ("**USSC**")) was established in 1910 and is primarily engaged in the production and selling of steel products. The Company owns one of the newest and among the most technologically advanced integrated steel making facilities in North America. Stelco produces flat-rolled value-added steels, including premium-quality coated, cold-rolled and hot-rolled steel products. With first-rate gauge, crown, and shape control, as well as reliable uniformity of mechanical properties, our steel products are supplied to demanding customers in the construction, automotive and energy industries across Canada and the United States. We believe our total cash costs per net ton ("**nt**") are among the lowest in North America and we expect our margins per nt will expand as we increase our asset utilization and regain volumes lost in recent years.

We operate from two facilities: Lake Erie Works ("**LEW**") near Nanticoke, Ontario and Hamilton Works ("**HW**") in Hamilton, Ontario. LEW facilities are comprised of a coke battery, a blast furnace, two steel making vessels, a twin-strand slab caster, a hot strip mill, and three pickling lines. LEW produces hot-rolled coil and hot-rolled pickled steel that are either sold to third-parties or sent on to HW for further processing. HW facilities are comprised of a coke battery, a cold-rolling mill, a Z-Line and a continuous galvanizing line ("**CGL**"). HW is supplied with hot-rolled pickled steel from LEW and produces high quality cold-rolled and coated steel products as well as coke that is supplied to LEW to fuel its blast furnace and could be 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 a 50% interest in two separate joint ventures: Baycoat Limited Partnership and D.C. Chrome Limited that complement our finishing capabilities.

Our operations are strategically located near our raw material suppliers and core customers which we believe positions us to serve both Canadian and United States customers with shorter lead-times relative to other steelmakers. Furthermore, the fact that both of our operating facilities have access to multiple modes of transportation (barge, 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.

From October 31, 2007, until June 30, 2017, USSC operated as an indirect, wholly-owned subsidiary of United States Steel Corporation ("**USS**"). During this period, USSC experienced numerous operational disruptions, including labour disruptions between 2009 and 2013, incurred significant debt obligations, and made substantial cash payments in respect of historical pension and other post-employment benefit ("**OPEB**") obligations. USSC suffered significant financial losses during this period and sought protection through the Companies' Creditors Arrangement Act ("**CCAA**") in September of 2014.

Following a competitive sales process, USSC reached an agreement with Bedrock Industries LP ("**Bedrock**") on December 9, 2016, whereby Bedrock would acquire all of the outstanding shares of USSC. Upon closing of the acquisition by Bedrock on June 30, 2017, USSC changed its name back to Stelco Inc. We believe our acquisition by Bedrock and restructuring has significantly enhanced our financial position as it has eliminated over $3,056 million of debt, extinguished approximately $1,387 million of pension and OPEB obligations in exchange for making manageable fixed payments and formula-based contributions linked to the cash flow of the business, addressed historical environmental liabilities, and allowed us to regain control over our sales functions and production decisions. Additionally, we have seen considerable improvements in labour relations as a result of our management approach since we were acquired by Bedrock and now benefit from five year, coterminous labour agreements with our unions.

As a result of the Bedrock transaction agreements with stakeholders and emergence from the CCAA, the Company has significantly strengthened its balance sheet and streamlined its capital structure. As reflected in the following table of selected financial position data, between December 31, 2016, and September 30, 2017, the Company reduced trade and other payables from $457 million to $168 million (a reduction of $289 million, or 63%), reduced pension and OPEB obligations from $1,311 million ($1,030 million of which was non-current and $281 million of which was current) to $0, reduced total liabilities from $4,487 million to $557 million (a decrease of $3,930 million, or 88%), and increased total equity from a deficit of ($3,287) million to a surplus of $293 million (an increase of $3,580 million):

As at (millions of Canadian dollars)	**September 30, 2017**	**December 31, 2016**	**Change**
Cash and cash equivalents	22	188	(166)
Trade and other receivables	117	237	(120)
Inventories	367	314	53
Property, plant and equipment	303	378	(75)
Total assets	850	1,200	(350)
Trade and other payables	168	457	(289)
Employee benefit commitment	319	-	319
Current and non-current pension and OPEB obligations	-	1,311	(1,311)
Current and non-current portion of long term debt	11	1,822	(1,811)
Total liabilities	557	4,487	(3,930)
Total shareholders' equity	293	(3,287)	3,580

In addition to a strengthened balance sheet, the Company emerged from CCAA and the acquisition by Bedrock with substantial tax attributes. As at September 30, 2017, the Company has tax attributes to shield approximately $1,210 million of future pre-tax earnings from income taxation in Canada provided the requirements pursuant to the Tax Act to claim such amounts are satisfied. Pursuant to the Tax Savings Agreement, we may be required to make certain payments to the Main Pension Plans and the independent trusts (the "**ELHTs**") to the extent our tax attributes reduce the amount of taxes otherwise payable by Stelco. The Company also entered into a number of funding commitments with stakeholders that provide for certain future fixed payments and potential variable payments that are tied to our future financial performance.

In summary, we have returned as a low cost, integrated and independent steelmaker focusing on regaining our stature as an industry leader. With a strengthened balance sheet, a $375 million ABL Credit Facility (as defined herein) to finance our working capital requirements, and no term debt once the Provincial OPEB Advance has been repaid on Closing, we believe we are well positioned to execute our strategy and regain our market position.

Initial Public Offering

On November 10, 2017, Holdings successfully closed its initial public offering (the "**Offering**") of its common shares (the "**Shares**") at a price of $17.00 per share. Holdings issued an aggregate of 13,529,750 Shares under the Offering for total gross proceeds of $230,005,750. The Shares are listed for trading on the Toronto Stock Exchange under the symbol "**STLC**".

Immediately prior to the Offering, Holdings acquired all of the issued and outstanding shares in the capital of the Company, resulting in it becoming a wholly-owned subsidiary of Holdings.

How We Assess the Performance of Our Business

The key performance indicator measurements below are used by management in evaluating the performance of our Company and assessing our business. We refer to certain key performance indicators used by management and typically used by our competitors in the North American steel industry, certain of which are not recognized under IFRS. See ''*Non-IFRS Financial Measures*'' above. For a reconciliation of certain of the following non-IFRS measures to the most directly comparable measures calculated in accordance with IFRS see ''— *Selected Annual and Quarterly Financial Information"*.

Revenue from Sale of Goods

The majority of our revenue from the sale of goods (''**Revenue**'') is derived from hot-rolled, cold-rolled and coated steel products. In addition, other product sales such as coke fines and by-products (tar, ammonia and light oil) are included in revenue. Our customer base primarily includes automotive, appliance, construction, energy, and steel service centres across Canada and the United States.

Selling Price per net ton

We believe another key measure of performance is Selling Price per nt, which is defined as revenue divided by nt shipped in the period. Selling Price per nt is used by management, investors, and analysts to measure sales price on a per unit basis. Selling Price per nt is helpful in isolating a key driver in the generation of revenue, selling price, and helps facilitate the comparison of sales performance relative to peers. Selling Price per nt is also helpful in comparing performance from period-to-period and understanding factors and trends impacting our business. Selling Price per nt is a non-IFRS measure and does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See ''*Non-IFRS Measures*''.

Shipping Volume

Shipping volume represents the total volume of steel products shipped in the respective period measured in nt. Steel product shipments include hot-rolled, cold-rolled and coated coils as well as other steel products. Other steel product shipments include non-prime steel products such as secondary steel and scrap. Shipping Volume is used by management, investors, and analysts to measure quantities of products sold in the period and isolate a key element in the generation of revenue. Measuring Shipping Volume helps facilitate comparison of sales performance relative to peers and comparison of performance from period-to-period. It also provides a more complete understanding of factors and trends impacting our business. Shipping Volume is a non-IFRS measure and does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See ''*Non-IFRS Measures*".

Gross Profit

Gross profit reflects our revenue less cost of goods sold. Cost of goods sold includes product-related costs, labour costs, employment benefits and other operating costs such as repairs and maintenance, as well as depreciation.

Selling, General and Administrative (''SG&A'') Expenses

Our SG&A expenses are predominantly comprised of corporate functions, and include wages and benefits, marketing, professional and legal fees, travel, and other expenses related to the corporate infrastructure required to support our business. SG&A costs also include costs associated with establishing and enhancing support functions and information systems, including a new Enterprise Resource Planning ("**ERP**") system, that have historically been provided to the Company by USS.

Earnings Before Interest, Taxes, Depreciation and Amortization (''EBITDA'')

EBITDA is defined as profit or loss for the period before finance costs, finance income, income tax expense, and depreciation and amortization. See ''— *Selected Annual and Quarterly Financial Information*''. EBITDA is used by management, investors, and analysts to measure operating performance and is a supplement to our consolidated financial statements presented in accordance with IFRS. EBITDA is a helpful measure of operating performance before non-operating financial items such as finance costs, finance income and income tax expense, as well as depreciation, which are non-cash expenses. Management considers EBITDA a meaningful measure for assessing the underlying financial performance of the Company. EBITDA does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See ''*Non-IFRS Measures*''.

Adjusted EBITDA

Adjusted EBITDA is defined as EBITDA adjusted for the impact of certain non-routine, non-recurring, and/or non-cash items. In this MD&A, the Company adjusted for the following non-routine, non-recurring, and/or non-cash items: (i) gains related to emergence from CCAA, (ii) acquisition-related costs, (iii) provision on pension and other post-employment benefits, (iv) restructuring costs, and (v) separation costs related to USS support services. See ''— *Selected Annual and Quarterly Financial Information"*. As with EBITDA, Adjusted EBITDA is used by management, investors, and analysts to measure operating performance of the Company and is a supplement to our consolidated financial statements presented in accordance with

IFRS. Adjusted EBITDA is a helpful measure of operating performance before non-operating financial items such as finance costs, finance income and income tax expense, as well as depreciation, which are non-cash expenses. Adjusted EBITDA also removes the impact of certain non-routine, non-recurring, and/or non-cash items to enable management, investors and analysts to gain a clearer understanding of the underlying financial performance of the Company. Adjusted EBITDA is also helpful to facilitate comparison of operating performance on a consistent basis from period-to-period and to provide a more complete understanding of factors and trends impacting our business. Adjusted EBITDA is a non-IFRS measure and does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See ''*Non-IFRS Measures*''.

Adjusted EBITDA per net ton

We monitor Adjusted EBITDA per nt, defined as Adjusted EBITDA divided by Shipping Volume (defined below), as a key indicator of performance during the period. Generally, Adjusted EBITDA per nt is used by management, investors, and analysts to measure profitability on a per unit basis, while excluding the impacts of finance costs and finance income, income tax expense, depreciation, as well the impacts of certain non-routine, non-recurring, and/or non-cash items. Adjusted EBITDA per nt is also helpful to facilitate comparison of per unit profitability on a consistent basis from period-to-period and to provide a more complete understanding of factors and trends impacting our business. Adjusted EBITDA per nt is a non-IFRS measure and does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. See ''*Non-IFRS Measures*''.

Selected Annual and Quarterly Financial Information

The following table provides selected consolidated financial data for the periods and years indicated.	Trailing 12 months ended September 30,[(1)]	Three months ended September 30,		Nine months ended September 30,	
For the period ended (millions of Canadian dollars)	**2017**	**2017**	**2016**	**2017**	**2016**
Total revenue	1,461	336	373	1,149	990
Cost of goods sold	1,350	324	322	1,026	963
Gross profit	111	12	51	123	27
Selling, general and administrative expenses	67	12	7	62	19
Operating profit	44	-	44	61	8
Finance costs	194	12	54	133	136
Finance income	(2)	-	-	(1)	-
Share of loss of joint ventures	2	-	-	1	-
Gain on disposal of property, plant and equipment	(2)	-	-	-	-
Restructuring costs	43	1	9	33	26
Gain on emergence from CCAA	(3,665)	-	-	(3,665)	-
Other income	(6)	-	(1)	(3)	(1)
Income (loss) before income taxes	3,480	(13)	(18)	3,563	(153)
Income tax expense	-	-	-	-	-
Income (loss) for the period	3,480	(13)	(18)	3,563	(153)

1. The selected consolidated financial data for the trailing twelve months ended September 30, 2017 has been derived from our audited consolidated financial statements for the year ended December 31, 2016 and from our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2017 by adding the financial activity from the last three months of 2016 to the first nine months of 2017. The Company believes this period provides useful information about the performance of our operations.

The following table provides a reconciliation of Income (Loss) for the period to Adjusted EBITDA and certain other non-IFRS measures for the periods and years indicated:

Reconciliation of Income (loss) for the year to Adjusted EBITDA:	Trailing 12 months ended September 30[(6)]	Three months ended September 30		Nine months ended September 30	
For the period ended (millions of Canadian dollars, except volume and per nt)	**2017**	**2017**	**2016**	**2017**	**2016**
Income (loss) for the period	3,480	(13)	(18)	3,563	(153)
Depreciation	26	4	8	19	22
Finance costs	194	12	54	133	136
Finance income	(2)	-	-	(1)	-
EBITDA	3,698	3	44	3,714	5
Adjustments to EBITDA:					
Gains related to emergence from CCAA[1]	(3,665)	-	-	(3,665)	-
Acquisition related costs[2]	18	-	-	18	-
Provision on pension and other post-employment benefits[3]	49	2	12	26	37
Restructuring costs[4]	43	1	9	33	26
Separation costs related to USS support services[5]	24	1	-	21	-
Adjusted EBITDA	167	7	65	147	68
Adjusted EBITDA as a percentage of total revenue	11%	2%	17%	13%	7%
Selling Price per nt (in dollars per nt)	779	818	749	814	654
Adjusted EBITDA per nt (in dollars per nt)	89	17	131	104	45
Shipping Volume (in thousands of nt)	1,875	411	498	1,411	1,513
Hot-rolled	1,320	299	366	998	1,124
Cold-rolled	51	12	4	43	6
Coated	407	78	105	302	307
Other	96	22	23	68	76

1. Represents the gain from the implementation of the CCAA plan on June 30, 2017. Refer to note 13 of the unaudited interim condensed consolidated financial statements of Stelco Inc. for the three and nine months ended September 30, 2017.
2. Acquisition costs related to the purchase of Stelco Inc. by Bedrock.
3. Represents difference between total cash funding obligation for pensions and OPEBs and amount already reflected in EBITDA.
4. Restructuring expenses relates to the CCAA proceedings, which primarily included legal fees, financial advisor fees, court-appointed monitor fees, interim financing fees and other related restructuring expenses. The Company implemented its CCAA plan on June 30, 2017.
5. Relates to USS support service expenses incurred while the Company is in the process of separating from USS and enhancing its own support functions.
6. The reconciliation of EBITDA and Adjusted EBITDA and certain other non-IFRS measures for the trailing twelve months ended September 30, 2017 has been derived from our audited consolidated financial statements for the year ended December 31, 2016 and from our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2017 by adding the financial activity from the last three months of 2016 to the first nine months of 2017. The Company believes this period provides useful information about the performance of our operations.

The following table provides selected financial position data for the dates indicated:

As at (millions of Canadian dollars)	**September 30, 2017**	**December 31, 2016**
Cash and cash equivalents	22	188
Trade and other receivables	117	237
Inventories	367	314
Property, plant and equipment	303	378
Total assets	850	1,200
Trade and other payables	168	457
Current portion of long-term debt	-	1,822
Current portion of employee benefit commitment	41	-
Other current liabilities	23	1,172
Long-term debt	11	-
Long-term portion of pension and other post-employment benefits	-	1,030
Long-term portion of employment benefit commitments	278	-
Total liabilities	557	4,487
Total shareholder’s equity (deficiency)	293	(3,287)

Results of Operations

Overview

The following is an overview of the change in sales and product mix for the nine months and three months ended September 30, 2017 and September 30, 2016.

Product mix for the nine months and three months ended September 30, 2017 and September 30, 2016, was similar with a modest increase in cold-rolled sales of 3% and 2% respectively over the nine and three month periods. Hot-rolled and coated products represented approximately 71% and 21% of the total sales volumes over the nine month period ended September 30, 2017, whereas the comparative period in 2016 was approximately 74% and 20% respectively.

Sales volumes were down over the nine months and three months ended September 30, 2017 as compared to the same periods in 2016. The three months ended September 30, 2017 had an overall sales volume decrease of 86,498 nt or 17%, over the three months ended September 30, 2016. The nine months ended September 30, 2017, had a sales volume decrease of 101,542 nt or 7%, over the nine months ended September 30, 2016.

The Company conducted a planned blast furnace outage during the quarter ended September 30, 2017, which included applying a protective shotcrete refractory to the blast furnace walls in order to improve the operational reliability and extend the working life of the furnace. The blast furnace production was reduced in the early months of fiscal 2017 in order to maintain furnace stability prior to the planned major repair and maintenance outage scheduled to start on August 14, 2017. This reduction in production contributed to the reduced sales volume. Approximately 171,000 nt of hot-rolled production was lost in the nine months ended September 30, 2017, as compared to the same period in the prior year, due in large part to reduced production levels prior and during the planned outage.

Going forward, the Company’s sales strategy is focused on regaining higher margin business, increasing its expansion into additional markets including the United States with respect to hot-rolled, cold-rolled and coated coil sales, and assessing opportunities to introduce new products. Due to the Company’s recently improved financial position, it believes a major roadblock has been removed that previously impacted its ability to compete for automotive customer contracts.

The following is an overview of the operational changes for the nine months ended September 30, 2017:

The Company conducted a planned blast furnace outage in the quarter ended September 30, 2017, which included applying a protective shotcrete refractory to the blast furnace walls in order to improve the operational reliability and extend the working life of the furnace. The blast furnace production was reduced in the early months of fiscal 2017 in order to maintain furnace stability prior to the planned major repair and maintenance outage scheduled to start on August 14, 2017. Approximately 171,000 nt of hot-rolled production was lost in the nine months ended September 30, 2017, as compared to the same period in the prior year, due to reduced production levels prior and during the planned outage. Work completed during the outage improved blast furnace operational reliability and productivity. As an indication of the production improvements already experienced, from July 1, 2017 until entering the outage on August 14, 2017, the blast furnace averaged approximately 21 heats (production volume of liquid steel) per day. After completing the outage and bringing the furnace back to full production on September 9, 2017, the blast furnace averaged 29 heats per day over the 21 day period ending September 30, 2017, representing an increase of 38%.

Following the implementation of the Second Amended and Restated Plan of Compromise, Arrangement and Reorganization (the "**Plan**") on June 30, 2017, financial and operational stability has been improved by the following factors:

- The Company entered into a commitment to purchase all of its iron ore requirements from USS through the 2021 shipping season up to a maximum amount.
- The Company entered into new collective bargaining agreements with USW Local 8782, USW Local 8782(b) and USW Local 1005, each for a term of 5 years.
- From fiscal years 2014 to 2016 and the six months ending June 30, 2017, prior to emergence from CCAA, the Company had approximately $1.8 billion of long-term debt, with an average interest expense of $190 million per year, which contributed to a highly-leveraged capital structure. Following the implementation of the Plan, secured and unsecured claims to the Company were cancelled, extinguished and discharged by a combination of repayments and compromises of claims, which contributed to a deleveraging of the Company's capital structure.
- From fiscal years 2014 to 2016 and the six months ending June 30, 2017, the Company's unfunded pension and OPEB accounting liabilities ranged from approximately $1.2 billion to $1.4 billion. Following the implementation of the Plan, the pension and OPEB liabilities were cancelled, extinguished and discharged from the Company's balance sheet. The Company concurrently entered into new funding commitments with the pension plans and ELHTs.
- The Company entered into a revolving asset-based credit facility with borrowing capacity of up to $375 million, limited at any time to a percentage of existing inventories and trade accounts receivable levels.

Q3 2017 Compared to Q3 2016 (Three months ending September 30)

The following section provides an overview of our financial performance for the three months ended September 30, 2017 and September 30, 2016:

Revenue

Revenue decreased by $37 million, or 10%, from $373 million in Q3 2016 to $336 million in Q3 2017 due to a combination of the following factors: lower sales volume and increased selling prices. The three months ended Q3 2017 had an overall sales volume decrease of 86,498 nt or 17%, and selling prices increased $69 per nt or 9%, over the three months ended Q3 2016. The decrease in volume was largely due to reduced production resulting from the scheduled blast furnace outage that occurred between August 14 and September 9 of the current year. The increase in the selling price per nt was due to the improvement of the market price of steel. The sales product mix remained consistent year-over-year in the three months ending September 30, with hot-rolled coils representing approximately 73% of the total sales volume, and the remainder primarily attributable to cold-rolled and coated steel products.

Gross profit

Gross profit decreased by $39 million or 76%, from $51 million in Q3 2016 to $12 million in Q3 2017 due to a combination of higher raw material costs, lower sales volumes, offset by higher selling prices. Overall sales volume was down 86,498 nt or 17% over the three months ended September 30, 2016, due to reduced production resulting from the scheduled blast furnace outage that occurred between August 14 and September 9 of the current year. While revenue per nt was higher from higher market steel prices, these increases were offset by higher raw material costs, unabsorbed manufacturing cost variances, and incremental expenses that were incurred as a result of the outage. Raw material costs increased year-over-year due to market price increases in materials such as metallurgical coal, scrap metal and iron ore. The lost production due to the blast furnace outage resulted in an increase in unabsorbed manufacturing cost variances of approximately 18% over the three months ended Q3 2016.

Selling, general and administrative expenses

SG&A expenses increased by $5 million, or 71%, from $7 million in Q3 2016 to $12 million in Q3 2017 due to higher administration charges and repatriation of functions previously performed by USS.

Finance costs

Finance costs decreased by $42 million, or 78%, from $54 million in Q3 2016 to $12 million in Q3 2017, primarily due to the extinguishment of $1.8 billion of debt through the CCAA process, with an average interest expense of $190 million per year. Q3 2017 finance costs mainly consist of accretion of employee benefit commitments, interest expense related to ABL, foreign exchange and other finance related costs.

Income tax expense

Income tax expense for Q3 2016 and Q3 2017 were nil due to losses from continuing operations in 2016 and claiming prior period losses in 2017. The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax to be utilized. Unrecognized deferred tax assets are re-assessed as at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Income (Loss) for the Period

Income for the period improved from a loss of $18 million in Q3 2016, to a loss of $13 million in Q3 2017, an improvement of 29%. Gross profit decreased by $39 million, or 76%, from $51 million in Q3 2016 to $12 million in Q3 2017 due to a combination of higher raw material costs, lower sales volumes, offset by higher selling prices and incremental expenses incurred as a result of the blast furnace outage. Overall sales volumes were down 86,498 nt or 17%, in the current quarter versus the three months ended September 30, 2016. The decrease in gross profit was offset by a favourable change in finance costs, which decreased by $42 million, or 78%, from $54 million in Q3 2016 to $12 million in Q3 2017, and an unfavourable change in SG&A expenses of $5 million, or 71%, from $7 million in Q3 2016 to $12 million in Q3 2017.

EBITDA

EBITDA decreased by $41 million, from $44 million in Q3 2016 to $3 million in Q3 2017 or 93%. This decrease is primarily attributable to the gross profit decrease of $39 million, or 76%, from $51 million in Q3 2016 to $12 million in Q3 2017 due to a combination of higher raw material costs, lower sales volumes, offset by higher selling prices and incremental expenses incurred as a result of the blast furnace outage. Overall sales volumes were down 86,498 nt or 17%, in the current quarter versus the three months ended September 30, 2016. The decrease in gross profit was offset with a favourable change in finance costs, which decreased by $42 million, or 78%, from $54 million in Q3 2016 to $12 million in Q3 2017, and an unfavourable change in SG&A expenses of $5 million, or 71%, from $7 million in Q3 2016 to $12 million in Q3 2017.

Adjusted EBITDA

Adjusted EBITDA included adjustments for the following non-routine, non-recurring, and/or non-cash items: Restructuring costs related to CCAA, provision on pension and other post-employment benefits, and separation costs related to USS support services.

Adjusted EBITDA decreased by $58 million, or 89%, from $65 million in Q3 2016 to $7 million in Q3 2017. The decrease was largely due to a combination of higher raw material costs, lower sales volumes, and increases in SG&A costs, offset by higher selling prices.

Adjusted EBITDA per net ton

Adjusted EBITDA per nt decreased by $114 per nt, or 87%, from $131 per nt in Q3 2016 to $17 per nt in Q3 2017 as a result of a $58 million decrease in Adjusted EBITDA to $7 million in Q3 2017.

Selling price per net ton

Selling price per nt increased by $69 per nt, or 9%, from $749 per nt in Q3 2016 to $818 per nt in Q3 2017 due to the improvement in the market price of steel. The sales product mix remained consistent in the three months, year-over-year, with hot-rolled coils representing approximately 73% of the total sales volume, and the remainder attributable to cold-rolled and coated steel products.

Shipping Volume

Shipping volume decreased from 498 knt in Q3 2016 to 411 knt in Q3 2017 or 17%. Hot-rolled coil shipments decreased from 366 knt in Q3 2016 to 299 knt in Q3 2017 or 18%. Coated shipments decreased from 105 knt in Q3 2016 to 78 knt in Q2 2017 or 26%. Cold-rolled coil shipments increased from 4 knt in Q3 2016 to 12 knt in Q3 2017 or 200%. Other shipments decreased slightly from 23 knt in Q3 2016 to 22 knt in Q3 2017.

Nine months ended September 30, 2017 and September 30, 2016

The following section provides an overview of our financial performance for the nine months ended September 30, 2017 and September 30, 2016:

Revenue

Revenue increased by $159 million, or 16%, from $990 million in the nine months ended September 30, 2016 to $1,149 million for the same period in 2017, primarily due to an increase in the selling price per nt. Selling price per nt increased by $160 per nt, from $654 per nt in the nine months ending September 30, 2016 to $814 per nt in the nine months ending September 30, 2017. The increase in the selling price per nt was due to the improvement of the market price of steel. The sales product mix remained consistent in the nine months, year-over-year, with hot-rolled and coated products representing approximately 71% and 21% of the total sales volume over the nine month period ended September 30, 2017, whereas the comparative period in 2016 was approximately 74% and 20% respectively.

Gross profit

Gross profit increased by $96 million, or 356%, from $27 million in the nine months ended September 30, 2016 to $123 million in the nine months ended September 30, 2017 due to a combination of an increase in selling price of $160 per nt, offset partially by an increase in cost of goods sold per nt. The higher cost of goods sold was attributed to an increase in raw material costs, unabsorbed manufacturing cost variances and incremental expenses incurred as a result of the blast furnace outage. Raw material costs increased year-over-year due to market price increases for materials such as metallurgical coal and scrap metal, partially offset by decreased costs of iron ore year-over-year. In addition other manufacturing cost variances were higher by approximately 22%.

Selling, general and administrative expenses

SG&A expenses increased by $43 million, or 226%, from $19 million in the nine months ended September 30, 2016 to $62 million in the nine months ended September 30, 2017 largely due to an $18 million increase in ERP expenses relating to the separation from USS, $18 million in acquisition related costs and $6 million relating to the cancellation of a contract.

Finance costs

Finance costs decreased by $3 million, or 2%, from $136 million in the nine months ended September 30, 2016 to $133 million in the nine months ended September 30, 2017. Nine months ended September 30, 2017 had interest and finance costs decrease $22 million, whereas foreign exchange loss increased by $19 million related to U.S. dollar denominated liabilities.

Share of loss of joint ventures

Share of loss of joint ventures increased by $1 million from September 30, 2016 to September 30, 2017. This represents the Company's loss from its two joint ventures, Baycoat and D.C. Chrome.

Gain on emergence from CCAA

The Company recorded a gain of $3,665 million on June 30, 2017 that was directly attributable to the emergence from CCAA. The gain reflects the extinguishment and/or satisfaction of secured and unsecured claims through the CCAA process. As a result, secured and unsecured debts totaling $3,056 million and $1,387 million of pension and OPEB obligations were extinguished and/or satisfied through the CCAA process for total cash compensation of $330 million, transfer of land and equipment with a carrying value of $120 million, and future funding obligations related to employee benefit plans estimated to represent a net present value of $317 million. Cash payments included $79 million (US$61 million) paid to the Province of Ontario for purposes of future environmental remediation if necessary.

Income tax expense

Income tax expense for the nine month period ended September 30, 2016 and September 30, 2017 were nil due to losses from continuing operations in 2016 and claiming prior period losses in 2017. The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax to be utilized. Unrecognized deferred tax assets are re-assessed as at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Income (Loss) for the period

Income for the period increased by $3,716 million, from a loss of $153 million in the nine months ended September 30, 2016 to income of $3,563 million in the nine months ended September 30, 2017. The improvement was largely due to the gain on emergence from CCAA and improved revenue from market steel price increases. Partially offsetting those favourable items were increases in raw material costs and unabsorbed manufacturing cost variances. Raw material costs increased year-over-year due to market price increases for materials such as metallurgical coal and scrap metal, partially offset by decreased costs of iron ore year-over-year. In addition, other manufacturing cost variances were higher by approximately 22%.

EBITDA

EBITDA increased by $3,709 million, from $5 million in the first nine months of 2016 to $3,714 million in the first nine months of 2017. The improvement was largely due to the gain on emergence from CCAA and improved revenue from market steel price increases. Partially offsetting those favourable items were higher raw material costs and unabsorbed manufacturing cost variances.

Adjusted EBITDA

Adjusted EBITDA included adjustments for the following non-routine, non-recurring, and/or non-cash items: gain related to emergence from CCAA, restructuring costs related to CCAA, provision on pension and other post-employment benefits, separation costs related to USS support services, and acquisition related costs.

Adjusted EBITDA increased by $79 million, from $68 million in the nine months ended September 30, 2016 to $147 million in the nine months ended September 30, 2017. The improvement was largely due to improved revenue due to market steel price increases, partially offset by higher raw material and unabsorbed manufacturing cost variances.

Adjusted EBITDA per net ton

Adjusted EBITDA per nt increased by $59 per nt, from $45 per nt in the nine months ended September 30, 2016 to $104 per nt in the nine months ended September 30, 2017, as a result of a $79 million improvement in Adjusted EBITDA and a 101,542 nt decrease in shipments.

Selling price per net ton

Selling price per nt increased by $160 per nt, from $654 per nt in the nine months ended September 30, 2016 to $814 per nt in the nine months ended September 30, 2017, or 24%. The increase in the selling price per nt was due to the improvement of the market price of steel. The sales product mix remained consistent in the nine months, year-over-year, with hot-rolled coils representing approximately 71% of the total sales volume in the nine month period ended September 30, 2017, whereas the comparative period in 2016 was approximately 74%.

Shipping Volume

Shipping volume decreased 102 knt from 1,513 knt in the nine months ended September 30, 2016 to 1,411 knt in the nine months ended September 30, 2017 or 7%. Hot-rolled coil shipments decreased from 1,124 knt in the nine months ended September 30, 2016 to 998 knt in the nine months ended September 30, 2017 or 11%. Coated shipments decreased slightly from 307 knt in the nine months ended September 30, 2016 to 302 knt in the nine months ended September 30, 2017 or 2%. Cold-rolled coil shipments increased from 6 knt in the nine months ended September 30, 2016 to 43 knt in the nine months ended September 30, 2017. Other shipments decreased from 76 knt in the nine months ended September 30, 2016 to 68 knt in the nine months ended September 30, 2017 or 11%.

Cash Flow

For the period ended (millions of Canadian dollars)	Nine months ended September 30 2017	Nine months ended September 30 2016
Cash and cash equivalents, beginning of period	188	162
Cash flows from (used in):		
Operating activities	(105)	69
Investing activities	(32)	(11)
Financing activities	(29)	-
Cash and cash equivalents, end of period	22	220

Analysis of Cash Flows — Nine months ended September 30, 2017, compared to the nine months ended September 30, 2016

The following section provides an overview analysis of cash flows for the nine months ended September 30, 2017, and September 30, 2016.

Cash Flows from Operating Activities

For the first nine months of 2017, cash flows used in operating activities totaled $105 million, compared to a generation of cash of $69 million for the first nine months of 2016, an increase in cash outflows of $174 million. The increase in cash outflows from operating activities was primarily due to the cash paid to satisfy claims related to trade creditors under CCAA of $237 million, offset by a $51 million improvement in income net of the gain on restructuring, a $48 million improvement in working capital, and a $36 million reduction in the items not affecting cash. The increase of cash generated from working capital is primarily due to an improvement in trade and other liabilities.

Cash Flows Used in Investing Activities

For the first nine months of 2017, cash flows used in investing activities totaled $32 million, compared to $11 million for the first nine months of 2016, an increase in cash outflows of $21 million. Due to cash conservation efforts throughout the CCAA restructuring process, non-essential capital expenditures were decreased to minimal levels over both periods. Primary capital expenditures included project spending related to information technology, blast furnace, Z-Line and other projects relating to operations. The increase in capital spending year-over-year was primarily a result of the timing of scheduled capital spending.

Cash Flows Used by Financing Activities

For the first nine months of 2017, cash flows used from financing activities totaled $29 million compared to zero in the first nine months of 2016. The change is related to: the emergence from CCAA; Bedrock indirectly acquiring all of Stelco's shares for cash proceeds of $70 million; an advance against the Province of Ontario non-revolving loan in the amount of $11 million along with a draw on the ABL for $67 million; and a full payment of secured claims relating to debt in the amount of $110 million. Additional Q3 2017 activity consisted of a further draw on the ABL in the amount of $16 million and payments of $83 million to repay the ABL loan in full.

Restructuring Costs

As a result of the CCAA proceedings, the Company incurred restructuring costs in 2014 through to 2017. The expenses primarily included legal fees, financial advisor fees, court-appointed monitor fees, interim financing fees and other related restructuring expenses.

For the period ended (millions of Canadian dollars)	Three months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Restructuring costs	**$**	**$**	**$**	**$**
Legal costs	1	2	12	7
Consulting and monitor costs	-	4	17	11
Financing fees and other payments	-	3	4	8
Total	1	9	33	26

Outlook

Our strategy is to optimize our asset utilization and maintain our strong balance sheet to maximize profitability, cash flow generation, and shareholder returns. We believe that by the end of fiscal year 2022 an opportunity exists for us to grow our annual shipments to between 3.0 and 3.2 mnt. We believe we can achieve this growth organically by optimizing utilization of our assets and focusing our production and sales efforts on high-margin products and end markets that we consider having the greatest potential for profitability and growth. Historically, approximately one-third of sales by volume were made to the automotive market and approximately one-third of our sales by volume were coated and cold-rolled products. We are actively seeking to re-establish relationships with these customers and regain coated and cold-rolled volumes. Additionally, we are seeking to expand our product offering by investing in R&D and enhancing our technical capabilities in order to produce advanced steels. We are also seeking to re-start our temper line and install annealing furnaces to allow for the production of cold-rolled, fully-processed products, which we believe will enhance our profitability.

The Company's debt and financial commitments related to pension and OPEB obligations were reduced by $1,387 million through the CCAA proceeding. The Company's future funding commitments related to past employee service is limited to a series of minimum payments over twenty years, as well as potential payments tied to future financial performance. See "*Employee Benefit Commitments*". The estimated present value of the fixed and other potential funding commitments is $319 million as at September 30, 2017.

Cash outflows relating to income taxes will be shielded as a result of substantial tax attributes available in the form of non-capital loss carry-forward deductions, UCC deductions, and SRED deductions amounting to approximately $1,210 million as at September 30, 2017. These attributes can shield future pre-tax earnings from income taxation in Canada provided the requirements pursuant to the Tax Act to claim such amounts are satisfied. Pursuant to the Tax Savings Agreement, we may be required to make certain payments to the Main Pension Plans and the EHLTs to the extent our tax attributes reduce the amount of taxes otherwise payable by Stelco. Our annual maintenance capital expenditure is estimated to be in the range of $30 million.

The foregoing description of our outlook is based on management's current strategies and assumptions, and its assessment of the outlook for the North American steel industry as a whole, and may be considered to be forward-looking information for purposes of applicable Canadian securities legislation. Readers are cautioned that actual results may vary. See "*Forward-Looking Information*". See "*Risk Factors*" for a description of the risks and uncertainties that impact the Company's business and that could cause actual results to vary.

Contractual Obligations

The following summarizes our significant contractual obligations and commitments as at September 30, 2017.

Employee Benefit Commitments

- The Company entered into new funding commitments with certain pension and OPEB trusts. Stelco committed to pay up to a maximum of $430 million to fund the Main Pension Plans which included a $30 million payment made on June 30, 2017.
- Stelco committed to fixed contributions of approximately $300 million over 20 years to the ELHTs created for the purpose of receiving, holding and distributing funds on account of OPEBs for legacy employees of Stelco. In addition, Stelco agreed to pay a portion of its free cash flows and certain tax-related savings amounts to the ELHTs.
- Bedrock has guaranteed certain minimum contributions to the Main Pension Plans up to a maximum amount of $160 million. The amount of such guarantee is reduced based upon, among other things, certain contributions being made to the Main Pension Plans over time. The guarantee will be discharged upon the earlier of the $160 million being reduced to zero or the aggregate amount of all payments made by our Company or Bedrock reaching $300 million.
- Certain components of the employee benefit funding commitments are tied to the Company's future cash flow generation and certain tax-related savings amounts. The carrying value of the employee benefit funding commitment liability recognized by the Company in its statement of financial position is determined based upon the present value of those future payments as estimated by management. Changes in the magnitude or timing of those estimated future cash payments may result in the employee funding benefit commitment liability balances being adjusted upward or downward in future periods. If such adjustments to the liability carrying value were to occur, the Company would also recognize a corresponding expense item in its statement of profit or loss. Management will assess estimates of future cash flows related to these employee benefit funding arrangements each period.

Ore Contract

- Stelco committed to purchasing all of its iron ore requirements from USS through the 2021 shipping season.

Transition Services Agreements

- USS agreed to continue to provide certain business and transition services to Stelco for a certain period of time.

Union Agreements

- Stelco entered into new collective bargaining agreements with USW Local 8782, USW Local 8782(b) and USW Local 1005, each for a term of 5 years commencing March 31, 2017 and July 1, 2017 respectively.

The following table sets out a summary of our future contractual obligations as at September 30, 2017:

	Payments Due by Period (millions of Canadian dollars)			
	Total	**1 year**	**2-5 years**	**After 5 years**
Contractual Obligations	**$**	**$**	**$**	**$**
Trade payables	166	166	-	-
Long-term debt	11	11	-	-
Capital lease obligations	73	1	5	67
Purchase obligations – non-capital[1]	390	215	97	78
Purchase obligations - capital	-	-	-	-
Employee benefit commitment	734	41	162	531
Total Contractual Obligations	**1,374**	**434**	**264**	**676**

(1) Purchase Obligations — Non-Capital includes contractual commitments for the purchase of raw materials, energy and material processing.

Commitments and Contingencies

Operating Leases

The Company has entered into operating leases on its machinery and equipment, with lease terms between three and five years. Additionally, in connection with the Company's emergence from CCAA, the Company sold and leased back the land on which HW and LEW are situated on a 25 year lease.

Future minimum rentals payable under non-cancellable operating leases are as follows:

As at (millions of Canadian dollars)	**September 30, 2017** $
Within 1 year	4
2 to 5 years	27
Over 5 years	139
Total	**170**

Finance Leases

The Company leases equipment and, as of June 30, 2017, buildings under finance lease arrangements. As a result, an asset and a corresponding obligation representing the net carrying amount of $23 million has been recognized.

Claims and litigation

The Company is involved in various claims and litigation arising in the normal course of business. While the final outcome of such legal proceedings and actions cannot be predicted with certainty, it is the opinion of management that the resolution of such proceedings and actions will not have a material impact on the Company's consolidated financial position, results of operations, or cash flows.

Related Party Transactions and Key Management Personnel Remuneration

Parties are considered to be related if one party has the ability to control, jointly control or exercise significant influence over the other party in making financial or operating decisions. The definition includes subsidiaries, joint ventures, investments in associates, among other entities and persons.

Upon being acquired on June 30, 2017, the Company became a related party of Bedrock. The Company has executed a management services agreement with an affiliate of Bedrock under which the Company will receive senior management, commercial, business development, operating, financial, human resources, and executive recruitment services, as well as other services that may be required from time to time. Fees for services will be based upon actual costs incurred by Bedrock, plus a 2% mark-up on management services fees up to $5 million, and any services above $5 million will be reimbursed at cost. As at September 30, 2017, the Company has receivables owing from Holdings (as further described below) of $4 million and payables related to Bedrock of $1 million. The Company has incurred expenses of $1 million in management services provided by Bedrock and its affiliated entities for the three and nine months ended September 30, 2017.

On September 25, 2017, Bedrock Industries B.V., the direct parent of Stelco, formed a wholly-owned subsidiary, Stelco Holdings Inc., which is also a related party of the Company. As at September 30, 2017, the Company had receivables from Stelco Holdings Inc. of $4 million.

Subsidiaries

Transactions between Stelco and its subsidiaries meet the definition of related party transactions. These transactions are eliminated on consolidation and are not disclosed in these consolidated financial statements.

Key Management Personnel

Stelco's key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of Stelco and comprise the Executive Senior Leadership Team, expatriates in executive positions as well as contracted services provided by the Chief Restructuring Officer, General Counsel and Director of Corporate Services.

During the nine months ended September 30, 2017, Stelco recorded $3 million (2016 - $3 million) as an expense related to key management personnel salaries and benefits, post-employment pension, medical and termination benefits.

Outstanding Share Capital

The Company has authorized and issued 345 common shares with no par value. As at September 30, 2017, 345 common shares were outstanding with a balance of $2,325 million.

Significant Accounting Judgments, Estimations and Assumptions

The Company is required to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Company's accounting policies, the following judgments have been made that have the most significant effect on the amounts recognized in the consolidated financial statements:

Joint Arrangements

The Company has classified its joint arrangements with Baycoat and D.C. Chrome as joint ventures. These joint arrangements have been structured through separate vehicles and the Company has assessed its rights and obligations arising from each of these arrangements taking into account the legal form of the separate vehicles, the terms of the contractual arrangements as well as other relevant facts and circumstances. The Company applies the equity method of accounting to each of these joint ventures.

Impairment

Judgment is required in determining the aggregation of the Company's assets into cash generating units (''**CGU**''). Based on economic and commercial influences as well as the interdependence of cash flows of the Company's operating facilities, the Company determined that its operations comprise a single CGU.

Estimations and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Employee Future Benefits

The cost of defined benefit pension plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and projected retirement age. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions.

Valuation of Property, Plant and Equipment and Investment Property

Upon adoption of IFRS, the Company performed a valuation on its property, plant and equipment as well as its investment property, for the purpose of applying the fair value as deemed cost exemption under IFRS 1. The Company engaged an independent valuation specialist to assess fair value as at January 1, 2014, and June 30, 2017. The property, plant and equipment and investment property were valued using two basic approaches to value: market and cost. The valuation of properties (i.e. land and buildings) was based on market comparable transactions for properties of a similar nature, condition and location. Machinery and equipment was valued using a cost approach that was largely based on inflation adjusted historical costs, which were further adjusted for physical deterioration of the items as well as functional and economic obsolescence.

Allowance for Doubtful Accounts

Estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance. An allowance is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management's current estimates would affect trade receivables and office and other operating expenses.

Impairment and Impairment Reversals

The Company evaluates each asset or CGU in each reporting period to determine if any indicators of impairment or impairment reversal exist. When completing an impairment test, the Company calculates the estimated recoverable amount of CGUs, which requires management to make estimates and assumptions with respect to items such as future production levels, operating and capital costs, long-term commodity prices, foreign exchange rates and discount rates. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will have an impact on these projections, which may impact the recoverable amount of assets or CGUs. Accordingly, it is possible that some or the entire carrying amount of the assets or CGUs may be further impaired or the impairment charge reversed with the impact recognized in the consolidated statements of loss and comprehensive loss.

Income Taxes

The Company is subject to income taxes in Canada. Significant estimates are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Financial Instruments

The Company's financial assets and liabilities (''**financial instruments**'') include cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables as well as current and long-term debt.

The Company classifies its financial instruments into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Financial liabilities carried at amortized cost

Appropriate classification of financial instruments is determined at the time of initial recognition or when reclassified in the consolidated statements of financial position.

Financial instruments are recognized on the trade date, being the date on which the Company becomes a party to the contractual provisions of the instrument.

Receivables are categorized as loans and receivables and include originated and purchased non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are included within trade and other receivables in the consolidated statements of financial position as well as other non-current assets. Loans and receivables are initially recognized at fair value plus transaction costs. They are subsequently measured at depreciated cost using the effective interest method less any impairment.

The Company's financial liabilities include trade and other payables as well as loans and borrowings comprising long-term debt (including the current portion of long-term debt). Interest-bearing loans and borrowings are subsequently measured at depreciated cost using the effective interest rate method. Depreciated cost is calculated by taking into account any discount or premium on acquisition and fees. The effective interest rate accretion is included as finance costs in the consolidated statements of profit or loss. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled.

On July 28, 2017, the Company entered into foreign currency forward contracts to manage exposure to fluctuations in US dollar denominated revenue. Under the terms of the derivative contracts, the Company agreed to sell an aggregate of up to $45 million in US dollar calls and Canadian dollar puts and purchase up to $90 million in US dollar puts and Canadian dollar calls in specified tranches between August 30, 2017, and July 30, 2018, at a CAD/USD foreign exchange rate of $1.2101. The derivative financial instruments are recognized in the consolidated financial statements at fair value with changes in fair value recognized in the consolidated statements of profit or loss. Fair value is determined using quoted forward exchange rates as at the financial reporting period end dates.

The derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. As at September 30, 2017, the foreign exchange forward contracts are in a net liability position of $1 which is recorded in trade and other payables on the consolidated statements of financial position, with the corresponding change in fair market value adjustment recorded in finance costs on the statements of profit or loss for the three and nine months ended September 30, 2017.

Other Disclosures

Liquidity and Capital Resources

Overview

The liquidity and capital resources of the Company are dependent upon a number of factors including, without limitation, market and economic conditions and the impact of these conditions on the price of steel products, raw material costs, the ability to fund necessary capital projects, pension requirements and labour negotiations and disputes.

Our principal uses of funds are for operating expenses, capital expenditures, finance costs, and debt service. Management believes that cash generated from operations, together with amounts available under the credit facilities (see ''— *Credit Facilities*'') will be sufficient to meet our future operating expenses, capital expenditures, and future debt service costs.

The Corporation has a significant requirement for working capital related primarily to inventories due to the lead time of acquiring raw materials, the quantities of raw materials that are required to produce semi-finished steel and the amount of time required to process this semi-finished steel into a finished product. This working capital requirement is characteristic of many companies within the steel industry. As of September 30, 2017, we had cash of $22 million and operating line availability of $223 million that we expect to utilize, along with cash flow from operations, to provide capital to support the growth of our business (primarily through working capital and capital expenditures), repay short-term obligations and for general corporate purposes. We believe that cash from operations, together with our cash balance and our available operating line will be enough to meet ongoing capital expenditures, working capital requirements and other cash needs.

Our ability to fund future debt service costs, operating expenses, and capital expenditures will depend on our future operating performance which will be affected by general economic, financial and other factors including factors beyond our control. See ''*Risk Factors*''. From time to time, our management team reviews acquisition opportunities and, if suitable opportunities arise, may make selected acquisitions to implement our business strategy.

The Company expects to have sufficient working capital for the next twelve months based on the following:

- the Company's overall working capital position was significantly improved as a result of the CCAA restructuring;
- the Company has negotiated improved payment terms with its vendors, thereby enhancing its working capital without the need for additional funding;
- as at September 30, 2017, the Company had a cash balance of approximately $22 million and approximately $223 million available under its ABL Credit Facility; and
- approximately $80 million of the net proceeds (the "Net Proceeds of the Offering") from the Offering will be available for general corporate purposes and working capital.

Credit Facilities

ABL Credit Facility

In connection with the restructuring of Stelco, the Company entered into a revolving loan agreement on June 30, 2017 with a syndicate of lenders for a maximum revolver amount of $375 million. The interest on Canadian/US dollar denominated funds is the Canadian/US prime rate plus 1%-1.5%, depending on the amount that has been drawn under the facility, and is payable monthly. However, the Company also has the option to index the interest rate to CDOR/LIBOR plus a margin of 2%-2.5%, and may elect this in the event that it results in a lower rate of interest on its draws under the revolver. Additionally, the Company is subject to payment of an unused line fee ranging from 0.25%-0.375% on the unused portion of the revolver, depending on the amount undrawn, and is payable monthly. The Company can obtain letters of credit under the facility at a rate of 2%-2.5%. The revolver matures on June 30, 2022.

Province Advance

On June 30, 2017, Stelco entered into the OPEB Advance Payment Loan in connection with the funding of future OPEB commitments. The OPEB Advance Payment Loan permits Stelco to borrow up to $22 million, comprised of up to $10.5 million (the ''**First Advance**'') on June 30, 2017, and up to $2.875 million on each of June 30, 2018, October 1, 2018, January 1, 2019, and April 1, 2019, (the ''**Second Advances**''). The First Advance is due on June 29, 2020, and the Second Advances are due on June 29, 2021. The OPEB Advance Payment Loan is subject to an interest rate of the Province's costs of funds for a four year non-amortizing bond as at June 30, 2017 plus 1%. Interest is compounded semi-annually and payable on the maturity dates of the First Advance and Second Advances, respectively. We intend to use a portion of the Net Proceeds of the Offering to repay the First Advance.

Critical Accounting Estimates

Estimations and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Employee future benefits

The cost of defined benefit pension plans and other post-employment benefits and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and projected retirement age. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. As of June 30, 2017, these obligations were cancelled and discharged from the Company's balance sheet. The Company concurrently entered into new funding commitments with pension and OPEB trusts.

Valuation of property, plant and equipment and investment properties

Upon adoption of IFRS, the Company has performed a valuation on its property, plant and equipment as well as its investment property, for the purpose of applying the fair value as deemed cost exemption under IFRS 1. The Company engaged an independent valuation specialist to assess fair value as at January 1, 2014 and June 30, 2017. The property, plant and equipment and investment property were valued using two basic approaches to value: market and cost. The valuation of properties (i.e. land and buildings) was based on market comparable transactions for properties of a similar nature, condition and location. Machinery and equipment was valued using a cost approach that was largely based on inflation adjusted historical costs, which were further adjusted for physical deterioration of the items as well as functional and economic obsolescence.

Valuation of accounts receivable

Estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance. An allowance is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management's current estimates would affect trade receivables and SG&A expenses.

Impairment and impairment reversals

The Company evaluates each asset or CGU in each reporting period to determine if any indicators of impairment or impairment reversal exist. When completing an impairment test, the Company calculates the estimated recoverable amount of CGUs, which requires management to make estimates and assumptions with respect to items such as future production levels, operating and capital costs, long-term commodity prices, foreign exchange rates and discount rates. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will have an impact on these projections, which may impact the recoverable amount of assets or CGUs. Accordingly, it is possible that some or the entire carrying amount of the assets or CGUs may be further impaired or the impairment charge reversed with the impact recognized in the consolidated statements of loss and comprehensive loss.

Income taxes

The Company is subject to income taxes in Canada. Significant estimates are required in determining the provision for income taxes. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Going concern

We believe that there is currently no uncertainty with respect to the Company's ability to continue as a going concern. The successful completion of emergence from CCAA, the sale of the Company to Bedrock, cash flow from operations and available liquidity from an asset backed facility support the Company's ability to continue as a going concern and finance its near-term capital programs.

Inventory valuation

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs to complete are based on management's best estimate as at the consolidated statements of financial position date. A net realizable value impairment may be reversed in a subsequent period if the circumstances that triggered the impairment no longer exist.

The cost of raw materials, semi-finished products and finished products are determined based on a first in, first out basis. Any provision for obsolescence is determined by reference to specific items. A regular review is undertaken to determine the extent of any provision for obsolescence. Costs of finished products include direct costs of materials, an appropriate share of production overhead, and labour related directly to processing activities. Abnormal costs are expensed in the period incurred.

Environmental matters

On June 30, 2017, the Province of Ontario was paid US$61 million for the purposes of addressing historical environmental contamination, if any.

Going forward, environmental expenditures are capitalized if the costs mitigate or prevent future contamination or if the costs improve existing assets' environmental safety or efficiency. The Company provides for remediation costs and penalties when the responsibility to remediate is probable and the amount of associated costs is reasonably estimable. The timing of remediation accruals typically coincides with completion of studies defining the scope of work to be undertaken or when it is probable that a formal plan of action will be approved by the oversight agency. Remediation liabilities are accrued based on estimates of believed environmental exposure and are discounted if the amount and timing of the cash disbursements are readily determinable.

Changes in accounting policies including initial adoption

Significant accounting policies

Our consolidated financial statements have been prepared in accordance with IFRS.

Our significant accounting policies are described in Note 3 in the accompanying notes of our annual audited financial statements for the year ended December 31, 2016.

Accounting pronouncements issued but not yet effective

New accounting pronouncements are issued periodically that affect our current and future operations. We intend to adopt these standards when they become effective.

IFRS 9 Financial instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9, *Financial Instruments*. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard contains requirements in the following areas: Classification and Measurement; Impairment; Hedge Accounting and De-recognition. The actual impact of adopting IFRS 9 on the Company's consolidated financial statements in 2018 is not known and cannot be reliably estimated because it will be dependent on the financial instruments that the Company holds and economic conditions at that time as well as accounting elections and judgments that it will make in the future. The new standard will require the Company to revise its accounting processes and internal controls related to the reporting of financial instruments and these changes are not yet complete. The Company is currently in the process of evaluating the consolidated financial statement implications of adopting IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and additionally clarified in April 2016. It establishes a five-step model to account for revenue arising from contracts with customers and outlines two approaches to recognizing revenue: at a point in time or over time. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently in the process of evaluating the consolidated financial statement implications of adopting IFRS 15.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard — i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17, *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases — Incentives*, and SIC-27, Evaluating *the Substance of Transactions Involving the legal Form of a Lease*. The standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently in the process of evaluating the consolidated financial statement implications of adopting IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IASB issued IFRIC 23 to clarify the accounting for uncertainties in income taxes. The interpretation provides guidance and clarifies the application of the recognition and measurement criteria in IAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. The interpretation is effective for annual periods beginning on or after January 1, 2019, and the Company is currently assessing the impact of IFRIC 23 on its consolidated financial statements.

Summary of factors that could impact our future financial performance

Factors that could impact our future financial performance remain unchanged from our Annual MD&A filed as part of the final long-form prospectus on November 2, 2017.

Risk factors

The Company is exposed to market risk including foreign interest rate risk, market risk in certain commodities, credit risk and liquidity risk. See also the "*Risk Factors*" section in the Prospectus for other risks the Company is exposed to. The Company's senior management oversees the management of these risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates arises from long-term debt obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

Market risk — commodities

The Company is exposed to price risk related to purchases of certain commodities used as raw materials. The Company may use fixed price contracts with suppliers to mitigate commodity price risk.

Concentration of credit and business risks

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. 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 container, construction, automotive and steel service center 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 an established policy, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating process and individual credit limits are defined in accordance with this assessment. An analysis for uncollectible amounts is performed as at each reporting date on an individual basis for major clients. In addition, a large number of minor receivables are categorized into homogeneous groups and assessed for impairment collectively. The calculation is largely based on historical experience of the Company.

Insurance

The Company maintains insurance for certain property damage, equipment, business interruption, product transportation and general liability exposures; however, insurance is applicable only after certain deductibles and retainers are paid. The Company is self-insured for certain other exposures including workers' compensation and automobile liability, where permitted by law. Liabilities are recorded for workers' compensation and personal injury obligations. Other costs resulting from losses under deductible or retainer amounts or not otherwise covered by insurance are charged against income upon occurrence.

Market risk — foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities when revenue or expenses are denominated in a foreign currency.

It should also be noted that many of our domestic customers export their products into the U.S. Thus, a stronger Canadian dollar 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 Canadian dollars downward. In addition, the North American benchmark for spot market prices for certain products such as hot-rolled coil, are determined in U.S. dollars.

On July 28, 2017, the Company entered into forward hedging arrangements to hedge the conversion of a portion of USD denominated revenue. Under the terms of the hedging arrangements, the Company agreed to sell an aggregate of up to $45 million U.S. dollar calls and Canadian dollar puts and purchase up to $90 million in U.S. dollar puts and Canadian dollar calls in specified tranches between August 30, 2017, and July 30, 2018.

Cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's process for managing liquidity risk includes ensuring that, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due.

The Company monitors its risk of a shortage of funds by following internal policies on the completion of various liquidity planning processes. In addition, the Company prepares a quarterly cash flow analysis to identify any potential shortfall of funds and the mitigation strategy in such circumstances.