Consolidated financial statements

Stelco Holdings Inc.

As at December 31, 2017 and June 30, 2017, and
for the six month period ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Stelco Holdings Inc.

We have audited the accompanying consolidated financial statements of Stelco Holdings Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and June 30, 2017, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the six month period ended December 31, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Stelco Holdings Inc. as at December 31, 2017 and June 30, 2017, and its consolidated financial performance and its consolidated cash flows for the six month period ended December 31, 2017, in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
February 21, 2018

Stelco Holdings Inc.

Consolidated statement of loss and comprehensive loss

(In millions of Canadian dollars except where otherwise indicated)

Six months ended December 31, 2017

	2017
	$
Revenue from sale of goods	**788**
Cost of goods sold *(notes 10 and 20)*	**716**
Gross profit	**72**
Selling, general and administrative expenses *(note 21)*	**47**
Operating income	**25**
Finance costs *(note 19)*	**33**
Share of loss of joint ventures *(note 14)*	**1**
Restructuring and other costs	**6**
Loss before income taxes	**(15)**
Income tax expense *(note 22)*	**—**
Loss and comprehensive loss for the period	**(15)**
Loss per share (dollars) *(note 24)*	
Basic and diluted	**(0.19)**

See accompanying notes to the consolidated financial statements

Stelco Holdings Inc.

Consolidated statements of financial position

(In millions of Canadian dollars)

	December 31, 2017 $	June 30, 2017 $
Assets		
Current		
Cash and cash equivalents *(note 8)*	**250**	30
Restricted cash	**12**	22
Trade and other receivables *(note 9)*	**204**	169
Inventories *(note 10)*	**448**	282
Prepaid expenses *(note 11)*	**18**	59
Total current assets	**932**	562
Property, plant and equipment, net *(note 12)*	**279**	270
Intangible assets, net *(note 13)*	**7**	8
Investment in joint ventures *(note 14)*	**5**	6
Total non-current assets	**291**	284
Total assets	**1,223**	846
Liabilities and equity		
Current		
Trade and other payables *(note 15)*	**309**	94
Other liabilities *(note 16)*	**33**	31
Employee benefit commitment *(note 25)*	**32**	29
Total current liabilities	**374**	154
Long-term debt *(note 25)*	**—**	79
Provisions *(note 17)*	**5**	5
Other liabilities *(note 16)*	**35**	23
Employee benefit commitment *(note 25)*	**312**	300
Total non-current liabilities	**352**	407
Total liabilities	**726**	561
Equity		
Common shares *(note 18)*	**512**	285
Retained deficit	**(15)**	—
Total equity	**497**	285
Total liabilities and equity	**1,223**	846

See accompanying notes to the consolidated financial statements

On behalf of the Board of Directors

(signed) *"Brian Levitt",* Director

(signed) "*Jeffrey Bunder*", Director

Stelco Holdings Inc.

Consolidated statement of cash flows

(In millions of Canadian dollars)

Six months ended December 31

	2017
	$
Operating activities	
Loss for the period	**(15)**
Adjustments to reconcile loss to cash provided by (used in) operating activities:	
Depreciation and amortization	**12**
Interest expense and foreign exchange	**3**
Share of loss of joint ventures	**1**
Provision for pension and other post-employment benefits	**8**
Bad debt expense	**1**
Changes in non-cash working capital balances related to operations:	
Trade and other receivables	**(35)**
Inventories	**(166)**
Prepaid expenses	**41**
Trade and other payables	**94**
Other liabilities	**6**
Employee benefit commitment (*note 25*)	**15**
	(45)
Cash used in in operating activities	**(35)**
Investing activities	
Purchases of property, plant and equipment	**(24)**
Decrease in restricted cash	**10**
Cash used in investing activities	**(14)**
Financing activities	
Proceeds from issuance of shares	**230**
Transaction costs on issuance of shares	**(3)**
Proceeds from long-term debt	**131**
Repayment of long-term debt	**(210)**
Proceeds from inventory monetization arrangement, net (*note 15*)	**121**
Cash provided by financing activities	**269**
Net increase in cash and cash equivalents	**220**
Cash and cash equivalents, beginning of period	**30**
Cash and cash equivalents, end of period	**250**

See accompanying notes to the consolidated financial statements

Stelco Holdings Inc.

Consolidated statements of changes in equity

(In millions of Canadian dollars except for shares)

	Number of common shares *(note 18)* #	Amount of common shares *(note 18)* $	Retained deficit $	Total equity $
As at June 30, 2017	**75,283,887**	**285**	**—**	**285**
Loss and other comprehensive loss for the period	—	—	(15)	(15)
Total comprehensive loss	—	—	(15)	(15)
Share issuance	13,529,750	230	—	230
Transaction costs	—	(3)	—	(3)
As at December 31, 2017	**88,813,637**	**512**	**(15)**	**497**

See accompanying notes to the consolidated financial statements

Notes to consolidated financial statements

(Expressed in millions of Canadian dollars except where otherwise indicated)

December 31, 2017 and June 30, 2017

1. Corporate information

Stelco Holdings Inc. ("Stelco Holdings") was incorporated on September 25, 2017 under the *Canada Business Corporations Act* and issued 10 shares to its immediate parent, Bedrock Industries B.V., on that date. Stelco Holdings was formed for the purposes of completing a public offering ("IPO") of its common shares. On November 10, 2017, Stelco Holdings completed its initial public offering, listing its common shares on the Toronto Stock Exchange (the "TSX") under the symbol STLC. Following the IPO, Stelco Holdings' majority indirect shareholder remains Bedrock Industries L.P. ("Bedrock") which indirectly owns approximately 85% of the common shares through Bedrock Industries B.V. The principal limited partners of Bedrock are LG Bedrock Holdings LP ("LG Bedrock"), a Delaware limited partnership; 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.

On November 10, 2017, Stelco Holdings acquired all of the issued and outstanding shares of Stelco Inc. ("Stelco") under a common control transaction discussed in note 6 resulting in Stelco becoming a wholly owned subsidiary of Stelco Holdings effective July 1, 2017.

Stelco (formerly known as U. S. Steel Canada Inc.) is principally engaged in the production and selling of steel products. Stelco is an integrated steel producer with facilities in two locations, Hamilton and Nanticoke, Ontario, which produces a variety of steel products for customers in the steel service centre, appliance, automotive, energy, construction, pipe and tube industries in North America.

Stelco Holdings' registered and head offices are located at 386 Wilcox Street, Hamilton, Ontario.

2. Basis of presentation

Statement of compliance

The accompanying consolidated financial statements of Stelco Holdings have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included in these consolidated financial statements are presented in millions of Canadian dollars, except where otherwise indicated.

These consolidated financial statements were prepared on a going concern basis under the historical cost method, except for certain financial assets and liabilities, which are measured at fair value as described in note 25. Significant accounting policies are presented in note 3 to these consolidated financial statements and have been consistently applied in each of the periods presented.

These consolidated financial statements of Stelco Holdings were authorized for issue in accordance with a resolution of the directors on February 21, 2018.

3. Summary of significant accounting policies

Principles of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Stelco Holdings and its subsidiaries (collectively the "Company"). All intercompany balances, transactions, income and expenses and gains or losses have been eliminated on consolidation. Subsidiaries are consolidated where the Company has the ability to exercise control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more elements of control. The Stelco Holdings' subsidiaries include:

- Stelco Inc.
- The Steel Company of Canada Limited
- The Stelco Plate Company Ltd.
- Stelco Algae Holdings Inc.

On August 8, 2017, former subsidiaries of the Company, 4347226 Canada Inc., U. S. Steel Tubular Products Canada GP Inc. and U. S. Steel Tubular Products Canada Limited Partnership were dissolved.

Common control transaction

Stelco Holdings' acquisition of Stelco on November 10, 2017 is a business acquisition involving entities under common control in which all of the combining entities are ultimately controlled by Bedrock Industries, both before and after the transaction was completed. Business combinations involving entities under common control are outside the scope of IFRS 3, *Business Combinations*. The Company accounts for this common control transaction in a manner similar to a pooling of interest method applied from June 30, 2017 which is the date that Bedrock Industries acquired Stelco. This method requires the financial statements to be restated for periods prior to the date of obtaining common control, to reflect the combination as if it had occurred from the beginning of the period that the entities were under common control, regardless of the actual date the common control transaction closed. Transaction costs associated with a common control transaction are recognized as an expense in the period incurred.

Joint arrangements

A joint arrangement is defined as an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement between two or more parties. This exists only when the decisions about the relevant activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Company's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment in joint ventures is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. Stelco's 50% interest in Baycoat Limited Partnership ("Baycoat") and 50% interest in D.C. Chrome Limited ("DC Chrome") have been accounted for as joint ventures. The consolidated statements of loss reflects the Company's share of the profit or loss of the joint ventures. Any change in other comprehensive loss ("OCI") of those investees is presented as part of the Company's OCI. When there has been a change recognized directly in the equity of the joint ventures, the Company recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the joint ventures are eliminated to the extent of the interest in the joint ventures. The financial statements of the joint ventures are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company evaluates impairment of its equity method investments whenever circumstances indicate that there is objective evidence that an investment in a joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value.

Foreign currency translation

The functional currency of the Company, for each subsidiary and for joint arrangements, is the currency of the primary economic environment in which it operates. The functional currency of all of the Company's operations is the Canadian dollar.

Once the Company determines the functional currency of an entity, it is not changed unless there is a change in the relevant underlying transactions, events and circumstances. Any change in an entity's functional currency is accounted for prospectively from the date of the change, and the consolidated statements of financial position are translated using the exchange rate as at that date.

At the end of each reporting period, the Company translates foreign currency balances as follows:

- Monetary items are translated at the closing rate in effect as at the consolidated statements of financial position date;
- Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Items measured at fair value are translated at the exchange rate in effect at the date the fair value was measured; and
- Revenue and expenses are translated using the exchange rate at the date of the transaction.

Differences arising on settlement or translation of monetary items are recognized in profit or loss. The gain or loss arising on translation of non-monetary items measured at fair value are treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss, are also recognized in OCI or profit or loss, respectively).

Notes to consolidated financial statements

(Expressed in millions of Canadian dollars except where otherwise indicated)

December 31, 2017 and June 30, 2017

Cash and cash equivalents

Cash and cash equivalents comprises cash at banks and on hand, as well as short-term deposits with a remaining maturity as of the date of acquisition of three months or less, which are subject to an insignificant risk of changes in value. The Company places its cash and short-term deposits in high quality overnight deposits issued by government agencies, financial institutions and major corporations, and limits the amount of credit exposure by diversifying its holdings.

Restricted cash

On September 16, 2014, Stelco applied for relief from its creditors pursuant to Canada's Companies' Creditors Arrangement Act ("CCAA"). Ernst & Young Inc. was appointed by the court as the Monitor ("Monitor"). As part of the CCAA arrangement, restricted cash is required to be maintained as financial assurances held for the Ministry of the Environment and various other required disbursements held by the Monitor.

Inventories

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. Cost 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.

Financial instruments

The Company's financial assets and liabilities ("financial instruments") include cash and cash equivalents, restricted cash, trade and other receivables, derivative financial instruments, trade and other payables, long-term debt as well as employee benefit commitments.

The Company classifies its financial instruments into the following categories:

- Loans and receivables
- Fair value through profit or loss
- 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 amortized cost using the effective interest method less any impairment.

The employee benefit commitment was initially recorded at its fair value using discounted cash flow analysis and subsequently accounted for at amortized cost using the effective interest method. The determination of fair value involves making various assumptions. These include the determination of the expected cash flows and discount rate. Due to the nature of the underlying assumptions and its long-term nature, the employee benefit commitment is highly sensitive to changes in these assumptions. Further details about the assumptions used are provided in note 25.

Trade and other payables, long-term debt, the employee benefit commitment as well as the finance lease obligations are subsequently measured at amortized cost using the effective interest rate method. Amortized 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 loss. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled.

Derivative financial instruments are classified as fair value through profit or loss and are recognized at fair value with changes in fair value recognized in profit or loss. The Company uses derivative financial instruments to manage its risks related to foreign currency exchange rate fluctuations. The Company does not apply hedge accounting. Derivative financial instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative in the consolidated statements of financial position. The fair value of derivative instruments is recorded in trade and other payables.

Property, plant and equipment

Items of property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, such as relining of a blast furnace, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are expensed as incurred.

Property, plant and equipment that consist of parts that have a cost that is significant in relation to the item of property, plant and equipment to which it relates are treated as separate components of an item of property, plant and equipment and depreciated on a straight-line basis during the estimated period of service, taking into account any residual value at the end of the period. Division into different components occurs only if major components with divergent useful lives can be identified. Land is not depreciated. Major repairs and upgrades are recognized separately and depreciated over their useful lives.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and any changes are adjusted prospectively. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment	5 – 40 years
Vehicles	4 – 6 years

As at June 30, 2017, a third party valuation of property, plant and equipment was performed with fair value adjustments being reflected on the consolidated statement of financial position. Projected useful lives were estimated by the valuator and applied to property, plant and equipment as at June 30, 2017. The useful lives established by management, as noted in the policy above, differ from the useful lives prescribed by the valuator.

Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level, or more frequently if indicators of impairment exist. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is considered a change in accounting estimate and accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of loss when the asset is derecognized.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets) are not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. When a lease includes both land and building elements, the classification of each element as a finance or an operating lease is assessed separately to the extent that the land element is material.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of loss.

The finance lease assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Assets held under leases that are not classified as finance leases are classified as operating leases and are not recognized in the Company's consolidated statements of financial position. Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as a reduction to the total lease expense over the term of the lease.

Emission allowances

Ontario's Cap and Trade Program under the Climate Change Mitigation and Low-carbon Economy Act, 2016 (the "Cap and Trade" program), sets out a framework for the reduction in greenhouse gas ("GHG") emissions for the province of Ontario, which came into effect on January 1, 2017. The legislation establishes targets for the reduction of GHG emissions and requires the Ontario government to prepare an action plan to achieve those targets. Stelco is a mandatory participant in the program as Stelco emits more than 25,000 tonnes of GHG per year and is considered a large final emitter. The first compliance period for Ontario's Cap and Trade program is January 1, 2017 to December 31, 2020 in which most large final emitters are expected to receive most of the emission allowances they require free of charge, with the number of allowances allocated decreasing each year. Stelco has received free GHG emission allowances in 2017 which are reasonably expected to exceed Stelco's GHG emissions during the year. The allowances are granted on an annual basis and, in return, the Company is required to remit allowances equal to its actual emissions at the end of the compliance period. In the absence of specific IFRS guidance, the Company has adopted the net liability approach, whereby a provision is only recognized when actual emissions exceed the emission allowances granted and held for the current compliance period.

Impairment of non-financial assets

For property, plant and equipment, the Company assesses, as at each reporting date, whether there is an indication that an asset may be impaired. If an indicator of impairment exists, the Company assesses impairment by estimating the asset's recoverable amount, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined at the cash generating unit ("CGU") level. A CGU is a single asset or a group of assets with independent cash inflows. The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses are recognized in the consolidated statement of loss.

An assessment is made as at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss.

Impairment of financial assets

A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of an event that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing financial difficulty, which may include default or delinquency in interest or principal payments, the probability that it will enter bankruptcy or other financial reorganization, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears payments or economic conditions that correlate with defaults.

Loans and receivables are considered impaired when there is objective evidence that the full carrying amount of the loan or receivable is not collectible. When an impaired loan or receivable is identified, the amount of the loss is measured as the difference between the asset’s carrying amount and the estimated realizable amount, which is measured by discounting the expected future cash flows at the original effective interest rate of the loan or receivable. This difference between the carrying amount and the estimated realizable value of the loan or receivable represents an impairment loss that is recognized in net income (loss).

Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the carrying value of the loan or receivable. If a past write-off is later recovered, the recovery is recognized in net income (loss).

Notes to consolidated financial statements

(Expressed in millions of Canadian dollars except where otherwise indicated)

December 31, 2017 and June 30, 2017

Provisions

The Company's provisions are comprised of environmental remediation. The provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the consolidated statements of net income (loss) net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Pension and other employee benefits

The Company sponsors a compensated absences benefit plan which is unfunded. The obligations and costs of providing benefits are determined using the projected unit credit method.

Service costs including past service, gains and losses from curtailment and non-routine settlements and net interest are recognized through profit or loss. Actuarial gains and losses resulting from remeasurements are recognized immediately through other comprehensive income (loss) in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Fair value is based on market price information, and in the case of quoted securities, is the published bid price. The value of any defined benefit asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Income taxes

Current and deferred tax expense is recognized in the consolidated statement of loss, unless it relates to items recognized outside the consolidated statements of loss. Current and deferred tax expense relating to items recognized outside of the consolidated statements of loss is recognized in correlation to the underlying transaction in either OCI or equity.

Current tax expense is based on substantively enacted statutory tax rates and tax laws as at the consolidated statements of financial position date.

Deferred tax is provided using the liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes as at the reporting date.
Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized, within their respective expiry periods. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 asset 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Revenue from the sale of goods includes sale of goods from the Company’s production of steel products. Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on shipment of the products from the Company’s steel production facilities. Revenue from sale of goods under bill and hold arrangements is recognized when the buyer takes title to the goods and accepts billing, it is probable that the delivery will be made, the item is on hand, identified and ready for delivery, the buyer specifically acknowledges the deferred delivery instructions, and the usual payment terms apply.

Revenue from the sale of products is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Shipping and other transportation costs charged to buyers are recorded in both sales and the related costs recorded in cost of sales.

Notes to consolidated financial statements

(Expressed in millions of Canadian dollars except where otherwise indicated)

December 31, 2017 and June 30, 2017

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, which is described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2 – Quoted prices in markets that are not active or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable, supported by little or no market activity.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

For items that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing their classification at the end of each reporting period.

During the period ended December 31, 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Chairman and Chief Executive Officer (“CEO”).

Income (loss) per share

Basic income (loss) per common share is calculated by dividing income (loss) for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Common shares issued as part of the consideration transferred in the common control transaction are included in the weighted average number of common shares starting from the date that common control was established.

Diluted income (loss) per common share is calculated giving effect to the potential dilution that would occur if all outstanding dilutive instruments were exercised or converted to common shares. The weighted average number of common shares outstanding during the period is adjusted by the incremental number of shares calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the volume weighted average market price during the period.

4. New accounting pronouncements

Standards and amendments issued, that are effective prior to, and subsequent to, the date of issuance of these consolidated financial statements, are described below. The following discussion is of the standards, amendments and interpretations issued that the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective.

IFRS 9, Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9. 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 Company has evaluated the implications of adopting IFRS 9 and does not expect it to have a material impact on the consolidated financial statements. Based on an evaluation of the financial instruments held and economic conditions as at December 31, 2017, the measurement of the Company's financial instruments is expected to be substantially similar with measurement under current guidance. IFRS 9 also amends and expands the disclosure requirements under IFRS 7 and the Company is currently in the process of evaluating responsive disclosures for implementation of the standard.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

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 with early adoption permitted. The Company will adopt the new standard on the required effective date using the modified retrospective application method with no restatement of comparative information. The Company has evaluated the implications of adopting IFRS 15 and does not expect it to have a material impact on the consolidated financial statements. Based on an evaluation of the current contracts and revenue streams, the timing and amount of revenue recorded under IFRS 15 is expected to be substantially similar with treatment under current guidance. IFRS 15 also provides for enhanced disclosure requirements surrounding revenue recognition and the Company is currently in the process of evaluating responsive disclosures for implementation of the standard.

IFRS 16, Leases ("IFRS 16")

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* ("IFRIC 4"), 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. Obligations under operating leases would be recorded on the consolidated statements of financial position. 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 ("IFRIC 23")

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.

Other than the above, there have been no additional accounting pronouncements issued by the IASB that would have a material impact on the Company's consolidated financial statements.

5. Significant accounting judgments, 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.

Judgments

In the process of applying the Company's accounting policies, impairment has been identified as an area where judgements have been made that may have a significant effect on the amounts recognized in the consolidated financial statements.

Also, in assessing for impairment, judgment is required in determining the aggregation of the Company's assets into CGUs, which is based on economic and commercial influences as well as the interdependence of cash inflows of the Company's operating facilities. The Company has determined that its operations comprise of 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.

Pension and other post-employment 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. Further details about the assumptions used are provided in note 23.

Employee benefit commitment

The employee benefit commitment was initially recorded at its fair value using a discounted cash flow analysis and subsequently accounted for at amortized cost using the effective interest method. The determination of fair value at initial recognition involved making various assumptions, including the determination of the expected cash flows and discount rate. Estimates of expected cash flows are revisited at the end of each reporting period to determine amortized cost. Due to the nature of the underlying assumptions and its long-term nature, the employee benefit commitment is highly sensitive to changes in these assumptions. Further details about the assumptions used are provided in note 25.

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 other operating expenses. Refer to note 9 for the carrying value of allowance for doubtful accounts.

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 statement 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. Refer to note 22 for the carrying value of current and deferred income tax assets and liabilities.

6. Acquisition of Stelco Inc.

On November 10, 2017, prior to closing of Stelco Holdings' IPO, the Company acquired all of the issued and outstanding shares of Stelco from Bedrock Industries B.V. resulting in Stelco becoming a wholly owned subsidiary of Stelco Holdings. The acquisition by Stelco Holdings of Stelco from Bedrock Industries B.V. is a transaction amongst entities under common control. The assets and liabilities of Stelco are recorded at the amounts that were recognized by Bedrock Industries B.V. on June 30, 2017 in their business combination and there is no further remeasurement of the assets acquired and the liabilities assumed as a result of the common control acquisition on November 10, 2017. The estimates of the fair values of the assets acquired and the liabilities assumed determined for the purposes of measuring the business combination are preliminary due to the inherent complexity associated with valuations of certain balances and accordingly, are subject to change upon final determinations of fair value.

Bedrock indirectly acquired all of the outstanding shares of Stelco on June 30, 2017 upon Stelco's emergence from the relief from creditors pursuant to Canada's Companies' Creditors Arrangement Act ("CCAA") through a CCAA Acquisition and Plan Sponsor Agreement (the "PSA"). The PSA allowed Stelco to work with Bedrock towards developing a plan of compromise, arrangement and organization (the "Plan) that would transfer ownership of Stelco to Bedrock and would result in the emergence of a restructured Stelco that would continue with substantially all of its producing assets and operations. Ernst & Young Inc. was appointed by the court as the Monitor ("Monitor").

The acquisition of Stelco on June 30, 2017 was accounted for by Bedrock Industries B.V. as a business combination at fair value in accordance with IFRS 3 *Business Combinations*. Bedrock Industries B.V. paid total cash consideration in the amount of $70 to acquire Stelco. The business combination occurred coincident with Stelco's emergence from CCAA on June 30, 2017, and the acquired assets and assumed liabilities were adjusted to their fair values assigned through completion of a preliminary purchase price allocation, as described below. The preliminary amounts determined in the purchase price allocation could be materially different depending on the outcome of the finalization of the analysis of fair values. The purchase price allocation for the acquisition reflects preliminary estimates and analysis, including work performed by third-party valuation specialists which are subject to change within the measurement period as valuations are finalized. The primary areas of the preliminary purchase price allocation that are not yet finalized and management continues to review relate to the fair value estimates of certain property, plant and equipment, and the employee benefit commitment.

(Expressed in millions of Canadian dollars except where otherwise indicated)

The following table summarizes the preliminary fair values of the net assets acquired by Bedrock Industries B.V. for the purposes of its acquisition under IFRS 3, *Business Combinations* and are the assets acquired and the liabilities assumed as a result of the common control transaction:

Net identifiable assets acquired	**$**
Working capital	
Cash and cash equivalents	**30**
Restricted cash	**22**
Trade and other receivables	**169**
Inventories	**282**
Prepaid expenses	**59**
Trade and other payables	**(94)**
Other liabilities	**(31)**
Employee benefit commitment	**(29)**
	408
Property, plant and equipment	**270**
Investment in joint ventures	**6**
Intangible assets	**8**
Other liabilities	**(23)**
Long-term debt	**(79)**
Provisions	**(5)**
Employee benefit commitment	**(300)**
Fair value of net identifiable assets and value ascribed to the common shares	**285**

The consolidated financial statements include the activity of Stelco from the date of Bedrock Industries B.V.'s' acquisition on June 30, 2017 in order to reflect the combining entities under common control as if they had always been combined since the date of common control.

7. Segmented information

In measuring performance for the purpose of allocating resources, the chief operating decision maker does not distinguish the operations by product, geography or any other basis and therefore the Company is considered to be a single reportable segment.

Sales by product

The following provides sales by product for the six month period ending:

	December 31, 2017
	$
Hot rolled	**536**
Coated	**165**
Cold rolled	**22**
Other	**65**
	788

(Expressed in millions of Canadian dollars except where otherwise indicated)

Geographic information

The following provides sales information by geographic area for the six month period ending:

	December 31, 2017 $
Canada	**677**
United States	**111**
	788

All non-current operating assets are located within Canada.

Major customers

During the period ended December 31, 2017, there were three customers, each with total sales in excess of 10%, amounting to sales of $145, $107 and $98 respectively.

8. Cash and cash equivalents

The Company’s cash and cash equivalents are as follows:

	December 31, 2017 $	June 30, 2017 $
Cash at banks	**215**	30
Short-term deposits	**35**	–
Total cash and cash equivalents	**250**	30

9. Trade and other receivables

The Company’s trade and other receivables are as follows:

	December 31, 2017 $	June 30, 2017 $
Trade receivables	**202**	167
Allowance for doubtful accounts	**(2)**	(2)
Other receivables	**4**	4
Total trade and other receivables	**204**	169

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Receivables from related parties are discussed in note 29.

(Expressed in millions of Canadian dollars except where otherwise indicated)

As at the following period end dates, the ageing of trade receivables and receivables from related parties are as follows:

		Past due but not impaired			
	Total	**<30 days**	**30 – 60 days**	**61 – 90 days**	**>91 days**
	$	$	$	$	$
December 31, 2017	**204**	**202**	**—**	**—**	**2**
June 30, 2017	169	167	—	—	2

See note 26 on credit risk of trade receivables, which explains how the Company manages and measures the credit quality of trade receivables that are neither past due nor impaired.

10. Inventories

The Company's inventories are as follows:

	December 31, 2017	**June 30, 2017**
	$	$
Raw materials	**231**	143
Semi-finished products	**163**	32
Finished products	**36**	95
Spare parts	**18**	12
	448	282

During the six months ended December 31, 2017, $643 of inventories was recognized as an expense in cost of goods sold.

During the six months ended December 31, 2017, $nil was recognized in cost of goods sold for a write-down of inventories to net realizable value.

11. Prepaid expenses

Prepaid expenses are comprised of:

	December 31, 2017	**June 30, 2017**
	$	$
Advance payments to vendors	**16**	55
Prepaid insurance	**2**	4
Total prepaid expenses	**18**	59

(Expressed in millions of Canadian dollars except where otherwise indicated)

12. Property, plant and equipment

Property, plant and equipment consist of the following:

Cost or valuation	Machinery and equipment $	Vehicles $	Finance leases $	Construction in progress $	Total $
As at June 30, 2017	242	5	21	2	270
Transfers from CIP	11	—	—	(11)	—
Additions and adjustments	2	(1)	—	20	21
Disposals	(1)	—	—	—	(1)
As at December 31, 2017	**254**	**4**	**21**	**11**	**290**

Depreciation	Machinery and equipment $	Vehicles $	Finance leases $	Construction in progress $	Total $
As at June 30, 2017	—	—	—	—	—
Depreciation charge for the period	11	—	—	—	11
As at December 31, 2017	**11**	**—**	**—**	**—**	**11**
Net book value					
As at June 30, 2017	242	5	21	2	270
As at December 31, 2017	**243**	**4**	**21**	**11**	**279**

Assets held under finance leases

The Company leases building and equipment under finance lease arrangements. As at December 31, 2017, the net carrying amount of the leased building and leased equipment amounted to $21 and $nil respectively (June 30, 2017 – $21 and $nil).

13. Intangible assets

Intangible assets consist of the following:

	Indefinite life trademark $	Finite life order backlog $	Total $
Net book value as at June 30, 2017	7	1	8
Amortization	—	1	1
Net book value as at December 31, 2017	**7**	**—**	**7**

(Expressed in millions of Canadian dollars except where otherwise indicated)

14. Investment in joint ventures

The Company has 50% interests in two joint ventures, Baycoat and DC Chrome. Baycoat provides metal coating services and was founded in Canada in 1987. DC Chrome provides chrome plating services and was founded in Canada in 1973. The Company's interests in Baycoat and DC Chrome are accounted for using the equity method in the consolidated financial statements. Summarized financial information of the joint ventures, based on their financial statements, and a reconciliation of the equity for the period ended December 31, 2017 with the carrying amount of the investments in the Company's consolidated financial statements are set out below:

Asset and liabilities of the joint ventures

Assets and liabilities of the joint ventures (100% basis) consist of the following:

	December 31, 2017 $	**June 30, 2017** $
Current assets	**34**	35
Non-current assets	**6**	7
Current liabilities	**(9)**	(10)
Non-current liabilities	**(20)**	(20)

Statement of profit or loss of the joint ventures

Key information from the statements of profit or loss of the joint ventures for the six months ended December 31, 2017 is as follows (100% basis):

	2017 $
For the period ended December 31	
Net sales	**34**
Depreciation	**(1)**
Net loss	**(2)**

Equity investment in the joint ventures

	2017 $
As at June 30, 2017	**6**
Share of net loss	**(1)**
Balance, end of period	**5**

(Expressed in millions of Canadian dollars except where otherwise indicated)

15. Trade and other payables

The Company's trade and other payables are as follows:

	December 31, 2017 $	June 30, 2017 $
Trade payables	**185**	75
Inventory monetization arrangement	**121**	—
Payables to related parties	**1**	18
Other payables	**2**	1
Total trade and other payables	**309**	94

Trade payables
In the normal course of business, trade payables are non-interest bearing and are normally settled on 30-to 60-day terms.

Inventory monetization arrangement
On December 11, 2017, Stelco entered into an inventory monetization financing arrangement which is subject to a financing rate of LIBOR plus a margin of 3.5%. Under the terms of the arrangement, Stelco receives cash proceeds based upon an agreed pricing formula, less a required cash margin, and the quantity of certain raw materials on-site. Currently, iron ore and metallurgical coal inventory are monetized under the arrangement up to specified maximum volumes. Upon consumption of the raw materials, amounts monetized under the arrangement are repaid to the counterparty.

Amounts advanced under the inventory monetization arrangement are required to be repaid when the facility expires on October 31, 2018. The agreement has an option to terminate the arrangement early on either August 31, 2018 or September 28, 2018 and an option to renew the agreement for additional one-year terms. This financing arrangement is secured by inventory with a carrying value of $152, serving as collateral. The weighted average financing rate for the inventory monetization arrangement for the period ended December 31, 2017 was 4.84% and is recorded in financing costs.

(Expressed in millions of Canadian dollars except where otherwise indicated)

16. Other liabilities

Other liabilities are comprised of:

	December 31, 2017 $	June 30, 2017 $
Salaries and benefits payable	**31**	30
Finance lease obligations	**25**	24
Pension and other post-employment benefits	**8**	—
Other liabilities	**3**	—
Interest payable	**1**	—
Total other liabilities	**68**	54
Total current other liabilities	**33**	31
Total non-current other liabilities	**35**	23

17. Provisions

A provision has been recognized for environmental remediation costs associated with waste generated from steel making operations of $5 as at December 31, 2017 (June 30, 2017 - $5). Stelco is required to remediate the sites where this waste is held pursuant to requirements of the Ontario Ministry of Environment and Climate Change.

18. Share capital

Stelco Holdings was incorporated as a wholly owned subsidiary of Bedrock Industries B.V. on September 25, 2017 for the purposes of completing the IPO transaction for 10 common shares. Stelco Holdings issued 75,283,877 shares to Bedrock Industries B.V. in exchange for the outstanding common shares of Stelco valued at $285 on November 10, 2017. The share issuance has been presented as if it occurred on June 30, 2017, consistent with the pooling of Stelco's results from that point forward in these consolidated financial statements.

Additionally, Stelco Holdings completed a public offering of common shares on November 10, 2017. As part of the IPO, Stelco Holdings issued 13,529,750 common shares, which includes an overallotment of 1,764,750 common shares, resulting in a total number of outstanding shares of 88,813,637 as at the closing date. Gross proceeds of the offering were $230 and associated costs were $23, of which $3 were recorded within equity on the consolidated statement of financial position.

Additionally, Stelco Holdings' authorized share capital includes an unlimited number of common shares with no par value and an unlimited number of preferred shares, issuable in series. No preferred shares have been issued to date. The following common shares are outstanding at each reporting period date:

	Number of common shares (#)	Common shares ($)
As at June 30, 2017	75,283,887	285
Issuance on IPO	13,529,750	227
As at December 31, 2017	**88,813,637**	**512**

(Expressed in millions of Canadian dollars except where otherwise indicated)

19. Finance costs

The following table summarizes the main components of finance costs for the period ended December 31:

	December 31, 2017 $
Accretion of employee benefit commitment (*note 25*)	**17**
Remeasurement of employee benefit commitment for the change in the timing and amount of estimated cash flows (*note 25*)	**10**
Accretion expense related to finance lease obligations	**2**
Interest on interest bearing loans and borrowings	**1**
Other	**3**
Total finance costs	**33**

20. Cost of goods sold

Cost of goods sold for the period ended December 31 is comprised of:

	December 31, 2017 $
Cost of inventories	**643**
Fixed overhead	**45**
Depreciation and amortization	**12**
Employee (active) salary and benefits expense	**9**
Shared service expense	**5**
Employee (inactive) benefits expense	**2**
Total	**716**

(Expressed in millions of Canadian dollars except where otherwise indicated)

21. Selling, general and administrative expenses

Selling, general and administrative expenses for the period ended December 31 is comprised of:

	December 31, 2017 $
IPO costs[1]	**20**
Employee (active) salary and benefits expense	**6**
Enterprise Resource Planning system costs[2]	**5**
Professional, consulting and legal fees	**4**
Management fees (*note 29*)	**3**
Other	**9**
Total	**47**

(1) IPO costs relate to advisory, professional and legal fees, as well as printing costs incurred which were not eligible for capitalization to equity as a cost of issuing capital.

(2) Costs relate to the establishment of a new cloud based Enterprise Resource Planning system that do not qualify as a software intangible because the arrangement is a cloud-based hosting license.

22. Income taxes

The major components of income tax expense for the six months ended December 31 are as follows:

	December 31, 2017 $
Deferred income tax:	
Origination and reversal of temporary differences	**6**
Write down or reversal of deferred tax assets	**(6)**
Income tax expense reported in the consolidated statement of loss and comprehensive loss	**—**

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(Expressed in millions of Canadian dollars except where otherwise indicated)

December 31, 2017 and June 30, 2017

Reconciliation of Effective Tax Rate

	December 31, 2017 $
Loss before income taxes	**(15)**
Combined Canadian federal and provincial income tax rate	**25%**
Income tax recovery based on statutory rate	**(4)**
Increase (decrease) in income taxes resulting from non-taxable items or adjustments of prior year taxes:	
Permanent differences:	
Restructuring gain	**(3)**
Other	**1**
Write down of deferred tax assets	**6**
Total income tax expense	**—**

Deferred tax

Deferred tax as at the following periods relates to the following:

	December 31, 2017 $	**June 30, 2017** $
Non-capital and capital loss carry-forwards	**209**	223
Employee benefit commitment	**88**	81
Deductible SRED expenditures	**9**	9
Financing Fee	**4**	—
Provisions	**2**	4
Impairment provision of investment in subsidiaries	**1**	1
Land lease	**1**	—
Building finance lease	**1**	—
Plant and equipment	**1**	1
Deferred tax assets not recognized	**(314)**	(315)
Deferred tax asset	**2**	4
Intangibles	**(2)**	(2)
Inventory	**—**	(2)
Deferred tax liability	**(2)**	(4)
Net deferred tax asset (liability)	**—**	—

(Expressed in millions of Canadian dollars except where otherwise indicated)

Reconciliation of movements in the components of net deferred tax asset (liability) as at the following periods

	December 31, 2017 $	Movement $	June 30, 2017 $
Non-capital and capital loss carry-forwards	**209**	(14)	223
Employee benefit commitment	**88**	7	81
Deductible SRED expenditures	**9**	—	9
Financing Fee	**4**	4	—
Provisions	**2**	(2)	4
Impairment provision of investment in subsidiaries	**1**	—	1
Land lease	**1**	1	—
Building finance lease	**1**	1	—
Plant and equipment	**1**	—	1
Deferred tax assets not recognized	**(314)**	1	(315)
Intangibles	**(2)**	—	(2)
Inventory	**—**	2	(2)
Net deferred tax asset (liability)	**—**	—	—

Non-capital loss carry forward as at the following periods

	December 31, 2017 $	June 30, 2017 $
2029	**—**	—
2030	**—**	—
2031	**—**	—
2032	**30**	90
2033	**400**	400
2034	**164**	164
2035	**238**	238
2036	**—**	—
2037	**4**	—
Total	**836**	892

After the CCAA emergence, unrecognized capital losses of $29 expired unused on acquisition of control of Stelco on June 30, 2017.

(Expressed in millions of Canadian dollars except where otherwise indicated)

The benefit of investment tax credits of $nil have not been accrued in the financial statements of the Company. The use of the available credits is dependent on the realization of sufficient future taxable profit within the carry-forward period. On acquisition of Stelco, all available credits were eliminated pursuant to the Plan of Arrangement.

Unrecognized non-capital losses, investment tax credits, deductible SRED expenditures and similar tax attributes are subject to restrictions in use after the occurrence of a loss restriction event such as an acquisition of control by a new shareholder. The use of any remaining tax attributes after acquisition is dependent on realizing sufficient future taxable income within the carry forward period and satisfying the applicable legislative provisions of the Income Tax Act (Canada) and associated Regulations.

23. Pensions and other post-employment benefits

Stelco sponsored an unfunded compensated absences plan that provides non-pension benefits and is the administrator of the plan. Stelco established new defined benefit plans for service on and after January 1, 2018 for certain of the active hourly employees of Stelco that are eligible for continued participation in a defined benefit plan of Stelco. Funded Status and other post-employment benefit (“OPEB”) reports for the Compensated Absences Plan (Hamilton and Lake Erie) are prepared based on projections of employees’ compensation levels to the time of retirement and future health care costs based on management’s best estimate.

As of December 31, 2017, Stelco had an obligation related to the compensated absences plan of $8. During the period, past service costs of $2 were recorded in the consolidated statement of loss and comprehensive loss. Interest cost, benefits paid and actuarial gains and losses amounted to $nil during the six month period.

Key assumptions, at period end

	December 31, 2017 %	**June 30, 2017**
Discount rate	**3.3**	—
Future salary increases	**2.1**	—
Mortality	**CPM2014 Private table, Scale CPM-B with size adjustments**	—
Duration	**8 years**	—

Sensitivity analysis – obligation

A 0.05% increase or decrease in discount rate or a 0.5% increase or decrease in future salary increases would not have resulted in a significant impact on the defined benefit obligation.

Expected contributions for the next fiscal year

The expected contributions to the compensated absences plan for 2018 is $1.

Notes to consolidated financial statements

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December 31, 2017 and June 30, 2017

Establishment of new pension plans

Pursuant to Ontario Regulation 255/17 (“Regulation”) made under the Pension Benefits Act (Ontario) on June 30, 2017, Stelco is required to establish a new pension plan for service on and after January 1, 2018 for certain active hourly employees of Stelco on the same terms as those contained in the main pension plans for the Hamilton Bargaining Unit Plan, the Lake Erie Bargaining Unit Plan and the Pickle Line Plan that were settled (see note 25). Under the Regulation, Stelco is required to make annual contributions for the years 2018 to 2027 inclusive. Required contributions for years 2018 through 2023 are $4 annually and decline to $3 annually for years 2024 through 2027. After 2027, these plans are subject to the Pension Benefit Act (Ontario).

24. Basic and diluted loss per common share

The following table sets forth the computation of basic and diluted earnings per share for the six month period ended December 31, 2017:

	December 31, 2017
Net loss attributable to common shareholders	**(15)**
Weighted average number of common shares outstanding – basic and diluted	**79,033,981**
Loss per share – basic and diluted (dollars per share)	**(0.19)**

(Expressed in millions of Canadian dollars except where otherwise indicated)

25. Financial assets and financial liabilities

Financial assets

Financial assets are comprised of cash and cash equivalents, restricted cash as well as trade and other receivables.

Financial liabilities

Financial liabilities are comprised of trade and other payables, interest bearing loans and borrowings, employee benefit commitment and finance lease obligations.

The Company's interest-bearing loans and borrowings are measured at amortized cost using the effective interest method and are comprised of the following:

Interest-bearing loans and borrowings

	Weighted average interest rate	**Maturity**	**December 31, 2017**	**June 30, 2017**
	%	Year	$	$
Inventory monetization arrangement *(note 12)*	4.84	31-Oct-18	**121**	—
Province advance	2.79	29-Jun-20	—	11
Asset-based lending facility	4.47	30-Jun-22	—	68
Total interest-bearing loans and borrowings			**121**	79
Current			**121**	—
Non-current			—	79

Province advance

On June 30, 2017, Stelco entered into a secured credit agreement with the Province of Ontario (the "Province Advance") in connection with the funding of future pension and OPEB commitments. The Province Advance permits Stelco to borrow up to $22, comprising up to $10.5 (the "First Advance") on June 30, 2017 and up to $2.875 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 Province Advance is subject to an interest rate of the Province's cost 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. On June 30, 2017, $10.5 was advanced under this facility and the Company repaid the entire amount during the six month period resulting in a $nil outstanding balance as at December 31, 2017.

(Expressed in millions of Canadian dollars except where otherwise indicated)

Asset-based lending ("ABL") facility

On June 30, 2017, Stelco entered into an ABL revolving loan agreement with a syndicate of lenders for a maximum revolver amount of $375. The amount available to be drawn under the ABL facility will vary from time to time, based upon a borrowing base determined with reference to Stelco's trade receivables and inventory balances. At December 31, 2017, the available borrowing base is $269 (June 30, 2017 – $225). 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. Stelco 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, Stelco is subject to payment of an unused line fee ranging from 0.25% – 0.375% of the unused portion of the revolver, depending on the amount undrawn, and is payable monthly. Stelco can obtain letters of credit under the facility at a rate of 2% – 2.5%. The Company has letters of credit outstanding as at December 31, 2017 in the amount of $35 (June 30, 2017 - $nil). During the six month period ended December 31, 2017, Stelco drew a total of $131 on the ABL facility, incurring total interest charges in the amount of $1. All amounts outstanding were repaid as at December 31, 2017, resulting in a $nil outstanding balance as at December 31, 2017.

Employee benefit commitment

	December 31, 2017 $	June 30, 2017 $
Employee benefit commitment	**344**	329
Total current	**32**	29
Total non-current	**312**	300

Employee benefit commitment estimated payments	**December 31, 2017** $
2018	**32**
2019	**47**
2020	**79**
2021	**31**
2022	**44**
Thereafter	**523**
Total gross obligation	**756**
Amount representing interest	**(412)**
Carrying amount of obligation	**344**

The employee benefit commitment was initially recorded at its fair value of $329 at June 30, 2017, which is measured based on unobservable Level 3 inputs, using a discounted cash flow analysis of expected cash flows to be paid in future periods to the Pension and OPEB trusts that were established upon Stelco's emergence from CCAA. These payments consist of contractually fixed payments as well as estimated payments that have been determined using management estimates of Stelco's future operating performance. The contractually fixed payments are discounted using a rate that is reflective of senior unsecured debt for companies in the same sector that are of a similar size. The rate used to discount expected payments based on projected operational profitability is consistent with Stelco's anticipated internal rate of return. The measurement of fair value is classified within Level 3 of the fair value hierarchy. The employee benefit commitment has been subsequently accounted for at amortized cost using the effective interest method using an effective interest rate of 11.04%.

During the six months ended December 31, 2017, the employee benefit commitment was reduced by payments of $12, offset by an accretion expense of $17. The Company adjusts the carrying value of the liability to reflect changes in the timing and amount of estimated future cash flows, which resulted in a $10 increase in the liability during the six months ended December 31, 2017. A liability of $344 has been recognized as at December 31, 2017.

The fair value of the employee benefit commitment is $358 as at December 31, 2017 and was estimated by discounting the future estimated cash flows.

The fair values of cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables as well as interest-bearing loans and borrowings approximate their carrying amount largely due to the short-term maturities of these instruments. The fair value of the finance lease liability is estimated by discounting the future contractual cash flows at the cost of borrowing to the Company, which approximates its carrying value.

Derivative financial instruments

On July 28, 2017, Stelco entered into foreign currency forward contracts to manage exposure to fluctuations in US dollar denominated revenue. Under the terms of the derivative contracts, Stelco agreed to sell an aggregate of up to $45 in US dollar calls and Canadian dollar puts and purchase up to $90 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. Stelco has not entered into the foreign currency forward contracts for trading or speculative purposes and has elected to not apply hedge accounting.

As at December 31, 2017, the foreign exchange forward contracts are in a net liability position of $nil (June 30, 2017 – $nil) 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 in the consolidated statement of loss. Fair value is determined using quoted forward exchange rates (Level 2) as at the financial reporting period end dates.

26. Financial instruments risk management objectives and policies

The Company's principal financial liabilities comprise interest-bearing loans and borrowings, the employee benefit commitment as well as trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company's principal financial assets include trade and other receivables, and cash and short-term deposits that are derived directly from its operations.

Market risk

The Company is exposed to market risk including price risk, foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company's Executive Senior Leadership Team ("ESLT") oversees the management of these risks.

Price risk

The Company is exposed to price risk related to purchases of certain commodities used as raw materials, including iron ore and metallurgical coal. The Company may use fixed price contracts with suppliers to mitigate commodity price risk. Specifically, Stelco has entered into an agreement with U. S. Steel to purchase all of its iron ore requirements, up to a specified amount, through January 31, 2022. This agreement contains a fixed price which is adjusted quarterly based on changes in specified indices.

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.

The Company monitors its cash inflows and outflows denominated in foreign currency and plans the conversion of funds into foreign currency to support business needs. The Company uses derivative financial instruments to manage exposure to changes in foreign currency exchange rates. Stelco entered into foreign currency forward contracts as further discussed in note 25.

As at December 31, 2017, a 10% strengthening in the Canadian dollar would have resulted in a $16 increase in pre-tax income from translating foreign denominated working capital balances, assuming all other variables remain unchanged, and a 10% weakening in the Canadian dollar would have resulted in a $16 decrease in pre-tax income.

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. A 1% increase or decrease in interest rates would not have resulted in a significant impact on pre-tax income due to the fixed nature of the Company's legacy loans and due to either the limited volume or duration of borrowings under the advance from the Province, ABL and inventory monetization arrangement.

Credit risk

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) 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. To mitigate this risk, regular credit evaluations and purchase credit insurance for international customers are performed.

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. The Company continues to prepare a quarterly cash flow analysis to identify any potential shortfall of funds and the mitigation strategy in such circumstances. Potential sources for liquidity could include, but are not limited to: the Company's current cash position, the existing ABL facility and inventory monetization arrangement, future operating cash flows, and potential and private and public financing through Stelco Holdings.

As at December 31, 2017, all of the financial liabilities of the Company, with the exception of the employee benefit commitment and financial lease obligations, were due within 12 months.

Concentration of credit and business risks

The Company is exposed to credit risk in the event of non-payment by customers, principally within the container, construction, automotive, and steel service centre industries. Changes in these industries 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.

The Company's customers are principally located in North America. As steel and steel products can be sold through numerous traders internationally, the Company is not economically dependent on a limited number of customers for the sale of its products.

Trade receivables

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.

As at December 31, 2017, six of the Company's customers made up greater than 65% of the total trade accounts receivable. The Company's credit exposure to these customers was $133.

An analysis for uncollectible amounts is performed as at each reporting date on an individual basis for major customers. 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.

(Expressed in millions of Canadian dollars except where otherwise indicated)

Pensions – defined benefit plans

All defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk and market risk. Longevity risk is the risk that changes in life expectancy of pensioners will affect the expected payout by the Plan. Market risk is the risk that changes in market prices will affect the fair value of future cash flows of a financial instrument. Interest rate risk, as discussed above, is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk specific to the defined benefit plans exists because the value of the Plan's assets is affected by short-term changes in nominal and real interest rates. The value of the Plan's commuted values payable is affected by changes in interest rates for long-term government bonds. Market risk is composed of currency risk, interest rate risk and other market price risk.

27. Capital management

The Company's objectives when managing capital are: (i) to maintain a flexible capital structure, which optimizes the cost of capital at acceptable risk; and (ii) to maintain investor, creditor and market confidence to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may from time to time adjust its capital spending to manage its current and projected debt levels.

The Company monitors capital by preparing annual budgets, which are updated depending on varying factors such as general market conditions and successful capital deployment. The Company's share capital is not subject to externally imposed restrictions.

During the six month period ended December 31, 2017, the Company obtained inventory based financing discussed in note 15, an advance from the Province, and an ABL facility as discussed in note 25.

The Company defines its capital to include amounts drawn and available under existing financing arrangements including the ABL facility and inventory monetization arrangements as well as all components of equity and is comprised as follows:

	December 31, 2017	**June 30, 2017**
	$	$
Interest bearing debt	**—**	79
Amounts drawn under inventory monetization arrangement	**121**	—
Amounts available under ABL facility	**269**	225
Total	**390**	304
Total equity	**497**	285
Total capital	**887**	589

(Expressed in millions of Canadian dollars except where otherwise indicated)

28. Commitments and contingencies

Operating leases

The Company has entered into operating leases on its machinery and equipment, with lease terms between 3 and 5 years. Additionally, the Company holds a 25-year operating lease for the land on which Hamilton Works and Lake Erie Works are situated.

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

	December 31, 2017	**June 30, 2017**
	$	$
Within 1 year	**4**	4
2 to 5 years	**24**	25
Over 5 years	**138**	142
Total	**166**	171

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.

Employee benefit commitment

Commitments related to expected payments for the employee benefit commitment have been disclosed in note 25.

(Expressed in millions of Canadian dollars except where otherwise indicated)

29. 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 arrangements, investments in associates, among other entities and persons.

Amounts receivable from (payable to) related parties:

	December 31, 2017	**June 30, 2017**
	$	$
Bedrock Industries B.V.	**(1)**	(18)

Purchases (sales) of services from (to) related parties:

	December 31, 2017
	$
Bedrock Industries B.V.	**5**
Joint ventures	**10**

Subsidiaries

Transactions between Stelco Holdings 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

The Company’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 the Company and comprise the ESLT. The ESLT is comprised of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Business Development Officer and General Counsel & Corporate Secretary of the Company.

During the six month period ended December 31, 2017, the Company recorded $2 as an expense related to key management personnel salaries and benefits, post-employment pension, medical and termination benefits.

30. Events after the reporting period

On February 8, 2018, Stelco Holdings filed a final short form base shelf prospectus to qualify the distribution of common shares, debt securities, warrants, subscription receipts and or units of the Company having aggregate proceeds of up to $1,000 during the 25 month period that the prospectus remains valid. The receipt for the final short form base shelf prospectus was issued on February 9, 2018. The final terms including the aggregate amount of securities issuable thereunder, have not been finalized and are subject to change. The short form base shelf prospectus allows Stelco Holdings to offer and sell securities to the public without filing a separate prospectus for each offering over the specified time period.

On February 21, 2018, the Company's Board of Directors approved a cash dividend of $0.10 per common share, payable on March 12, 2018 to shareholders of record as of March 7, 2018.