

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 8-K/A**  
**(Amendment No. 1)**

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 1, 2024

**CLEVELAND-CLIFFS INC.**

(Exact name of registrant as specified in its charter)

Ohio <i>(State or Other Jurisdiction of Incorporation or Organization)</i>	1-8944 <i>(Commission File Number)</i>	34-1464672 <i>(IRS Employer Identification No.)</i>
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200 Public Square, Suite 3300, Cleveland, Ohio <i>(Address of Principal Executive Offices)</i>	44114-2315 <i>(Zip Code)</i>
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Registrant's telephone number, including area code: (216) 694-5700

Not Applicable

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered:
Common Shares, par value \$0.125 per share	CLF	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (Section 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (Section 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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## Explanatory Note

As previously disclosed by Cleveland-Cliffs Inc. ("Cliffs") in its Current Report on Form 8-K filed on November 1, 2024 (the "Original 8-K"), pursuant to the terms of the Arrangement Agreement, dated as of July 14, 2024 (the "Arrangement Agreement"), by and among Cliffs, 13421422 Canada Inc., a Canadian corporation and wholly owned subsidiary of Cliffs, and Stelco Holdings Inc., a Canadian corporation ("Stelco"), Cliffs indirectly acquired all of the issued and outstanding common shares of Stelco on November 1, 2024. The acquisition and the other transactions contemplated by the Arrangement Agreement were implemented by way of a statutory plan of arrangement under the Canada Business Corporations Act on the terms and conditions set out in the plan of arrangement, in the form of Exhibit B to the Arrangement Agreement.

This Current Report on Form 8-K/A amends the Original 8-K to file the financial information required by Items 9.01(a) and 9.01(b) of Form 8-K.

### Item 9.01 Financial Statements and Exhibits

#### (a) Financial Statements of Business Acquired

The audited consolidated balance sheets of Stelco as of December 31, 2023 and 2022, and the related audited consolidated statements of income, comprehensive income, changes in equity and cash flows for the fiscal years ended December 31, 2023 and 2022, together with the notes thereto and independent auditor's reports thereon required by Item 9.01(a) of Form 8-K are filed as Exhibit 99.1 hereto and are incorporated herein by reference.

The unaudited interim condensed consolidated balance sheet of Stelco as of September 30, 2024, and the related unaudited interim condensed consolidated statements of income (loss), comprehensive income (loss), changes in equity and cash flows for the nine months ended September 30, 2024 and 2023, together with the notes thereto required by Item 9.01(a) of Form 8-K are filed as Exhibit 99.2 hereto and are incorporated herein by reference.

#### (b) Pro Forma Financial Information

The following unaudited pro forma combined financial information is filed as Exhibit 99.3 hereto and is incorporated herein by reference.

- Unaudited pro forma condensed combined statement of financial position as of September 30, 2024;
- Unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2024 and the twelve months ended December 31, 2023; and
- Notes to the unaudited pro forma condensed combined financial information.

#### (d) Exhibits.

Exhibit Number	Exhibit
<a href="#">23.1</a>	Consent of KPMG LLP
<a href="#">99.1</a>	The audited consolidated balance sheets of Stelco Holdings Inc. as of December 31, 2023 and 2022, and the related audited consolidated statements of comprehensive income, changes in equity and cash flows for the fiscal years ended December 31, 2023 and 2022, together with the notes thereto and report of independent auditors thereon.
<a href="#">99.2</a>	The unaudited consolidated balance sheet of Stelco Holdings Inc. as of September 30, 2024, and the related unaudited consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the nine months ended September 30, 2024 and 2023, together with the notes thereto.
<a href="#">99.3</a>	The unaudited pro forma condensed combined statement of financial position as of September 30, 2024, and the unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2024 and the twelve months ended December 31, 2023, together with the notes thereto.
101	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.
104	Cover Page Interactive Data File (formatted as Inline XBRL)

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CLEVELAND-CLIFFS INC.

Date: January 17, 2025

By: /s/ James D. Graham

Name: James D. Graham

Title: Executive Vice President, Chief Legal and  
Administrative Officer & Secretary

**CONSENT OF INDEPENDENT AUDITORS**

We consent to the incorporation by reference in the registration statement (No. 333-269774) on Form S-3, and the registration statements (No. 333-197688, No. 333-210954, No. 333-237144, No. 333-255571, and No. 333-255572) on Form S-8 of Cleveland-Cliffs Inc. of our report dated January 17, 2025, on the consolidated financial statements of Stelco Holdings Inc., which comprise the consolidated balance sheets as at December 31, 2023 and December 31, 2022, the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the years in the two-year period ended December 31, 2023, and the related notes, which are included in the Current Report on Form 8-K/A dated January 17, 2025 of Cleveland-Cliffs Inc.

/s/ KPMG LLP

January 17, 2025  
Hamilton, Canada

Consolidated Financial Statements

**Stelco Holdings Inc.**

December 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

To the management of Stelco Inc.

### **Opinion**

We have audited the consolidated financial statements of Stelco Holdings Inc., which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Stelco Holdings Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stelco Holdings Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Stelco Holdings Inc.'s ability to continue as a going concern for at least, but not limited to, twelve months from the end of the reporting period.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Stelco Holdings Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stelco Holdings Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control - related matters that we identified during the audit.

/s/ KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada  
January 17, 2025

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**STELCO HOLDINGS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions of Canadian dollars)

As at	Note	December 31, 2023	December 31, 2022
<b>Assets</b>			
Current assets			
Cash		\$645	\$809
Restricted cash	5	10	9
Trade and other receivables	6	185	147
Inventories	7	832	789
Prepaid expenses and deposits	8	24	42
<b>Total current assets</b>		<b>\$1,696</b>	<b>\$1,796</b>
Non-current assets			
Derivative asset	9	71	108
Property, plant and equipment, net	10	1,263	1,199
Intangible assets	11	13	8
Investment in joint ventures	12	19	18
Deferred tax asset	13	3	2
<b>Total non-current assets</b>		<b>\$1,369</b>	<b>\$1,335</b>
<b>Total assets</b>		<b>\$3,065</b>	<b>\$3,131</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	14	\$780	\$663
Other liabilities	15	73	83
Asset-based lending facility	16	15	15
Income taxes payable		2	2
Obligations to independent employee trusts	17	45	143
<b>Total current liabilities</b>		<b>\$915</b>	<b>\$906</b>
Non-current liabilities			
Provisions	18	18	18
Pension benefits	19	13	11
Other liabilities	15	429	404
Asset-based lending facility	16	38	54
Deferred tax liability	13	58	18
Obligations to independent employee trusts	17	298	315
<b>Total non-current liabilities</b>		<b>\$854</b>	<b>\$820</b>
<b>Total liabilities</b>		<b>\$1,769</b>	<b>\$1,726</b>
<b>Equity</b>			
Common shares	20	318	318
Retained earnings		978	1,087
<b>Total equity</b>		<b>\$1,296</b>	<b>\$1,405</b>
<b>Total liabilities and equity</b>		<b>\$3,065</b>	<b>\$3,131</b>

The accompanying notes are an integral part of the consolidated financial statements.

**STELCO HOLDINGS INC.****CONSOLIDATED STATEMENTS OF INCOME**

(In millions of Canadian dollars, except per share amounts)

Years ended December 31,	Note	2023	2022
Revenue from sale of goods	21	\$2,917	\$3,463
Cost of goods sold	22	2,517	2,303
<b>Gross profit</b>		<b>\$400</b>	<b>\$1,160</b>
Selling, general and administrative expenses	23	91	75
<b>Operating income</b>		<b>\$309</b>	<b>\$1,085</b>
Finance costs	24	(110)	(78)
Finance and other income	25	9	7
Other costs	26	(11)	(15)
Share of income from joint ventures	12	2	1
Gain on sale of land and buildings	10	—	260
<b>Income before income taxes</b>		<b>\$199</b>	<b>\$1,260</b>
Current income tax expense	13	11	171
Deferred income tax expense	13	39	92
<b>Net income</b>		<b>\$149</b>	<b>\$997</b>
<b>Net income per common share - basic and diluted</b>	27	<b>\$2.70</b>	<b>\$14.64</b>

The accompanying notes are an integral part of the consolidated financial statements.



**STELCO HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In millions of Canadian dollars)

Years ended December 31,	Note	2023	2022
<b>Net income</b>		<b>\$149</b>	<b>\$997</b>
<b>Other comprehensive income:</b>			
Items that are not recycled or reclassified to income:			
Remeasurement gain on defined benefit pension obligation of equity accounted investment	12	1	—
Remeasurement gain (loss) on pension benefit obligations, net of income tax	19	(1)	4
<b>Other comprehensive income</b>		<b>\$—</b>	<b>\$4</b>
<b>Comprehensive income</b>		<b>\$149</b>	<b>\$1,001</b>

The accompanying notes are an integral part of the consolidated financial statements.

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**STELCO HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In millions of Canadian dollars, except for number of shares)

	Note	Number of common shares (in thousands)	Common shares	Retained earnings	Total equity
<b>Balance, December 31, 2021</b>		77,315	\$446	\$992	\$1,438
Changes during the year:					
Net income		—	—	997	997
Common shares purchased and cancelled	20	(22,186)	(128)	(655)	(783)
Dividends to common shareholders	20	—	—	(251)	(251)
Other comprehensive income	19	—	—	4	4
<b>Balance, December 31, 2022</b>		55,129	\$318	\$1,087	\$1,405
Changes during the year:					
Net income		—	—	149	149
Dividends to common shareholders	20	—	—	(258)	(258)
<b>Balance, December 31, 2023</b>		<b>55,129</b>	<b>\$318</b>	<b>\$978</b>	<b>\$1,296</b>

The accompanying notes are an integral part of the consolidated financial statements.

**STELCO HOLDINGS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions of Canadian dollars)

Years ended December 31,	Note	2023	2022
<b>Operating activities</b>			
Net income		\$149	\$997
Items not affecting cash:			
Depreciation	22	124	90
Deferred tax expense	13	39	92
Employee benefit commitment:			
Accretion expense	24	27	39
Remeasurement recovery	24	(3)	(2)
Loss on derivative asset	9	37	18
Remeasurement of lease related obligation	24	5	—
Write-down of construction in progress	26	4	5
Share of income from joint ventures	12	(2)	(1)
Gain on sale of land and buildings	10	—	(260)
Change in non-cash working capital and other operating items	28	(131)	(391)
<b>Cash provided by operating activities</b>		<b>\$249</b>	<b>\$587</b>
<b>Investing activities</b>			
Capital expenditures on property, plant and equipment, net of Strategic Innovation Fund contributions	28	(196)	(195)
Additions to intangible assets	11	(5)	—
Dividend from joint venture	12	2	—
Proceeds from sale of land and buildings	10	—	353
Investment in joint venture	12	—	(15)
Change in restricted cash	5	(1)	11
<b>Cash provided by (used in) investing activities</b>		<b>(\$200)</b>	<b>\$154</b>
<b>Financing activities</b>			
Proceeds from (Repayment of) inventory monetization arrangement, net	14	83	(30)
Lease and other related obligations principal payments	15	(18)	(11)
Repayment of non-revolving term loan	16	(15)	(15)
Repayment of mortgage principal	17	(2)	(2)
Proceeds from a lease related financing arrangement	10	—	165
Proceeds from Strategic Innovation Fund loan	10	—	2
Common shares purchased	20	—	(783)
Dividends paid to common shareholders	20	(258)	(251)
<b>Cash used in financing activities</b>		<b>(\$210)</b>	<b>(\$925)</b>
Effect of foreign exchange rate changes on cash		(3)	38
Net decrease in cash		(164)	(146)
Cash, beginning of year		809	955
<b>Cash, end of year</b>		<b>\$645</b>	<b>\$809</b>
Supplemental cash flow information	28		

The accompanying notes are an integral part of the consolidated financial statements.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

To facilitate a better understanding of Stelco Holdings Inc.'s consolidated financial statements, material accounting policies and related disclosures, a listing of all the notes is provided below:

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**STELCO HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)  
**YEARS ENDED DECEMBER 31, 2023 and 2022**

**1. CORPORATE INFORMATION**

Stelco Holdings Inc. (Stelco Holdings) is a corporation incorporated under the *Canada Business Corporations Act* (CBCA) pursuant to articles of incorporation dated September 25, 2017 (as amended from time-to-time). Its registered and head office is located at 386 Wilcox Street, Hamilton, Ontario, L8L 8K5.

Stelco Inc. (Stelco), one of Canada's leading steel producers, is a material wholly-owned subsidiary of Stelco Holdings, and is a corporation incorporated under the CBCA. Stelco is an integrated steel producer with facilities in two locations, Hamilton and Nanticoke, Ontario, which produce a variety of steel products for customers in the steel service centre, appliance, automotive, energy, construction, and pipe and tube industries in North America.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

**a) Statement of compliance**

Stelco Holdings' financial statements (Consolidated Financial Statements) have been prepared by management in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

**b) Basis of preparation**

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 30. The accounting policies set out below have been applied consistently in all material respects.

**c) Principles of consolidation**

These Consolidated Financial Statements include the accounts 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*

Subsidiaries are consolidated where Stelco Holdings has the ability to exercise control. Control of an investee is defined to exist when Stelco Holdings is exposed to variable returns from Stelco Holdings' involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, Stelco Holdings controls an investee if, and only if, Stelco Holdings has all of the following: power over the investee (existing rights that gives it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from Stelco Holdings' involvement with the investee; and the ability to use its power over the investee to affect its returns.

The Company's principal subsidiary is Stelco Inc. Other subsidiaries, while included in the Consolidated Financial Statements, are not material and have not been disclosed above.

*Joint ventures*

Joint ventures are entities over which the Company has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investments in joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by Stelco's share of the results of operations and changes in the net assets of the joint venture. If the Company's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Company will discontinue recognizing its share of further losses. If Stelco's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports income, then Stelco will resume recognizing its share of those profits only after its share of profits equals the cumulative share of losses not recognized. The financial statements of Stelco's joint ventures are prepared for the same reporting period as the Company and where necessary, adjustments are made to bring the accounting policies of such entities in line with those of Stelco.

**3. MATERIAL ACCOUNTING POLICIES**

The material accounting policies (and any changes thereto) used in preparation of these Consolidated Financial Statements are summarized below. These accounting policies conform, in all material respects, to IFRS.

**a) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and other incentives.

## STELCO HOLDINGS INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)

YEARS ENDED DECEMBER 31, 2023 and 2022

Revenue from the sale of goods is recognized to the extent that it is probable that the economic benefits will flow to the Company, can be reliably measured, and when the performance obligation is satisfied by transferring the promised good to a customer. A good is considered transferred when the customer obtains control, which is defined as the ability to direct the use of and obtain substantially all of the remaining benefits of an asset.

Depending on the shipping terms, freight and other transportation costs billed to customers are recorded gross (within revenue and cost of goods sold), or net of freight costs paid to shipping providers. The Company is the principal in revenue arrangements where Stelco has pricing latitude and is also exposed to inventory and credit risks.

#### b) Foreign currency translation

These Consolidated Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the Company, its subsidiaries and its joint ventures. Transactions in currencies other than the functional currency of the Company are recorded at the rates of exchange prevailing at the date of the transaction. The Company translates foreign currency balances as follows:

- Monetary assets and liabilities are translated at the closing rate in effect as at the Consolidated Balance Sheet date; and
- 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.

Differences arising on settlement or translation of monetary assets and liabilities are recognized in finance costs on the Consolidated Statements of Income. Non-monetary items that are carried at fair value are translated using the exchange rate prevailing when the fair value was determined and the related translation gains and losses are reported in net income or other comprehensive income (OCI).

#### c) Income taxes

The Company's current and deferred tax expense is recognized in the Consolidated Statements of Income, unless it relates to items 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 Balance Sheet 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 ventures, 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. For deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, 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.

#### d) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of selling and delivery. Net realizable value is estimated using evidence available at the time, taking into account the purpose for which the inventory is held. Previous write-downs, if any, are reversed in the event the circumstances that previously caused inventories to be written down below cost no longer exist.

## STELCO HOLDINGS INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)

YEARS ENDED DECEMBER 31, 2023 and 2022

The costs of raw materials are determined using the weighted average cost method. Raw materials and certain spare parts are valued at cost, inclusive of freight, shipping, and handling as well as any other costs incurred in bringing the inventories to their present location and condition.

The costs of semi-finished and finished products are determined on a first-in, first-out basis and include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production overheads. Costs incurred when production levels are abnormally low are capitalized as inventories based on normal capacity utilization, with the remaining costs incurred recorded within cost of goods sold in the Consolidated Statements of Income.

#### e) Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment. Cost includes all related costs directly attributable to the acquisition or construction of the asset. Property (other than land), plant and equipment is depreciated using the straight-line method over the useful lives of the related assets as presented in the table below.

##### Estimated useful lives of major asset categories

Buildings and property improvements	20 - 35 years
Machinery and equipment	5 - 40 years
Vehicles	4 - 15 years

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. 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 periodic intervals, the Company depreciates them separately based on their specific useful lives. In addition, 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. Major repairs and upgrades are recognized separately and depreciated over their useful lives, whereas all other repair and maintenance costs are expensed as incurred.

#### f) Impairment of non-financial assets

The Company's non-financial assets (including property, plant and equipment) are reviewed for indicators of impairment at each Consolidated Balance Sheet date. If an indicator of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. 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. Impairment losses are recognized in net income for the period.

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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. An impairment loss is reversed if there is an indication that there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### g) Financial instruments

Stelco's financial assets and liabilities (financial instruments) include cash, restricted cash, trade and other receivables, derivative financial instruments, trade and other payables, income taxes payable, certain other liabilities, an asset-based lending facility, a mortgage payable, as well as employee benefit commitments.

The classification of financial instruments is typically determined at the time of initial recognition, within the following categories:

- Amortized cost
- Fair value through income or loss
- Fair value through other comprehensive income

##### *Financial instruments carried at amortized cost*

Financial instruments in this category include cash, trade and other receivables, trade and other payables, income taxes payable, certain other liabilities, an asset-based lending facility, a mortgage payable and employee benefit commitments.

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Financial instruments are recorded initially at fair value and, in the case of financial assets and liabilities carried at amortized cost, adjusted for directly attributable transaction costs.

Trade and other receivables include originated and purchased non-derivative financial assets with fixed or determined payments that are not quoted in an active market and are subsequently measured at amortized cost and is computed using the effective interest method less any allowance for impairment.

Trade and other payables, asset-based lending facility, mortgage payable, employee benefit commitment, and certain other liabilities, 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 Income.

#### *Impairment of financial assets carried at amortized cost*

Trade and other receivables are subject to lifetime expected credit losses (ECL) which are measured as the difference in the present value of the contractual cash flows that are due under the contract, and the cash flows that are expected to be received. The Company applies the simplified approach at each reporting date on its trade and other receivables and considers its historical experience of bad debts including customers' ability to pay as well as the current and forward-looking macroeconomic factors that may affect default rates when estimating ECL.

Financial assets, 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 the Consolidated Statements of Income.

#### *Financial instruments carried at fair value through income or loss*

Financial instruments in this category include derivative financial instruments and cash-settled share-based compensation awards which are carried on the Consolidated Balance Sheets and remeasured at fair value through income or loss at the reporting date.

In particular, derivative financial instruments are recorded at their fair value at the Consolidated Balance Sheet date, with changes in fair value recognized in the Consolidated Statements of Income. Derivative instruments with either positive or negative fair values are reported as derivative assets or liabilities, respectively. Valuation adjustments are included in the fair value of derivative assets and liabilities. Transaction costs related to the acquisition of derivative financial instruments carried at fair value through profit or loss are expensed and recorded within the Consolidated Statements of Income.

#### **h) 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.

When measuring the fair value of an asset or liability, the Company uses observable market data as available. If the inputs used to measure the fair value of an asset or a liability are classified within different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.



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#### i) Provisions

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 Income 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.

#### j) Pension and other employee benefits

The Company sponsors multiple defined benefit pension plans, which requires contributions to be made to separately administered funds. The obligations and costs of providing benefits under the defined benefit plans is based on valuations performed by independent actuaries using the projected unit credit method.

Other employee benefits includes an unfunded compensated absence plan that provides non-pension benefits to certain active members.

The liability for pensions and other employee benefits is equal to the present value of the Company's future benefit obligation less, where appropriate, the fair value of plan assets in funds allocated to finance such benefits. Service costs including past service, gains and losses from curtailment and non-routine settlements and net interest are recognized through net income. Actuarial gains and losses resulting from remeasurements are recognized immediately through OCI in the period in which they occur. Remeasurements are not reclassified to net income in subsequent periods.

#### k) Net income per share

Basic net income per share is calculated by dividing net income for the period attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted net income 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.

#### l) 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 Statements of Income 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 CGU 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 Statements of Income when the asset is derecognized.

#### m) Leases

##### *Arrangements as a lessee*

At the inception of an arrangement, the Company assesses whether the arrangement is, or contains, a lease. An arrangement is, or contains, a lease if the arrangement conveys the right to control the use of an identified asset for a period of time in

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exchange for consideration. For arrangements that contain a lease component and one or more lease or non-lease components, the Company will allocate the consideration in the contract to each lease component on the basis of the relative stand-alone value of the lease component and the aggregate stand-alone value of the non-lease components.

As a practical expedient, IFRS 16 - *Leases*, permits a lessee to not separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has elected to apply the practical expedient to an energy service arrangement, which contains both lease and non-lease components.

The Company, as a lessee, recognizes a right-of-use asset and lease liability at the commencement of the lease at the present value of the future lease payments using the interest rate implicit in the lease (if it is readily determinable) or the Company's incremental borrowing rate. The right-of-use-asset also includes any direct costs and estimated dismantling or restoration costs incurred by the Company. Subsequent to initial recognition, the asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is measured at amortized cost using the effective interest rate method. Lease related finance charges are recorded in finance costs in the Consolidated Statements of Income.

The Company has elected not to recognize right-of-use assets and lease liabilities for certain short-term leases: i) machinery and equipment that have a lease term of 12 months or less that do not contain a purchase option, and ii) low-value items. These types of leases are not recognized on the Company's Consolidated Balance Sheets and payments to lessors are recorded in the Consolidated Statements of Income on a straight-line basis over the term of the lease.

#### *Sale and leaseback*

For a sale and leaseback transaction, the Company initially determines whether the transfer of the asset should be accounted for as a sale. If the transfer of the asset is deemed a sale, the Company will measure the right-of-use asset from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. If the transfer of the asset is not deemed a sale, the Company will continue to recognize the asset and record the proceeds received as a financial liability.

#### **n) Share-based compensation**

##### *Share-based awards issued under the Company's long-term incentive plan*

The Company issues share-based awards to certain employees. The cost of these share-based payments equals the fair value of each tranche of share-based awards at their grant date and are recognized on a proportionate basis consistent with the vesting features of each tranche of the grant.

The Company also has cash-settled share-based compensation plans for certain members of the Board of Directors. The cost of these share-based payments is measured at fair value and is expensed on the grant date with the recognition of a corresponding liability.

##### *Share-based payment arrangements issued under the Company's total shareholder return incentive program (TSR Incentive Program)*

The TSR Incentive Program is a cash-settled share-based compensation plan, which is measured at fair value through income or loss at each reporting date. The share-based compensation expense in connection with the TSR Incentive Program is recognized over the term of the program and varies based on changes in the Company's common share price and the performance of the share price in relation to the specified target thresholds.

The share-based compensation liability is remeasured at fair value at each reporting period date with the vested changes in fair value recorded within selling, general and administrative expenses in the Consolidated Statements of Income.

#### **o) Government grants**

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. Grants related to assets are recorded as a reduction to the asset's carrying value and are depreciated over the useful life of the asset. Claims under government grant programs related to income are recorded within the Consolidated Statements of Income as a reduction to the related item that the grant is intended to offset, in the period in which eligible expenses were incurred or when the services have been performed.

#### **p) 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.

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

**q) Amendments to accounting standards effective in 2023**

In February 2021, the IASB amended IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgements*, to require entities to disclose material accounting policies rather than significant accounting policies. Further amendments to IAS 1 were made to explain how an entity can identify a material accounting policy.

The amendments did not have a material impact on the Company's Consolidated Financial Statements.

**4. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Consolidated Financial Statements requires management to make judgments, estimates and/or assumptions that affect the amounts reported. The key assumptions concerning the future and other key sources of estimation uncertainty at the Consolidated Balance Sheet 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.

**a) Employee benefit commitment**

This financial liability 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 Consolidated Balance Sheet date 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 17.

**b) Leases**

The Company exercises judgement in determining the appropriate lease term on a lease by lease basis, and considers all facts and circumstances that create an economic incentive to exercise a renewal option or to not exercise a termination option. The period covered by renewal options are only included in the lease term assumed in the Company's financial statements if the Company is reasonably certain to renew. Changes in lease term estimates may have a material impact on the Company's Consolidated Balance Sheets and Consolidated Statements of Income.

In determining the carrying amount of right-of-use assets and lease liabilities, the Company is required to estimate the incremental borrowing rate specific to each leased asset if the interest rate implicit in the lease is not readily determined. The Company estimates the incremental borrowing rate by generally applying a base risk-free interest rate with an adjustment that reflects the Company's credit rating, the asset under lease and lease term, and the economic environment in which the leased asset operates.

**c) Derivative asset**

On initial recognition, a derivative financial instrument is recognized at fair value on the Consolidated Balance Sheet and remeasured at fair value through income or loss at each reporting date. The Company's derivative asset fair value was estimated using a Black-Scholes option pricing model which includes Level 3 significant unobservable inputs such as the fair value of the mine asset (which is based on a discounted cash flow model including inputs of estimated future iron ore prices and mining costs, and a discount rate) and expected mine asset value volatility. Due to the nature of the underlying estimates and its long-term nature, the derivative asset's estimated fair value is highly sensitive to changes in these inputs. Further details about the inputs and valuation technique used are provided in note 9.

**d) Pension and other post-employment benefits**

The cost of defined benefit pension plans and other post-employment benefits and the present value of the obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which 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 19.

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**e) Impairment of non-financial assets**

In the process of applying the Company's accounting policies, impairment has been identified as an area where judgments 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 are comprised of a single CGU.

The Company evaluates each asset or CGU at each Consolidated Balance Sheet date 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.

**f) Income taxes**

The Company is subject to federal and provincial 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 13 for the carrying value of current and deferred income tax assets and liabilities.

**5. RESTRICTED CASH**

Restricted cash represents cash not readily available for Stelco's operations and includes deposits associated with the following:	December 31, 2023	December 31, 2022
As at		
Ontario Ministry of the Environment, Conservation and Parks <sup>1</sup>	\$9	\$9
Receivables purchase agreement <sup>2</sup>	1	—
<b>Total restricted cash</b>	<b>\$10</b>	<b>\$9</b>

<sup>1</sup> Represents deposits associated with the Company's environmental obligations recorded within provisions on the Consolidated Balance Sheets. Refer to note 18 for further details.

<sup>2</sup> Includes cash collected from customers in connection with trade receivables sold to a Schedule II bank under the receivables purchase agreement discussed further in note 6. Under the terms of the receivables purchase agreement, Stelco is required to administer and remit these deposits to the Schedule II bank.

**6. TRADE AND OTHER RECEIVABLES**

As at	December 31, 2023	December 31, 2022
Trade receivables <sup>1</sup>	\$171	\$134
Other receivables	14	13
<b>Total trade and other receivables</b>	<b>\$185</b>	<b>\$147</b>

<sup>1</sup> Net of allowance for doubtful accounts of \$0.2 million (December 31, 2022 - \$0.1 million).

**Receivables purchase agreement (RPA)**

The Company has an RPA with a Schedule II bank (the Purchaser), that enables Stelco, from time to time, to sell certain customer trade receivables to the Purchaser on an uncommitted revolving basis. Under the terms of the RPA, Stelco administers and processes the collection of receivables and remits those collections to the Purchaser. The Company has derecognized the trade receivables sold under the RPA from the Consolidated Balance Sheets as substantially all of the risks and rewards for such receivables have been transferred to the Purchaser.

During August 2023, Stelco amended the RPA with the Purchaser to include a reduction in the aggregate maximum purchase limit to \$75 million (previously \$78 million); other terms remained substantially similar to the original agreement. As at December 31, 2023, Stelco's available unused purchase limit remaining under the RPA was \$6 million (December 31, 2022 - \$14 million).

Proceeds received by Stelco under the RPA are recorded within cash flows from operations on the Consolidated Statements of Cash Flows. For the year ended December 31, 2023, the weighted average finance rate for the RPA was 6.93% (December 31, 2022 - 4.20%) and the Company recorded \$4 million (December 31, 2022 - \$2 million) of related finance charges within finance costs on the Consolidated Statements of Income.

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**Trade and other receivables**

Trade receivables are non-interest bearing and are generally on terms of 30 days. In order to minimize the credit risk associated with trade and other receivables, the Company performs regular credit reviews for all customers with significant credit limits. Trade and other receivables are analyzed on a case by case basis taking into account a customer's past credit history as well as its current ability to pay and uncollectible amounts are recorded as an allowance for doubtful accounts.

As at December 31, 2023 and 2022, the aging of trade receivables and other receivables, net of allowance for doubtful accounts is as follows:

As at	Total	Current	Past due but not impaired			
			< 31 days	31 - 60 days	61 - 90 days	> 90 days
<b>December 31, 2023</b>	<b>\$185</b>	<b>173</b>	<b>12</b>	<b>—</b>	<b>—</b>	<b>—</b>
December 31, 2022	\$147	143	4	—	—	—

Refer to note 31 for further details of the Company's credit risk management.

**7. INVENTORIES**

As at	December 31, 2023	December 31, 2022
Raw materials	\$702	\$620
Semi-finished products <sup>1</sup>	98	132
Finished products <sup>1</sup>	29	34
Spare parts and other	3	3
<b>Total inventories</b>	<b>\$832</b>	<b>\$789</b>

<sup>1</sup> Includes a provision to reflect inventories at the lower of cost or net realizable value of \$1 million in aggregate, as at December 31, 2023 (December 31, 2022 - \$3 million).

Refer to note 22 for the cost of inventories recognized within cost of goods sold.

**8. PREPAID EXPENSES AND DEPOSITS**

As at	December 31, 2023	December 31, 2022
Prepaid insurance	\$9	\$8
Income tax installment with Canada Revenue Agency	8	27
Advance payments to vendors	6	6
Other	1	1
<b>Total prepaid expenses and deposits</b>	<b>\$24</b>	<b>\$42</b>

**9. DERIVATIVE ASSET**

On April 30, 2020, Stelco entered into an eight-year pellet sale and purchase agreement (the Pellet Agreement) with United States Steel Corporation (USS) ending January 31, 2028. The Pellet Agreement contained both an annual iron ore volume purchase and fixed pricing schedule for the duration of the agreement (subject to adjustments based on certain cost indices).

Concurrently, also on April 30, 2020, Stelco entered into an option agreement with USS granting Stelco an option to purchase a 25% ownership interest (the Option) in a to-be-formed joint venture that would own a 100% beneficial interest in USS's Minntac iron ore mine located in Mt. Iron, Minnesota and related infrastructure including the pellet plant. The Option is exercisable by Stelco at any time until January 31, 2027.

During 2020, Stelco paid US\$100 million in aggregate cash consideration for the Option. If and when the Option is exercised, Stelco would pay an exercise price of US\$500 million.

The Option is recorded as a derivative instrument which is presented on the Consolidated Balance Sheets as a financial asset and carried at fair value through income or loss. At December 31, 2023, the Option's fair value of \$71 million (December 31, 2022 - \$108 million) was estimated using the Black-Scholes option pricing model. During the year ended December 31, 2023, the Company recognized a loss of \$37 million (December 31, 2022 - loss of \$18 million), in connection with the change in fair value of the Option, due to changes in certain assumptions such as expected mine asset value volatility and risk-free interest rates, as well as current foreign exchange rates. The expected option life is fixed and based on the maximum contractual term of the Option.

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The Black-Scholes option pricing model assumptions used to estimate the fair value of the Option at the respective dates are noted in the summary below:

As at	December 31, 2023	December 31, 2022
Estimated fair value of mine asset (in millions) <sup>1</sup>	<b>US\$320</b>	US\$335
Exercise price (in millions)	<b>US\$500</b>	US\$500
Expected mine asset value volatility <sup>2</sup>	<b>40.0 %</b>	40.0 %
Expected risk-free interest rate <sup>3</sup>	<b>4.0 %</b>	4.1 %
Expected option life (in years) <sup>4</sup>	<b>3.1</b>	4.1

<sup>1</sup> Based on a 25% ownership interest in the Minntac iron ore mine.

<sup>2</sup> Based on historical equity volatility of selected publicly traded companies combined with factors such as debt to equity ratios to estimate asset volatility.

<sup>3</sup> Based on three to five year U.S. Treasury bond interest rates.

<sup>4</sup> Based on maximum contractual term of the Option remaining.

The table below describes the relationship between the Company's Black-Scholes option pricing model inputs and related fair value measurement:

Key unobservable inputs	Relationships between key unobservable inputs and fair value measurement
Estimated fair value of mine asset	Increase (decrease) of estimated mine asset value would increase (decrease) the estimated fair value, respectively.
Expected mine asset value volatility	Increase (decrease) of expected mine asset value volatility would increase (decrease) the estimated fair value, respectively.
Expected risk-free interest rate	Increase (decrease) of expected risk-free interest rate would increase (decrease) the estimated fair value, respectively.

To estimate the fair value of the mine asset, the Company uses a discounted cash flow model which includes the projected future cash flows generated from the mine asset along with the following inputs and relationship to fair value measurement:

Key unobservable inputs	Relationships between key unobservable inputs and fair value measurement
Iron ore prices <sup>1</sup>	Increase (decrease) of expected iron ore prices would increase (decrease) the estimated fair value, respectively.
Discount rate <sup>2</sup>	Increase (decrease) of the discount rate would decrease (increase) the estimated fair value, respectively.

<sup>1</sup> Based on the expected long-term iron ore price in the Great Lakes region.

<sup>2</sup> Based on a weighted average cost of capital of selected iron ore producing companies.

The inputs and assumptions used in the discounted cash flow model to estimate the fair value of the mine asset at each reporting date were updated with observable market and macroeconomic input considerations due to the Company not having access to the mine asset's financial information since the acquisition of the Option. Since the discounted cash flow model does not incorporate current mine asset specific financial information, there is an inherent estimation uncertainty in the Company's projection of the mine asset future cash flows.

The following table summarizes the sensitivity impact to the Option fair value from changes in certain assumptions used in the Black-Scholes option pricing model, assuming all other inputs remain unchanged:

As at	Change	December 31, 2023		December 31, 2022	
		Increase	Decrease	Increase	Decrease
Estimated fair value of mine asset	1 %	\$2	(\$2)	\$2	(\$2)
Expected mine asset value volatility	1 %	3	(3)	4	(4)
Expected risk-free interest rate	25 bps	1	(1)	1	(1)

The Company's valuation policies for Level 3 derivatives are an integral part of its internal control procedures and have been reviewed and approved according to the Company's principles for establishing such procedures. In particular, such procedures address the accuracy and reliability of input data, the valuation model and engagement of third-party qualified external valuation professionals. Refer to note 30 for a further discussion of valuation techniques and inputs used in estimating the Option's fair value at December 31, 2023 and 2022.

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**10. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Land</b>	<b>Buildings and property improvements</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Assets under leases</b>	<b>Construction in progress</b>	<b>Total</b>
<b>As at December 31, 2021</b>	\$111	\$50	\$680	\$15	\$65	\$284	\$1,205
Additions	—	—	19	—	176	182	377
Transfers	—	8	346	11	(2)	(363)	—
Strategic Innovation Fund contributions	—	—	—	—	—	(2)	(2)
Disposals and other	(61)	(9)	(12)	—	—	(19)	(101)
Write-down of construction in progress	—	—	—	—	—	(5)	(5)
<b>As at December 31, 2022</b>	\$50	\$49	\$1,033	\$26	\$239	\$77	\$1,474
Additions	—	—	22	—	8	173	203
Transfers	—	9	148	10	(6)	(161)	—
Disposals and other <sup>1</sup>	—	—	(4)	—	(3)	(7)	(14)
Write-down of construction in progress	—	—	—	—	—	(4)	(4)
<b>As at December 31, 2023</b>	<b>\$50</b>	<b>\$58</b>	<b>\$1,199</b>	<b>\$36</b>	<b>\$238</b>	<b>\$78</b>	<b>\$1,659</b>

<sup>1</sup> Includes approximately \$5 million of cash incentives to be received from the Independent Energy System Operator (IESO) under its *Process and Systems Upgrade Program*, in connection with eligible construction costs incurred by the Company related to the Cogen Plant including machinery and equipment and assets under leases described further below.

<b>Accumulated depreciation</b>	<b>Land</b>	<b>Buildings and property improvements</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Assets under leases</b>	<b>Construction in progress</b>	<b>Total</b>
<b>As at December 31, 2021</b>	\$—	\$4	\$165	\$5	\$23	\$—	\$197
Depreciation	—	2	73	3	12	—	90
Disposals and other	—	(1)	(11)	2	(2)	—	(12)
<b>As at December 31, 2022</b>	\$—	\$5	\$227	\$10	\$33	\$—	\$275
Depreciation	—	2	100	3	19	—	124
Disposals and other	—	—	(1)	2	(4)	—	(3)
<b>As at December 31, 2023</b>	<b>\$—</b>	<b>\$7</b>	<b>\$326</b>	<b>\$15</b>	<b>\$48</b>	<b>\$—</b>	<b>\$396</b>
<b>Net book value</b>							
<b>As at December 31, 2023</b>	<b>\$50</b>	<b>\$51</b>	<b>\$873</b>	<b>\$21</b>	<b>\$190</b>	<b>\$78</b>	<b>\$1,263</b>
As at December 31, 2022	\$50	\$44	\$806	\$16	\$206	\$77	\$1,199

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**Assets under leases**

The following table summarizes the changes in the aggregate net carrying value of the Company's right-of-use assets included in property, plant and equipment:

	<b>Machinery and equipment</b>						<b>Total</b>
	<b>Land and buildings</b>	<b>Manufacturing equipment</b>	<b>Power generation</b>	<b>Railcars</b>	<b>Information technology</b>	<b>Vehicles</b>	
<b>As at December 31, 2021</b>	\$—	\$30	\$—	\$5	\$2	\$5	\$42
Additions	17	—	147	8	1	3	176
Depreciation	(1)	(4)	(3)	(2)	(1)	(1)	(12)
<b>As at December 31, 2022</b>	\$16	\$26	\$144	\$11	\$2	\$7	\$206
Additions	—	—	—	—	3	5	8
Depreciation	(3)	(3)	(8)	(2)	(1)	(2)	(19)
Disposals and other <sup>1</sup>	—	—	(3)	—	—	(2)	(5)
<b>As at December 31, 2023</b>	<b>\$13</b>	<b>\$23</b>	<b>\$133</b>	<b>\$9</b>	<b>\$4</b>	<b>\$8</b>	<b>\$190</b>

<sup>1</sup> Includes approximately \$3 million of cash incentives to be received from IESO under its *Process and Systems Upgrade Program*, in connection with eligible construction costs incurred by the Company related to the Cogen Plant described further below.

*Cogen Plant*

On June 18, 2020, Stelco entered into an arrangement containing a lease with an affiliate of DTE Energy Services, Inc. (DTE) for the development, construction and operation of a 65MW cogeneration facility (Cogen Plant) at Stelco's Lake Erie facility in Nanticoke, Ontario. DTE was required to fund the capital costs associated with the construction of the Cogen Plant and Stelco is required to pay DTE a fixed monthly fee pursuant to an energy services agreement (ESA) for operating the Cogen Plant for an initial term of 20 years, expiring in 2042. The contractual fixed payments over the initial term of the ESA, which includes the non-lease components of this arrangement, will be in aggregate approximately \$273 million, subject to certain contingent variable cost adjustments under the ESA.

During the year ended December 31, 2022, the Company recorded a \$147 million right-of-use power generation asset addition with a corresponding lease liability in connection with the fixed monthly fee component of the ESA, as the Cogen Plant construction attained substantial completion and was commissioned for operational use during the year. The Cogen Plant right-of-use asset is depreciated using the straight-line method over the lease term, which is recorded as depreciation expense within cost of goods sold on the Consolidated Statements of Income. The lease liability is measured at amortized cost using the effective interest rate method and related finance charges are recorded in finance costs in the Consolidated Statements of Income.

The Company is also required to pay DTE a variable monthly charge related to the operation and maintenance of the Cogen Plant, which is recorded in cost of goods sold on the Consolidated Statements of Income.

*Sale and leaseback of Hamilton land and buildings*

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

Under the lease arrangements, Stelco leased back portions of the land on which it conducts its cold-rolling, galvanizing and other finishing operations under a 35-year lease, with renewal options for five 20-year terms (Cold Mill Lease). In addition, Stelco has entered into shorter-term leases in respect of its HW coke battery operations and its headquarters building (collectively, the CBO Leases). The leases are 'triple-net' leases whereby Stelco is responsible for all operating, occupancy and maintenance costs and expenses in respect of the leased premises. Upon expiration of the respective leases, Stelco is required to vacate and demolish the buildings on the premises.

In connection with the sale and leaseback transaction, the Company recorded a gain on the sale of the HW land and buildings of \$260 million (including a sale and leaseback gain of \$47 million associated with the CBO Leases) on the Consolidated Statements of Income, representing the difference between the fair value consideration of \$518 million received and right-of-use asset additions of \$17 million less lease and other related obligations of \$176 million, the carrying amount of disposed HW land and buildings of \$89 million at the date of the transaction and \$10 million in other lease related provision liabilities.

The right-of-use asset additions of \$17 million included land and buildings in connection with the CBO Leases, however



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excluded the land and buildings under the Cold Mill Lease as the Company did not relinquish control of these properties or derecognize these assets from property, plant and equipment. The total cash consideration of \$518 million has been allocated as \$353 million in proceeds associated with the sale of HW land and buildings and a \$165 million financing arrangement in connection with the Cold Mill Lease, recorded as a lease related obligation within other liabilities on the Company's Consolidated Balance Sheets. Refer to note 15 for further details.

The Company also recorded \$2 million in professional fees and transaction costs associated with the HW transaction which was recorded within selling, general and administrative expenses on the Consolidated Statements of Income.

#### Innovation, Science and Economic Development Canada funding commitment

On August 13, 2019, the Government of Canada announced that Stelco received a funding commitment from Innovation, Science and Economic Development Canada (ISED Canada) of up to \$49.9 million (the Contribution). The Contribution is being made available to the Company under the Strategic Innovation Fund, which was designed by the Government of Canada to, among other things, encourage research and development in Canada, facilitate growth and expansion of firms, and advance industrial research and technology. The ultimate amount of Contribution funding the Company will receive is dependent upon qualified expenditures made by the Company on certain capital projects, as agreed with ISED Canada. Subject to the terms of the funding agreement, fifty percent (50%) of the Contribution is non-refundable and the remainder is a non-interest bearing loan, which is repayable over an eight-year period beginning on January 1, 2026.

During the year ended December 31, 2022, the Company received approximately \$4 million in connection with the Contribution, of which \$2 million was deducted from the carrying amount of the respective qualified capital expenditures within property, plant and equipment and \$2 million was recorded as a non-interest bearing loan within other liabilities on the Consolidated Balance Sheets.

As of December 31, 2023, the Company has received an aggregate of \$44.9 million in cash proceeds in connection with the Contribution and the non-interest bearing loan was carried at amortized cost of \$18 million recorded within other liabilities on the Consolidated Balance Sheets, using an effective interest rate of 5.0%.

#### 11. INTANGIBLE ASSETS

	Indefinite life	Finite life		Total
	Trademark <sup>1</sup>	Software under development	Other	
<b>As at December 31, 2021</b>	\$7	\$—	\$1	\$8
Additions	—	1	—	1
Other	—	—	(1)	(1)
<b>As at December 31, 2022</b>	\$7	\$1	\$—	\$8
Additions	—	5	—	5
<b>As at December 31, 2023</b>	\$7	\$6	\$—	\$13

<sup>1</sup> Trademark recognized by the Company in connection with the acquisition of Stelco during 2017.

#### 12. INVESTMENT IN JOINT VENTURES

Stelco has 50% equity interests in Baycoat Limited Partnership (metal coating services) and D.C. Chrome Limited (chrome plating services), which are joint ventures accounted for using the equity method in the Consolidated Financial Statements.

On March 25, 2022, Stelco Holdings completed the acquisition of a 40% equity interest in Hamilton Sports Group (HSG) and also recorded certain professional fees in connection with the acquisition. The investment is accounted for as a joint venture using the equity method in the Consolidated Financial Statements.

HSG owns the Hamilton Tiger-Cats (of the Canadian Football League) and Hamilton's Forge FC (of the Canadian Premier League), and is also the holder of license agreements in respect of Tim Hortons Field, a modern 23,000 seat multipurpose stadium located centrally in Hamilton, Ontario.

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**YEARS ENDED DECEMBER 31, 2023 and 2022****Equity investment in the joint ventures**

Years ended December 31,	2023	2022
Balance, beginning of year	\$18	\$2
Share of income from joint ventures	2	1
Dividend from joint venture	(2)	—
Remeasurement gain on defined benefit pension obligations within OCI	1	—
Investment in joint venture	—	15
Balance, end of year	\$19	\$18

**Statement of income (loss) of the joint ventures**

Summarized combined financial information of the joint ventures is as follows (100% basis):

Years ended December 31,	2023	2022
Net income (loss)	\$3	(\$4)
Other comprehensive income	—	12
Total comprehensive income	\$3	\$8

**13. INCOME TAXES****Reconciliation of effective tax rate**

Years ended December 31,	2023	2022
Income before income taxes	\$199	\$1,260
Combined Canadian federal and provincial income tax rate	25 %	25 %
<b>Income tax expense based on statutory rate</b>	<b>50</b>	<b>315</b>
<b>Increase (Decrease) in income taxes resulting from:</b>		
Previously unrecognized deferred tax assets	—	(8)
Non-taxable portion of capital gain related to sale of land and buildings	—	(44)
<b>Income tax expense</b>	<b>\$50</b>	<b>\$263</b>
Current income tax expense	11	171
Deferred income tax expense	39	92

For the year ended December 31, 2023, the Company recorded deferred income tax expense of \$39 million (December 31, 2022 - \$92 million). As at December 31, 2023, the Company has recorded a deferred tax asset of \$3 million (December 31, 2022 - \$2 million) and deferred tax liability of \$58 million (December 31, 2022 - \$18 million).

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**Deferred tax**

Reconciliation movements in the deferred tax asset (liability):

As at	December 31, 2023	Movement	December 31, 2022	Movement	December 31, 2021
<b>Net deferred tax asset (liability):</b>					
Lease and lease related obligations	\$91	(\$1)	\$92	\$81	\$11
Employee benefit commitment	59	(29)	88	(34)	122
Share-based compensation liabilities	16	9	7	5	2
Derivative asset	16	9	7	5	2
Pension and other post-employment benefits	7	—	7	1	6
Strategic Innovation Fund loan	5	—	5	1	4
Other	3	1	2	—	2
Investment in subsidiaries and land costs	2	—	2	(2)	4
Non-capital and capital loss carry-forwards	—	—	—	(6)	6
Property, plant and equipment	(206)	(32)	(174)	(112)	(62)
Right-of-use assets	(48)	4	(52)	(41)	(11)
Deferred tax assets not recognized	—	—	—	8	(8)
	<b>(\$55)</b>	<b>(\$39)</b>	<b>(\$16)</b>	<b>(\$94)</b>	<b>\$78</b>
<b>Comprised of:</b>					
Deferred tax asset	\$3		\$2		\$78
Deferred tax liability	(58)		(18)		—
	<b>(\$55)</b>		<b>(\$16)</b>		<b>\$78</b>

**Other tax attributes**

As at December 31, 2023, the Company has undepreciated capital cost (UCC) of \$211 million (December 31, 2022 - \$262 million), which includes certain property eligible for accelerated capital cost allowance where tax deductions may exceed depreciation for accounting purposes for respective future periods. A deferred tax liability of \$206 million was recorded in connection with the carrying value of the Company's property, plant and equipment exceeding the UCC balance at December 31, 2023 (December 31, 2022 - \$174 million).

**14. TRADE AND OTHER PAYABLES**

As at	December 31, 2023	December 31, 2022
Inventory monetization arrangement	\$483	\$409
Trade payables <sup>1</sup> and other	290	243
Payables to related parties <sup>2</sup>	7	11
<b>Total trade and other payables</b>	<b>\$780</b>	<b>\$663</b>

<sup>1</sup> Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less.  
<sup>2</sup> Refer to note 34 for details.

**Inventory monetization arrangement (IMA)**

Stelco has an inventory monetization arrangement which is subject to a financing rate based on the U.S. Federal Reserve Bank's Secured Overnight Financing Rate (SOFR) plus a margin. Under the terms of the arrangement, Stelco receives cash proceeds (in USD) based upon agreed pricing formulas and the quantity of certain raw materials on-site, less a required cash margin. Currently, iron ore, metallurgical coal and coke and prime slab inventory are monetized under the arrangement up to specified maximum volumes and values. Upon consumption of the raw materials and semi-finished products, amounts monetized under the arrangement are repaid to the counterparty.

The weighted average finance rate for the IMA for the year ended December 31, 2023 was 8.18% (December 31, 2022 - 4.99%), and the finance costs of \$34 million (December 31, 2022 - \$20 million) are recorded on the Consolidated Statements of Income. This financing arrangement is secured by inventory with a carrying value of \$672 million (December 31, 2022 -

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\$577 million).

The following table summarizes the changes in the aggregate carrying value of the Company's IMA:

Years ended December 31,	2023	2022
Balance, beginning of year	\$409	\$414
Proceeds (Repayments), net	83	(30)
Foreign exchange loss (gain)	(9)	25
Balance, end of year	\$483	\$409

*Amendments to the IMA*

During January 2023, Stelco entered into an amended IMA which included the following significant terms:

- i) adjusted volume limits of eligible inventory, consistent with the Company's projected operating levels; and
- ii) finance rate of SOFR plus a margin of 3.000% (previously SOFR plus a margin of 3.125%).

In December 2023, Stelco further amended the IMA to include the following significant terms:

- i) an extended term with an expiry date of November 29, 2024;
- ii) adjusted volume limits of eligible inventory, consistent with the Company's projected operating levels;
- iii) finance rate of SOFR plus a margin of 2.750% (previously SOFR plus a margin of 3.000%); and
- iv) an option for Stelco to terminate the arrangement early on September 30, 2024.

Unless otherwise amended, extended or renewed, amounts advanced under the amended IMA are required to be repaid when the facility expires on November 29, 2024. The Company was in compliance with the financial covenants pursuant to the IMA as at and for the years ended December 31, 2023 and 2022.

**15. OTHER LIABILITIES**

As at	December 31, 2023	December 31, 2022
Lease and other related obligations	\$364	\$369
Share-based compensation <sup>1</sup>	63	30
Salaries and benefits payable	37	43
Strategic Innovation Fund loan <sup>2</sup>	18	18
Boiler project financing arrangement	12	12
Post-employment benefits <sup>3</sup>	7	7
Interest payable	1	1
Deferred income	—	7
<b>Total other liabilities</b>	<b>\$502</b>	<b>\$487</b>
Current	73	83
Non-current	429	404

<sup>1</sup> Refer to note 29 for details.<sup>2</sup> Refer to note 10 for details.<sup>3</sup> Refer to note 19 for details.**Lease and other related obligations***Leases of Hamilton land and buildings*

On June 1, 2022, Stelco completed a sale and leaseback transaction with Slate. Stelco sold the entirety of its interest in an approximately 800-acre parcel of land (including buildings) located on the shores of Hamilton Harbour in Hamilton, Ontario, for total cash consideration of \$518 million. In conjunction with the sale, Stelco entered into lease arrangements for certain portions of the land to continue its cokemaking, value-added steel finishing operations and head office function at its HW site in Hamilton, Ontario. Refer to note 10 for further details.

In connection with the aforementioned sale and leaseback transaction, the Company recorded lease and other related obligations of \$176 million, which included the CBO Leases additions of \$11 million, and the Cold Mill Lease financial liability of

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\$165 million during the year ended December 31, 2022. The Cold Mill Lease financial liability is carried at amortized cost using an effective interest rate of 10.7%.

During the year ended December 31, 2023, the Company recorded a remeasurement charge of \$5 million within finance costs on the Consolidated Statements of Income, related to the Cold Mill Lease in connection with an annual consumer price index adjustment, which increased the total estimated cash payments under the arrangement.

*Cogen Plant*

During the year ended December 31, 2022, the Company recorded a \$147 million lease liability in connection with the ESA as the Cogen Plant construction attained substantial completion and was commissioned for operational use during the year. Refer to note 10 for further details.

As at December 31, 2023, the Company had leased power generation equipment, real estate property, manufacturing and other equipment and had other related obligations with a carrying value of \$364 million (December 31, 2022 - \$369 million). Refer to note 10 for the carrying value of the right-of-use assets related to the respective lease obligations.

The following table summarizes the changes in the aggregate carrying value of the Company's lease and other related obligations:

Years ended December 31,	2023	2022
Balance, beginning of year	<b>\$369</b>	\$44
Lease and other related obligation payments	<b>(49)</b>	(29)
Accretion expense related to lease and other related obligations	<b>31</b>	18
Additions	<b>8</b>	336
Remeasurement of lease related obligation	<b>5</b>	—
Balance, end of year	<b>\$364</b>	\$369

Minimum future payments of the Company's lease and other related obligations by year are as follows:

As at	December 31, 2023
2024	<b>\$47</b>
2025	<b>44</b>
2026	<b>42</b>
2027	<b>41</b>
2028	<b>42</b>
Thereafter	<b>718</b>
<b>Total future lease obligations payments</b>	<b>\$934</b>
Less: future interest costs	<b>(570)</b>
<b>Carrying amount of lease obligations</b>	<b>\$364</b>

**Boiler project financing arrangement**

In August 2020, Stelco entered into a separate arrangement with DTE, for the financing of refurbishment costs in connection with certain Stelco-owned boiler assets and related boiler infrastructure required to support the Cogen Plant.

During 2022, the Company commenced repaying the boiler financing arrangement liability in accordance with the terms of the agreement, as the Cogen Plant construction attained substantial completion and was commissioned for operational use during the year. The boiler financing arrangement is repayable to DTE through monthly payments over a 20-year term at an effective interest rate of 11.14% per annum.

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The following table summarizes the changes in the aggregate carrying value of the Company's boiler project financing arrangement:

Years ended December 31,	2023	2022
Balance, beginning of year	\$12	\$12
Repayments	(1)	(1)
Accretion finance costs	1	1
Balance, end of year	\$12	\$12

Minimum future payments of the Company's boiler project financing arrangement by year are as follows:

As at	December 31, 2023
2024	\$2
2025	1
2026	2
2027	1
2028	2
Thereafter	20
<b>Total future payments</b>	<b>\$28</b>
Less: amounts representing future finance costs	(16)
<b>Carrying amount of boiler financing arrangement</b>	<b>\$12</b>

**16. ASSET-BASED LENDING FACILITY (ABL)**

As at	December 31, 2023	December 31, 2022
Revolving	\$—	\$—
Non-revolving term loan <sup>1</sup>	53	69
<b>Asset-based lending facility</b>	<b>\$53</b>	<b>\$69</b>
Current	15	15
Non-current	38	54

<sup>1</sup> Net of deferred transaction costs subject to amortization of \$1 million (December 31, 2022 - \$1 million).

Stelco has an ABL agreement with a syndicate of lenders for a maximum credit facility of \$375 million. The amount available to be drawn under the ABL varies from time to time, based upon a borrowing base determined with reference to eligible trade receivables, certain inventory and, from time-to-time, cash collateral, and excludes certain trade receivables that have been sold under the RPA and inventory that has been monetized under the IMA, as discussed in note 14. At December 31, 2023, the amount available for advances under the ABL was \$194 million (December 31, 2022 - \$199 million), which includes the available borrowing base less: outstanding letters of credit of \$22 million (December 31, 2022 - \$21 million), cash amounts drawn and outstanding under the revolving ABL of nil (December 31, 2022 - nil), non-revolving term loan principal outstanding of \$54 million (December 31, 2022 - \$70 million) and a minimum excess availability requirement of \$30 million (December 31, 2022 - \$30 million).

The weighted average finance rate for amounts drawn under the revolving ABL for the year ended December 31, 2023 was 7.41% (December 31, 2022 - 5.18%) and the Company was in compliance with the financial covenants pursuant to the ABL agreement as at and during the years ended December 31, 2023 and 2022.

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The following table summarizes the changes in the aggregate carrying value of the Company's ABL obligations:

Years ended December 31,	2023	2022
Balance, beginning of year	\$69	\$84
Repayment of non-revolving term loan	(15)	(15)
Other	(1)	—
Balance, end of year	\$53	\$69

Minimum future principal payments of the Company's non-revolving term loan by year are as follows:

As at	December 31, 2023
2024	\$15
2025	15
2026	24
<b>Total minimum future ABL non-revolving term loan principal payments</b>	<b>\$54</b>
Less: deferred transaction costs subject to amortization	(1)
<b>Carrying amount of ABL non-revolving term loan</b>	<b>\$53</b>

**17. OBLIGATIONS TO INDEPENDENT EMPLOYEE TRUSTS**

As at	December 31, 2023	December 31, 2022
Employee benefit commitment	\$239	\$352
Mortgage payable	104	106
<b>Obligations to independent employee trusts</b>	<b>\$343</b>	<b>\$458</b>
Current	45	143
Non-current	298	315

The Company's obligations to independent employee trusts consist of multiple funding requirements to certain pension and independent employee health and life trusts. These funding requirements include both fixed scheduled payments and variable contributions based on Stelco's operating performance, which is estimated for purposes of determining the future obligations presented herein, and the utilization of specific tax attributes. The obligations to independent employee trusts include both the employee benefit commitment, entered into as part of Stelco's CCAA reorganization on June 30, 2017, as amended, and a mortgage assumed in connection with the acquisition of land and buildings located in Hamilton and Nanticoke, Ontario on June 5, 2018.

**Employee benefit commitment**

On June 5, 2018, Stelco entered into an amended employee benefit commitment (amended EBC) agreement that replaced Stelco's previous funding obligations under the original June 30, 2017 agreement. The amended EBC reduced the Company's exposure to future variable funding requirements primarily through limiting free cash flow participation and provided the independent employee life and health (OPEB) trusts established as part of Stelco's CCAA reorganization, with an increased fixed funding commitment over a 25-year term. With the exception of the aforementioned amendments to the employee benefit commitment, the nature of the underlying assumptions used to derive the employee benefit commitment have remained the same to those of the original agreement.

The amended EBC was initially recorded at its estimated fair value of \$491 million based on a discounted cash flow analysis of expected cash flows to be paid in future periods to the pension and OPEB trusts applying certain unobservable Level 3 inputs. These cash flows consist of contractually fixed payments as well as estimated payments that have been determined using management estimates of Stelco's future operating performance. The amended EBC has been subsequently accounted for at amortized cost using the effective interest rate of 9.72%.

Due to the nature of the underlying assumptions and long-term estimates, the employee benefit commitment is highly sensitive to changes in these assumptions. Estimates of expected cash flows are revisited at the end of each Consolidated Balance Sheet date to determine amortized cost. Refer also to note 24 for remeasurements of the employee benefit commitment recorded in finance costs on the Consolidated Statements of Income, as a result of changes in estimates and assumptions related to this obligation.

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The following table summarizes the changes in the aggregate carrying value of the Company's employee benefit commitment:

Years ended December 31,	2023	2022
Balance, beginning of year	\$352	\$487
Cash payments	(137)	(172)
Accretion expense	27	39
Remeasurement recovery	(3)	(2)
Balance, end of year	\$239	\$352

Future employee benefit commitment payments are estimated as follows:

As at	December 31, 2023
2024	\$42
2025	40
2026	24
2027	26
2028	27
Thereafter	281
<b>Total estimated employee benefit commitment payments</b>	<b>\$440</b>
Less: amounts representing future finance costs	(201)
<b>Present value of employee benefit commitment</b>	<b>\$239</b>

**Mortgage payable**

On June 5, 2018, Stelco completed the acquisition of land and buildings beneficially owned by Legacy Lands Limited Partnership (the Land Vehicle) on which Stelco conducts its operations in Hamilton and Nanticoke, Ontario, including lands in Hamilton that contained the Hamilton Works blast furnace and cast houses, as well as developable lands and port facilities (collectively, the Lands). The Lands were acquired for approximately \$114 million which was financed by Stelco through a 25-year, 8% per annum mortgage payable as purchase consideration to the Land Vehicle, which is payable through quarterly fixed payments of approximately \$2.7 million over the term.

The Company's land and buildings located at Nanticoke, Ontario, acquired from the Land Vehicle serve as security for the mortgage payable and certain obligations in respect of the amended EBC. The HW land and buildings that previously served as security were released in conjunction with their sale to Slate. Refer to note 10 for details.

The following table summarizes the changes in the aggregate carrying value of the Company's mortgage payable:

Years ended December 31,	2023	2022
Balance, beginning of year	\$106	\$108
Cash payments	(11)	(11)
Interest costs	9	9
Balance, end of year	\$104	\$106



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Future payments of the Company's mortgage payable by year are as follows:

As at	December 31, 2023
2024	\$11
2025	11
2026	11
2027	11
2028	11
Thereafter	151
<b>Total future mortgage payments</b>	<b>\$206</b>
Less: amounts representing future finance costs	(102)
<b>Carrying amount of mortgage payable</b>	<b>\$104</b>

**18. PROVISIONS**

Years ended December 31,	2023	2022
Balance, beginning of year	\$18	\$7
Additions <sup>1</sup>	—	10
Other	—	1
<b>Provisions</b>	<b>\$18</b>	<b>\$18</b>

<sup>1</sup> Represents lease related provision liability in connection with the sale and leaseback of Hamilton land and buildings; refer to note 10 for details.

Provisions include an environmental remediation provision with a carrying value of \$8 million (December 31, 2022 - \$8 million), in connection with waste generated from steelmaking operations subsequent to June 30, 2017. Stelco is required to remediate the sites where this waste is held pursuant to requirements of the Ontario Ministry of Environment, Conservation and Parks.

The Company assesses its provisions on an annual basis or when new information becomes available. This assessment includes the estimation of future costs, the timing of these expenditures, and the impact of changes in discount rates. Actual expenditures may differ from the amounts currently provided if the estimates made are significantly different than future results or if there are significant changes in contractual and/or regulatory requirements in the future.

**19. PENSION AND OTHER POST-EMPLOYMENT BENEFITS**

Net liabilities for employee defined benefit, pension and other post-employment benefit plans:

As at	December 31, 2023	December 31, 2022
Defined benefit pension plans	\$13	\$11
Other post-employment benefit plans <sup>1</sup>	7	7
<b>Total</b>	<b>\$20</b>	<b>\$18</b>

<sup>1</sup> The other post-employment benefits plans are recorded within other liabilities, refer to note 15.

**Defined benefit pension plans**

On January 1, 2018, defined benefit pension plans were established for certain active hourly employees of Stelco Inc. on substantially 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 as part of the CCAA reorganization. Under the special regulation under the *Pension Benefits Act* (Ontario), Stelco is required to make annual contributions to the new pension plans for the years 2018 to 2027 inclusive. Required contributions for years 2018 through 2023 were approximately \$4 million annually and decline to approximately \$3 million annually for years 2024 through 2027. After 2027, these plans are subject to the *Pension Benefits Act* (Ontario) including, applicable solvency funding requirements. Actuarial valuation reports were prepared for each plan as at December 31, 2023.

**Other post-employment benefit plan**

Stelco sponsors an unfunded compensated absences plan that provides non-pension benefits and is the administrator of the plan. Funded status and other post-employment benefit 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. Expected contributions to the compensated absences plan during 2024 are

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approximately \$1 million.

**Net benefit expense**

The components of the Company's benefit expense recognized in net income include:

Years ended December 31,	2023	2022
Defined benefit pension plans:		
Current service costs	\$5	\$5
Past service costs	—	2
Finance cost	1	1
	\$6	\$8
Other post-employment benefit plans:		
Service and finance costs	—	1
	\$—	\$1
<b>Net benefit expense</b>	<b>\$6</b>	<b>\$9</b>

The components of the Company's benefit expense recognized in other comprehensive income include:

Years ended December 31,	2023	2022
Defined benefit pension plans:		
Change in financial assumptions	(\$2)	\$9
Return on plan assets	1	(4)
	(\$1)	\$5
Other non-pension employee benefit plans:		
Effect of experience adjustments	—	(1)
Change in financial assumptions	—	2
<b>Remeasurement effects recognized in OCI before income taxes</b>	<b>(\$1)</b>	<b>\$6</b>
Income tax expense on remeasurement effects recognized in OCI	—	2
<b>Remeasurement effects recognized in OCI after income taxes</b>	<b>(\$1)</b>	<b>\$4</b>

**Reconciliation of defined benefit obligations**

Years ended December 31,	Defined benefit pension plans		Other post-employment benefit plans	
	2023	2022	2023	2022
Balance, beginning of year	\$27	\$28	\$7	\$7
Net benefit expense	6	8	—	1
Actuarial loss (gain)	2	(9)	—	(1)
Balance, end of year	\$35	\$27	\$7	\$7

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**Reconciliation of fair value of plan assets**

Years ended December 31,	Defined benefit pension plans		Other post-employment benefit plans	
	2023	2022	2023	2022
Balance, beginning of year	\$16	\$17	\$—	\$—
Employer contributions	4	4	—	—
Return on plan assets	1	(4)	—	—
Other	1	(1)	—	—
Balance, end of year	\$22	\$16	\$—	\$—
<b>Defined benefit obligation, net</b>	<b>\$13</b>	<b>\$11</b>	<b>\$7</b>	<b>\$7</b>

**Categories of plan assets:**

The following table summarizes the composition of plan assets in percentages:

As at December 31,	Defined benefit pension plans	
	2023	2022
Securities:		
Equity	54 %	55 %
Debt	44 %	42 %
Cash	2 %	3 %
	<b>100 %</b>	<b>100 %</b>

**Actuarial assumptions**

The following key assumptions were used to determine the benefit obligations at December 31, 2023 and 2022:

As at December 31,	Defined benefit pension plans		Other post-employment benefit plans	
	2023	2022	2023	2022
Discount rate	4.7 %	5.3 %	4.7 %	5.3 %
Future salary growth	3.0 %	3.0 %	3.0 %	3.0 %
Mortality	CPM2014 Private table, Scale CPM-B with size adjustments	CPM2014 Private table, Scale CPM-B with size adjustments	CPM2014 Private table, Scale CPM-B with size adjustments	CPM2014 Private table, Scale CPM-B with size adjustments
Average duration of the obligation	20 years	20 years	8 years	8 years

**Sensitivity analysis**

The following table summarizes the sensitivity impact to the defined benefit pension plan and other post-employment benefit obligation from a change in certain actuarial assumptions:

As at December 31,	2023		2022	
	Increase	Decrease	Increase	Decrease
Discount rate (0.25% movement)	(\$1)	\$1	(\$1)	\$1
Future salary growth (0.5% movement)	—	—	—	—

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**20. SHARE CAPITAL**

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 common shares are entitled to dividends, as and when declared by the Board of Directors. The following common shares were issued and outstanding at each respective date:

As at	December 31, 2023	December 31, 2022
Common shares		
Outstanding (in thousands)	<b>55,129</b>	55,129
Carrying amount	<b>\$318</b>	\$318

*Dividends to common shareholders*

Common share dividends declared and paid in 2023 as summarized below:

(millions of Canadian dollars, except per share amounts)		Cash dividend per common share	Total common share dividends
Record date	Payment date		
March 3, 2023	March 9, 2023	\$0.42	\$23
May 18, 2023	May 23, 2023	0.42	23
August 18, 2023	August 24, 2023	0.42	23
November 22, 2023	November 28, 2023	3.42 <sup>1</sup>	189

<sup>1</sup> Includes a special dividend of \$3.00 per common share.

During the year ended December 31, 2023, Stelco Holdings paid ordinary dividends to common shareholders in the aggregate amount of \$93 million (December 31, 2022 - \$86 million), or \$1.68 per common share (December 31, 2022 - \$1.32 per common share), and a special dividend in the aggregate amount of \$165 million (December 31, 2022 - \$165 million), or \$3.00 per common share.

**2024**

*Normal course issuer bid in 2024*

On February 21, 2024, the Company received approval from the Toronto Stock Exchange (TSX) to commence a normal course issuer bid (the 2024 NCIB). Stelco Holdings intends to purchase up to 3,344,684 common shares pursuant to the 2024 NCIB. The 2024 NCIB will commence on February 28, 2024 and end on February 27, 2025, or such earlier date as Stelco may complete its purchases pursuant to the notice of intention filed with the TSX.

The maximum number of common shares that may be repurchased for cancellation under the 2024 NCIB represents approximately 10% of the Company's public float as of February 21, 2024, as calculated in accordance with the rules of the TSX. As of February 21, 2024, the Company had 55,128,694 common shares issued and outstanding. The average daily trading volume for the six months ended January 31, 2024 (ADTV), calculated in accordance with the rules of the TSX for purposes of the 2024 NCIB, was 214,539 common shares. Under the rules of the TSX, Stelco is entitled to repurchase, during each trading day, up to 25% of the ADTV, or 53,634 common shares (excluding purchases made pursuant to the block purchase exception), through the TSX.

**2023**

*Normal course issuer bid in 2023*

On February 22, 2023, the Company received approval from the TSX to commence a normal course issuer bid (the 2023 NCIB). Stelco Holdings is entitled to purchase up to 3,344,284 common shares pursuant to the 2023 NCIB, which commenced on February 28, 2023 and expires on February 27, 2024, or such earlier date as the Company may complete its purchases pursuant to the notice of intention filed with the TSX or for any other reason the Company may determine.

For the year ended December 31, 2023, Stelco Holdings did not purchase any common shares under the 2023 NCIB.

**2022**

*Substantial issuer bid (SIB)*

On February 2, 2022, the Company completed an SIB by repurchasing and cancelling all shares validly tendered thereunder, representing 4,441,023 common shares in total, at the maximum price of \$37.00 per share for an aggregate purchase price of

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approximately \$164 million. The excess of the purchase price paid over the average carrying value of the shares purchased in the amount of approximately \$138 million was recognized as a share repurchase premium and reduction to retained earnings.

In September 2022, the Company completed another SIB by repurchasing and cancelling 5,165,133 common shares in total, at a price of \$35.00 per share for an aggregate purchase amount of \$181 million, representing the shares tendered under the initial expiration and during the extension period. The excess of the purchase price paid over the average carrying value of the shares purchased in the amount of \$151 million was recognized as a share repurchase premium and reduction to retained earnings.

In November 2022, the Company completed a third SIB by repurchasing and cancelling 8,226,997 common shares in total, at a price of \$35.00 per share for an aggregate purchase amount of \$288 million. The excess of the purchase price paid over the average carrying value of the shares purchased in the amount of \$241 million was recognized as a share purchase premium and reduction to retained earnings.

The Company recorded transaction costs, in aggregate, of approximately \$2 million in connection with the completed SIBs during the year ended December 31, 2022, as a charge to retained earnings.

*Normal course issuer bid in 2022*

During 2022, Stelco Holdings purchased and cancelled 4,353,418 common shares at a weighted average price of \$34.09 per share for a total purchase price of approximately \$148 million. The excess of the purchase price paid over the average carrying value of the shares purchased, in the amount of approximately \$123 million, was recognized as a share repurchase premium and reduction to retained earnings.

**21. REVENUE FROM SALE OF GOODS**

Revenue from steel and non-steel product sales are as follows:

Years ended December 31,	2023	2022
Steel products	\$2,751	\$3,313
Non-steel products	166	150
<b>Total</b>	<b>\$2,917</b>	<b>\$3,463</b>

Revenue by geographical location is comprised of:

Years ended December 31,	2023	2022
Canada	\$1,993	\$2,050
United States and other	924	1,413
<b>Total</b>	<b>\$2,917</b>	<b>\$3,463</b>

**22. COST OF GOODS SOLD**

Cost of goods sold is comprised of:

Years ended December 31,	2023	2022
Cost of inventories sold:		
Steel products <sup>1</sup>	\$2,317	\$2,120
Non-steel products	142	87
Other <sup>2</sup>	58	96
<b>Total</b>	<b>\$2,517</b>	<b>\$2,303</b>

<sup>1</sup> Includes depreciation expense of \$124 million (December 31, 2022 - \$90 million).

<sup>2</sup> Includes freight, certain employee variable compensation expenses and other non-inventory related costs.

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**23. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative expenses is comprised of:

Years ended December 31,	2023	2022
Share-based compensation expense <sup>1</sup>	\$39	\$22
Employee salary and benefits expense	20	20
Professional, consulting and legal fees	13	8
Management fees <sup>2</sup>	9	15
Other <sup>3</sup>	10	10
<b>Total</b>	<b>\$91</b>	<b>\$75</b>

<sup>1</sup> Refer to note 29 for details.

<sup>2</sup> Refer to note 34 for details.

<sup>3</sup> Includes corporate, public company, travel and certain office maintenance and protective equipment costs.

**24. FINANCE COSTS**

Finance costs are comprised of:

Years ended December 31,	2023	2022
Finance charges related to:		
IMA	\$34	\$20
RPA	4	2
Accretion of:		
Lease and other related obligations	31	18
Employee benefit commitment	27	39
Interest expense related to:		
Mortgage	9	9
ABL	7	5
Remeasurement of:		
Lease related obligation <sup>1</sup>	5	—
Employee benefit commitment <sup>2</sup>	(3)	(2)
Foreign exchange loss (gain)	(5)	(15)
Other	1	2
<b>Total</b>	<b>\$110</b>	<b>\$78</b>

<sup>1</sup> Refer to note 15 for details.

<sup>2</sup> Remeasurement of employee benefit commitment for change in the timing and magnitude of estimated cash flows and future funding requirements. Refer to note 17 for further details.

**25. FINANCE AND OTHER INCOME**

Finance and other income is comprised of:

Years ended December 31,	2023	2022
Finance income	\$44	\$26
Gain (Loss) on derivative asset <sup>1</sup>	(37)	(18)
Other income (loss)	2	(1)
<b>Total</b>	<b>\$9</b>	<b>\$7</b>

<sup>1</sup> Refer to note 9 for details.

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**26. OTHER COSTS**

Years ended December 31,	2023	2022
Demolition and other costs <sup>1</sup>	\$5	\$9
Write-down of construction in progress <sup>2</sup>	4	5
Other	2	1
<b>Total</b>	<b>\$11</b>	<b>\$15</b>

<sup>1</sup> Represents demolition and other costs not connected to the Company's ongoing steelmaking operations.

<sup>2</sup> Includes certain capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco.

**27. NET INCOME PER SHARE**

The following table sets forth the computation of basic and diluted net income per common share:

Years ended December 31,	2023	2022
Weighted average common shares outstanding - basic and diluted (in thousands)	55,129	68,118
Net income per common share - basic and diluted	\$2.70	\$14.64

**28. SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in non-cash working capital and other operating activities comprise the following:

Years ended December 31,	2023	2022
Changes in non-cash operating working capital:		
Trade and other receivables	(\$34)	\$265
Inventories	(43)	(172)
Prepaid expenses and deposits	18	(31)
Trade and other payables	45	(53)
Income taxes payable	—	(250)
Other liabilities	27	28
	<b>\$13</b>	<b>(\$213)</b>
Changes in other operating items:		
Employee benefit commitment	(\$137)	(\$172)
Pension benefits	1	5
Provisions	—	1
Foreign exchange and other	(8)	(12)
	<b>(\$144)</b>	<b>(\$178)</b>
Change in non-cash operating working capital and other operating items	<b>(\$131)</b>	<b>(\$391)</b>

Capital expenditures on property, plant and equipment comprise the following:

Years ended December 31,	2023	2022
Capital expenditures and additions:		
Machinery, equipment, assets under leases and construction in progress	\$203	\$377
Strategic Innovation Fund contributions	—	(2)
Capital expenditures and additions not affecting cash:		
Assets under leases	(8)	(176)
Construction in progress and other capital additions included in trade and other payables	1	(4)
Capital expenditures on property, plant and equipment	<b>\$196</b>	<b>\$195</b>

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Other supplemental cash flow information:

Years ended December 31,	2023	2022
Interest and finance charges paid	\$53	\$34
Interest received	45	25
Income taxes paid	6	448

**29. SHARE-BASED COMPENSATION**

**Total shareholder return (TSR) based incentive program (TSR Incentive Program)**

On February 23, 2022, the Company's Board of Directors approved the TSR Incentive Program. Under the terms of the TSR Incentive Program, upon the TSR reaching specified target thresholds of 50%, 75% and 100%, and, subject to the discretion of the Board of Directors, participants in the program will receive restricted share units (RSUs) issued in accordance with the terms of Stelco Holdings' amended and restated long-term incentive plan (LTIP). TSR is measured based on the total shareholder return percentage increase from (i) the 30-day volume weighted average price of the common shares on the TSX ending immediately prior to February 23, 2022 to (ii) the day on which the volume weighted TSR over a period of 90 calendar days reaches one of the specified TSR thresholds.

On March 2, 2023, the first TSR-specified target threshold of 50% was exceeded by the 90-calendar day volume weighted TSR, resulting in 1,000,179 RSUs being granted and issued to the TSR Incentive Program participants, with a grant date of March 3, 2023 and fair value of \$48.92 per RSU. RSUs granted in connection with the TSR Incentive Program carry similar terms and conditions to those granted directly under the LTIP, including the issuance of additional RSUs in consideration of common share dividends paid, and cliff vest on the earlier of: i) 36 months following the date the RSUs were granted and ii) December 31, 2025.

The TSR Incentive Program is a cash-settled share-based compensation plan, which is measured at fair value through income or loss at each reporting date. The fair value of the two TSR Incentive Program tranches with outstanding specified target thresholds were estimated using a Monte-Carlo simulation which takes into account the market value of the Company's common shares and a wide range of possible share price outcomes. The Monte-Carlo simulation assumptions used to estimate the fair value of the TSR Incentive Program at the respective dates are noted below:

As at	December 31, 2023	December 31, 2022
Common share price	\$50.19	\$44.29
Term (in years)	2.00	3.00
Common share expected volatility	42.9 %	56.6 %
Expected risk-free interest rate	3.9 %	3.8 %
Indicated dividend yield	3.4 %	3.8 %

The following table summarizes the changes in the Company's outstanding RSUs granted in connection with the TSR Incentive Program:

Year ended December 31,	2023
Balance, beginning of year	—
Granted	1,000,179
Dividend equivalents	108,142
Balance, end of year	1,108,321

During the year ended December 31, 2023, the Company recorded a share-based compensation expense of \$29 million (December 31, 2022 - \$13 million) in selling, general and administrative expenses on the Consolidated Statements of Income and as at December 31, 2023, recorded a liability of \$42 million (December 31, 2022 - \$13 million) in other liabilities in connection with the TSR Incentive Program.



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#### Long-term incentive plan

Stelco Holdings' LTIP is designed to promote the alignment of senior management, employees and consultants of the Company with shareholder interests and the creation of sustainable shareholder value, and facilitate recruitment, motivation and retention of executives and key talent.

Under the terms of the LTIP, the maximum number of common shares that may be subject to treasury-settled awards under the LTIP or any other share-based compensation arrangements adopted by Stelco Holdings is 2.5 million common shares. No participant may be granted, in any calendar year, share-based awards with respect to more than 5% of the issued and outstanding common shares of Stelco Holdings.

For the year ended December 31, 2023, the Company recorded a share-based compensation expense of \$10 million (December 31, 2022 - \$9 million) in selling, general and administrative expenses on the Consolidated Statements of Income related to the vesting, service and periodic fair value remeasurements, of awards granted under the LTIP and deferred share unit plan.

#### Restricted share units

Under the terms of the LTIP, the Board of Directors may grant RSU awards, subject to a maximum three calendar year vesting period, to eligible participants. Each vested RSU entitles the participant to receive either (i) one common share of the Company (acquired by the Company as a treasury share (market purchase) prior to settlement with the participant); or (ii) at the election of the participant, a cash distribution equal to the fair market value of a common share of the Company determined on the vesting date, in each case, less applicable statutory withholdings. Dividends declared on the Company's common shares accrue to the RSU holder in the form of additional RSUs and vested RSUs are settled within thirty days of the vesting date.

The following table summarizes the changes in the Company's outstanding RSUs:

Years ended December 31,	2023	2022
Balance, beginning of year	215,387	112,698
Granted	97,706	130,967
Dividend equivalents	22,390	19,905
Vested and cash settled	(108,099)	(48,183)
Balance, end of year	227,384	215,387

On February 27, 2023, 97,706 RSUs were granted under the LTIP to certain employees, including members of the Company's Executive Leadership Team (ELT), with a grant date fair value of \$51.70 per RSU, with one-third of the total grant amount vesting on January 1 of each of 2024, 2025 and 2026.

On February 28, 2022, 130,967 RSUs were granted to certain employees, including members of the Company's ELT, with a grant date fair value of \$36.33 per RSU, with one-third of the total grant amount vesting on January 1 of each of 2023, 2024 and 2025.

As at December 31, 2023, there were 227,384 outstanding and unvested RSUs (December 31, 2022 - 215,387 RSUs) under the Company's LTIP, for which the Company recorded a liability of \$8 million (December 31, 2022 - \$7 million) in other liabilities.

#### Stock appreciation rights

Under the terms of the LTIP, stock appreciation right awards (SARs) may be issued to eligible participants as may be designated by the Board of Directors from time to time. SARs granted under the Company's LTIP represent the participant's right to receive a cash award payment equal to the fair value (at the time of exercise) of the Company's common share over the grant date SAR base price, with graded vesting over three years. The Company accounts for SARs by estimating the fair value of each tranche of an award at the grant date and subsequently recognizing the compensation expense over the vesting period. These awards are exercisable for up to ten years from the grant date and are settled in cash within 30 days of their exercise.

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The following table summarizes the changes in the Company's outstanding SARs:

Years ended December 31,	2023	2022
Balance, beginning of year	53,335	100,001
Exercised and cash settled	(36,667)	(46,666)
Balance, end of year	16,668	53,335

The Black-Scholes option-pricing model assumptions used to estimate the fair value of the SARs at the respective dates are noted in the summary below:

As at December 31,	2023		2022	
SARs outstanding (in total)	— <sup>1</sup>	16,668 <sup>2</sup>	36,667 <sup>1</sup>	16,668 <sup>2</sup>
Base price (per SAR)	—	\$9.22	\$4.08	\$9.22
Expected risk-free interest rate	—	3.4 %	3.4 %	3.4 %
Expected dividend yield	—	3.4 %	3.8 %	3.8 %
Expected share price volatility	—	45.8 %	54.7 %	53.9 %
Expected SAR life (years)	—	3.25	3.70	4.25
Fair value of SARs outstanding (per SAR)	—	\$36.86	\$34.94	\$30.37

<sup>1</sup> 100,000 SARs were granted on March 20, 2020.

<sup>2</sup> 50,000 SARs were granted on August 28, 2020.

As at December 31, 2023, there were 16,668 outstanding and vested SARs (December 31, 2022 - 50,001 unvested and 3,334 vested outstanding SARs, respectively), for which the Company recorded a liability of \$1 million (December 31, 2022 - \$2 million) in other liabilities.

**Deferred share unit plan**

Stelco Holdings has a deferred share unit (DSU) plan for the independent members of its Board of Directors which provides that each independent director is entitled to receive, on each date that director retainer fees are payable, an amount of DSUs which the director has elected relative to their respective fee entitlement. Each independent director can elect annually to receive a specified percentage of their respective director retainer fee entitlement as DSUs. The number of DSUs granted to an independent director is based on the closing price of the common shares of Stelco Holdings on the TSX on the day prior to the grant date. Dividends declared on common shares accrue to the DSU holder in the form of additional DSUs. At such time as an independent director ceases to be a director of the Company, Stelco Holdings will make a cash payment to the applicable director in respect of the total amount of the issued and outstanding DSUs held by such director based on the fair market value of the common shares of Stelco Holdings at such time.

The following table summarizes the changes in the Company's outstanding DSUs:

Years ended December 31,	2023	2022
Balance, beginning of year	186,119	135,467
Granted	31,949	34,045
Dividend equivalents	23,103	16,607
Balance, end of year	241,171	186,119

As at December 31, 2023, there were 241,171 vested and outstanding DSUs (December 31, 2022 - 186,119 DSUs), for which the Company recorded a liability of \$12 million (December 31, 2022 - \$8 million) in other liabilities.

**STELCO HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)  
**YEARS ENDED DECEMBER 31, 2023 and 2022**

**30. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table provides the carrying values and fair values of financial instruments:

As at	December 31, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets:</b>				
Cash	\$645	\$645	\$809	\$809
Restricted cash	10	10	9	9
Trade and other receivables	185	185	147	147
Derivative asset	71	71	108	108
<b>Financial liabilities:</b>				
Trade and other payables	\$780	\$780	\$663	\$663
Income taxes payable	2	2	2	2
Other liabilities	237	308	246	247
Asset-based lending facility	53	53	69	69
<b>Obligations to independent employee trusts:</b>				
Employee benefit commitment	239	292	352	393
Mortgage payable	104	112	106	107

The fair values of cash, restricted cash, trade and other receivables, trade and other payables, certain other liabilities and income taxes payable approximate their carrying amounts largely due to the short-term nature of these instruments.

The fair value of the Company's derivative asset is determined using the discounted cash flow method and Black-Scholes option model, which incorporates observable or unobservable inputs for interest and foreign exchange rates, equity and commodity prices (including indices), corresponding market volatility levels, and other market-based pricing factors. A derivative instrument is classified as Level 2 in the hierarchy if observable market inputs are available or the unobservable inputs are not significant to the fair value. Otherwise, it is classified as Level 3 in the hierarchy.

The fair values of other liabilities (Strategic Innovation Fund loan, Cold Mill Lease, boiler project financial arrangement) and mortgage payable are estimates based on a discounted cash flow model applying current rates offered to the Company for similar financial instruments subject to similar risk and maturities. Fair value measurements of these instruments were estimated using Level 2 inputs. The carrying value of variable rate debt (such as the ABL) generally approximates its fair value.

The fair value of the employee benefit commitment is estimated based on a discounted cash flow analysis of expected fixed and variable payments to be paid in future periods to the pension and OPEB trusts. The contractually fixed payments are discounted using a rate that is reflective of the Company's cost of borrowing and similar senior unsecured debt for companies in the same sector that are of a similar size. The estimated variable payments are discounted using a rate consistent with a market rate of return of the Company. Fair value measurements of these instruments were estimated using Level 2 inputs.

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the Consolidated Balance Sheets is as follows:

	December 31, 2023			December 31, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset <sup>1</sup>	\$—	\$—	\$71	\$—	\$—	\$108

<sup>1</sup> Refer to note 9 for details.

There were no transfers between Level 1, Level 2 or Level 3 during the years ended December 31, 2023 and 2022.

**31. RISK MANAGEMENT**

The Company's activities expose it to a variety of financial risks including price risk, foreign currency risk, interest rate risk, credit risk, liquidity risk and risks related to pensions. The Company's senior management oversees the management of these risks, as summarized below.

## STELCO HOLDINGS INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)

YEARS ENDED DECEMBER 31, 2023 and 2022

#### 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 USS to purchase all of its anticipated iron ore requirements at fixed prices up to a specified amount through January 31, 2028. Refer to note 9 for further details. In addition, Stelco has entered into coal contracts with third party suppliers for its anticipated 2024 purchases, reducing Stelco's commodity price risk in connection with this raw material.

In addition, the Company may use derivative instruments, such as non-exchange traded over-the-counter swaps, to manage its exposure to hot-rolled coil steel market price volatility in connection with existing and future sales orders from customers. For the years ended December 31, 2023 and 2022, the Company did not enter into any commodity-based swap contracts.

#### Foreign currency risk

Foreign currency risk arises from the possibility 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, or certain financing arrangements with advances 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 may use derivative financial instruments to manage exposure to changes in foreign currency exchange rates.

The Company has the following U.S. dollar denominated monetary items:

As at	December 31, 2023	December 31, 2022
Cash	\$145	\$248
Trade and other receivables	50	34
Trade and other payables	(442)	(386)
Other liabilities	(7)	(10)
<b>Net U.S. dollar denominated monetary assets (liabilities)</b>	<b>(\$254)</b>	<b>(\$114)</b>

As at December 31, 2023, a 1% strengthening in the Canadian dollar would have resulted in a \$3 million increase in net income (December 31, 2022 - \$1 million increase) from translating foreign currency denominated monetary assets and liabilities balances, assuming all other variables remain unchanged, and a 1% weakening in the Canadian dollar would have resulted in a \$3 million decrease in net income (December 31, 2022 - \$1 million decrease).

#### Interest rate risk

Interest rate risk arises from the possibility 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 financial obligations issued at fixed rates that create fair value interest rate risk and variable rate borrowings that create cash flow interest rate risk.

The Company's financial instruments subject to interest rate risk primarily included the ABL and inventory monetization arrangement, as both arrangements contain finance costs based on variable interest rates. As at December 31, 2023, the aggregate carrying value of the Company's ABL and IMA, and amounts outstanding under the RPA, totaled \$606 million (December 31, 2022 - \$543 million), and a 1% increase in market interest rates would result in approximately \$5 million decrease in the Company's net income (December 31, 2022 - \$4 million decrease).

#### Credit risk

Credit risk arises from the uncertainty 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 counterparties determined to be creditworthy. To help mitigate this risk, the Company conducts regular credit evaluations, considers credit terms offered to customers as part of the selling process, and may purchase credit insurance for international customers.

## STELCO HOLDINGS INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)

YEARS ENDED DECEMBER 31, 2023 and 2022

#### 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, 2023, five of the Company's customers made up 47% of the total trade accounts receivable. The Company's credit exposure to these customers was \$82 million (December 31, 2022 - five customers at \$59 million or 41% of total trade accounts receivable).

Trade and other receivables are subject to lifetime ECL which are measured as the difference in the present value of the contractual cash flows that are due under the contract, and the cash flows that are expected to be received. The Company applies the simplified approach at each reporting date on its trade and other receivables and considers current and forward-looking macro-economic factors that may affect historical default rates when estimating ECL. Trade receivables together with the associated allowance, are written off when there is no realistic prospect of future recovery.

#### Concentration of credit

The Company is exposed to credit risk in the event of non-payment by customers, principally within the steel service centre, appliance, automotive, energy, construction, and pipe and tube 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, as well as evaluating credit terms offered in a dynamic manner.

#### Liquidity risk

Liquidity risk arises from the possibility 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, 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 prepares a periodic 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 ABL, the IMA, the RPA, future operating cash flows, and potential private and public financing.

The following table includes the Company's gross contractual financial liabilities as at December 31, 2023, which are expected to be payable in the following respective periods:

	Total	2024	2025-2026	2027-2028	Thereafter
Trade and other payables <sup>1</sup>	\$818	\$818	\$—	\$—	\$—
Other liabilities	1,022	87	92	92	751
Asset-based lending facility <sup>1</sup>	61	19	42	—	—
Obligations to independent employee trusts:					
Employee benefit commitment	440	42	64	53	281
Mortgage payable	206	11	22	22	151
	<b>\$2,547</b>	<b>\$977</b>	<b>\$220</b>	<b>\$167</b>	<b>\$1,183</b>

<sup>1</sup> Includes expected finance/interest costs on the IMA and non-revolving term loan until maturity date.

#### Pensions - defined benefit plans

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 participants will affect the expected payout by the applicable 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 applicable plan's assets is affected by short-term changes in nominal and real interest rates. The value of the applicable 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.

**STELCO HOLDINGS INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)

**YEARS ENDED DECEMBER 31, 2023 and 2022****32. 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 various factors such as general market conditions and successful capital deployment. The Company's share capital is not subject to externally imposed restrictions.

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

As at	December 31, 2023	December 31, 2022
Amounts outstanding under the:		
ABL	\$54	\$70
IMA	483	409
Total	\$537	\$479
Total equity	1,296	1,405
<b>Total capital</b>	<b>\$1,833</b>	<b>\$1,884</b>

**33. COMMITMENTS AND CONTINGENCIES****Claims and litigation**

The Company is involved in 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 Statements.

**Purchase commitments**

At December 31, 2023, the Company had future commitments of approximately \$76 million in capital expenditures.

**Licensing and option agreements**

On December 30, 2021, the Company executed licensing and option agreements with Primobius GmbH (Primobius) to commercialize Primobius's proprietary advanced electric vehicle battery recycling and processing technologies in North America. The option agreement grants Primobius the right to acquire between 25% and 50% of the equity in a wholly-owned subsidiary of Stelco that would perform these activities (the EV Option). If the EV Option is not exercised by Primobius, Stelco will still have the exclusive rights to utilize Primobius's proprietary technology in Canada, the United States and Mexico to recycle lithium-ion batteries removed from end-of-life electric vehicles, and Primobius will be entitled to a gross revenue royalty.

In December 2023, the EV Option and licensing agreement were renewed to include an extended term with an expiry date of June 30, 2025. The licensing agreement requires that Stelco complete an engineering and commercial study that is subject to certain minimum internal rates of return targets and acceptance by Primobius. The fair value of the purchase consideration for the license intangible asset, as defined in the licensing and option agreements, was immaterial as at December 31, 2023 and 2022.

**STELCO HOLDINGS INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)  
**YEARS ENDED DECEMBER 31, 2023 and 2022**

**34. RELATED PARTY TRANSACTIONS**

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

The following table provides the total value of transactions that have been entered into with related parties and outstanding balances (including liability accruals) with related parties for the relevant financial periods:

Years ended December 31,	2023	2022
<b>Purchases of services</b>		
Joint ventures	\$19	\$22
Bedrock Management <sup>1</sup>	9	15
<b>Dividend from joint venture</b>	<b>\$2</b>	<b>\$—</b>
As at	<b>December 31, 2023</b>	December 31, 2022
<b>Related party liabilities</b>		
Bedrock Management <sup>1</sup>	\$7	\$10
Joint ventures	—	1

<sup>1</sup> Stelco is party to a management services agreement with Bedrock Industries ManagementCo Inc. (Bedrock Management), under which Stelco receives senior management, commercial, business development, operating, financial, human resources, and executive recruitment services, as well as other services that may be required from time to time.

**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 include the ELT and the Board of Directors. The ELT is comprised of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and General Counsel & Corporate Secretary of the Company.

Remuneration of the Company's Board of Directors and ELT for the respective periods is as follows:

Years ended December 31,	Board of Directors		ELT	
	2023	2022	2023	2022
Share-based compensation expense	\$2	\$1	\$30	\$17
Management and director fees	1	2	9	15
Salaries and benefits	—	—	3	6
<b>Total</b>	<b>\$3</b>	<b>\$3</b>	<b>\$42</b>	<b>\$38</b>

**35. EVENTS AFTER THE REPORTING PERIOD**

**Dividends to common shareholders**

Subsequent to December 31, 2023, Stelco Holdings paid ordinary dividends to common shareholders in the aggregate amount of \$96 million, or \$1.75 per common share.

**Normal course issuer bid**

Subsequent to December 31, 2023, Stelco Holdings purchased and cancelled 680,306 common shares under the 2024 NCIB at a weighted average price of \$38.04 per share for a total purchase price of approximately \$26 million.

**STELCO HOLDINGS INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)

**YEARS ENDED DECEMBER 31, 2023 and 2022****Acquisition of Legacy Lands Limited Partnership**

On June 21, 2024, Stelco acquired all of the issued and outstanding partnership units in Legacy Lands Limited Partnership for a purchase price of \$60 million, which consisted of \$35 million in cash and a \$25 million note payable.

The acquisition will be accounted for as an asset acquisition, as it does not meet the criteria of a business combination. The total purchase consideration is \$58 million, which includes cash of \$35 million, fair value of the note payable of \$22 million, and acquisition costs of \$2 million.

The purchase consideration will be allocated to the following assets:

Cash	<b>\$12</b>
Mortgage receivable	<b>23</b>
Land	<b>23</b>

**Share-based compensation**

Subsequent to December 31, 2023, the two remaining TSR-specified target thresholds of 75% and 100% were exceeded by the 90-calendar day volume weighted TSR, resulting in the following aggregate RSUs being granted and issued to the TSR Incentive Program participants:

<b>TSR threshold</b>	<b>RSU grant date</b>	<b>RSUs granted</b>	<b>Fair value per RSU granted</b>
75%	July 24, 2024	480,732	\$50.15
100%	August 27, 2024	421,554	\$57.19

**Acquisition by Cleveland-Cliffs Inc.**

On July 15, 2024, the Company announced that it had entered into a definitive agreement (Arrangement Agreement) with Cleveland-Cliffs Inc. (Cliffs), pursuant to which Cliffs agreed to acquire all of the issued and outstanding common shares of Stelco Holdings (the Transaction) for \$60.00 in cash and 0.454 shares of Cliffs common stock per Stelco Holdings common share. On November 1, 2024, pursuant to the terms of the Arrangement Agreement, Cliffs completed the acquisition of Stelco Holdings. In connection with closing, Stelco Holdings shareholders received \$60.00 in cash and 0.454 shares of Cliffs common stock per Stelco Holdings common share. Additionally, LTIP and DSU plan participants received \$60.00 in cash and 0.454 shares of Cliffs common stock per outstanding RSU and DSU, settling all outstanding share-based compensation obligations, which terminated the LTIP and DSU plans. Immediately prior to the closing of the Transaction, the Company's outstanding IMA and ABL facilities were settled using cash on hand and funds provided by Cliffs pursuant to the Arrangement Agreement. The Company incurred total transaction costs of \$29 million in connection with the Transaction.

On November 1, 2024, Stelco repaid all outstanding payments under the boiler project financing arrangement for \$17 million.

On November 8, 2024, Stelco Holdings Inc., Stelco Inc. and 13421422 Canada Inc., a direct, wholly-owned subsidiary of Cliffs, were amalgamated, with Stelco Inc. being the surviving entity and a wholly-owned subsidiary of Cliffs.



Unaudited Interim Condensed Consolidated Financial Statements

**Stelco Holdings Inc.**

Three and nine months ended September 30, 2024 and 2023

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**STELCO HOLDINGS INC.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions of Canadian dollars)

As at	Note	September 30, 2024	December 31, 2023
<b>Assets</b>			
Current assets			
Cash		\$467	\$645
Restricted cash		9	10
Trade and other receivables	3	185	185
Inventories		878	832
Prepaid expenses and deposits	4	23	24
<b>Total current assets</b>		<b>\$1,562</b>	<b>\$1,696</b>
Non-current assets			
Derivative asset	5	33	71
Property, plant and equipment, net	6	1,322	1,263
Intangible assets		15	13
Investment in joint ventures		21	19
Deferred tax asset	7	5	3
Mortgage receivable	8	24	—
<b>Total non-current assets</b>		<b>\$1,420</b>	<b>\$1,369</b>
<b>Total assets</b>		<b>\$2,982</b>	<b>\$3,065</b>
<b>Liabilities</b>			
Current liabilities			
Trade and other payables	9	\$684	\$780
Other liabilities	10	81	73
Asset-based lending facility	11	15	15
Income taxes payable		31	2
Obligations to independent employee trusts	12	44	45
<b>Total current liabilities</b>		<b>\$855</b>	<b>\$915</b>
Non-current liabilities			
Provisions		18	18
Pension benefits		12	13
Other liabilities	10	470	429
Asset-based lending facility	11	27	38
Deferred tax liability	7	41	58
Obligations to independent employee trusts	12	303	298
<b>Total non-current liabilities</b>		<b>\$871</b>	<b>\$854</b>
<b>Total liabilities</b>		<b>\$1,726</b>	<b>\$1,769</b>
<b>Equity</b>			
Common shares	13	314	318
Retained earnings		942	978
<b>Total equity</b>		<b>\$1,256</b>	<b>\$1,296</b>
<b>Total liabilities and equity</b>		<b>\$2,982</b>	<b>\$3,065</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**STELCO HOLDINGS INC.****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

(In millions of Canadian dollars, except per share amounts)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2024	2023	2024	2023
Revenue from sale of goods	14	\$654	\$776	\$2,116	\$2,304
Cost of goods sold	15	589	644	1,795	1,931
<b>Gross profit</b>		<b>\$65</b>	<b>\$132</b>	<b>\$321</b>	<b>\$373</b>
Selling, general and administrative expenses	16	95	11	105	48
<b>Operating income (loss)</b>		<b>(\$30)</b>	<b>\$121</b>	<b>\$216</b>	<b>\$325</b>
Finance costs	17	(21)	(32)	(91)	(92)
Finance and other income (loss)	18	(9)	3	(11)	9
Other costs	19	(3)	(3)	(7)	(9)
Share of income from joint ventures		3	1	3	—
<b>Income (Loss) before income taxes</b>		<b>(\$60)</b>	<b>\$90</b>	<b>\$110</b>	<b>\$233</b>
Current income tax expense	7	6	2	47	30
Deferred income tax expense (recovery)	7	(18)	20	(19)	29
<b>Net income (loss) and comprehensive income (loss)</b>		<b>(\$48)</b>	<b>\$68</b>	<b>\$82</b>	<b>\$174</b>
<b>Net income (loss) per common share - basic and diluted</b>	20	<b>(\$0.88)</b>	<b>\$1.23</b>	<b>\$1.50</b>	<b>\$3.16</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**STELCO HOLDINGS INC.****UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(In millions of Canadian dollars, except for number of shares)

	Note	Number of common shares	Common shares	Retained earnings	Total equity
<b>Balance, December 31, 2022</b>		55,128,694	\$318	\$1,087	\$1,405
Changes during the period:					
Net income		—	—	174	174
Dividends to common shareholders	13	—	—	(69)	(69)
<b>Balance, September 30, 2023</b>		55,128,694	\$318	\$1,192	\$1,510
<b>Balance, December 31, 2023</b>		55,128,694	\$318	\$978	\$1,296
Changes during the period:					
Net income		—	—	82	82
Common shares purchased and cancelled	13	(680,306)	(4)	(22)	(26)
Dividends to common shareholders	13	—	—	(96)	(96)
<b>Balance, September 30, 2024</b>		<b>54,448,388</b>	<b>\$314</b>	<b>\$942</b>	<b>\$1,256</b>

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.

**STELCO HOLDINGS INC.**  
**UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions of Canadian dollars)

Nine months ended September 30,	Note	2024	2023
<b>Operating activities</b>			
Net income		\$82	\$174
Items not affecting cash:			
Depreciation	6, 15	98	92
Deferred income tax expense (recovery)	7	(19)	29
Employee benefit commitment:			
Accretion expense	17	16	22
Remeasurement cost (recovery)	17	1	(3)
Loss on derivative asset	5	38	26
Remeasurement of lease related obligation	17	5	5
Write-down of construction in progress	19	—	4
Share of income from joint ventures		(3)	—
Change in operating working capital and other items	21	9	(125)
<b>Cash provided by operating activities</b>		<b>\$227</b>	<b>\$224</b>
<b>Investing activities</b>			
Capital expenditures on property, plant and equipment	21	(134)	(139)
Acquisition, net of cash acquired	8	(25)	—
Proceeds from IESO contribution	6	10	—
Additions to intangible assets		(2)	(4)
Dividend from joint venture		—	2
Change in restricted cash		1	—
<b>Cash used in investing activities</b>		<b>(\$150)</b>	<b>(\$141)</b>
<b>Financing activities</b>			
Proceeds from (Repayment of) inventory monetization arrangement, net	9	(110)	44
Lease and other related obligations principal payments	10	(14)	(13)
Repayment of non-revolving term loan	11	(12)	(12)
Repayment of mortgage principal	12	(2)	(1)
Common shares purchased	13	(26)	—
Dividends paid to common shareholders	13	(96)	(69)
<b>Cash used in financing activities</b>		<b>(\$260)</b>	<b>(\$51)</b>
Effect of foreign exchange rate changes on cash		5	—
Net increase (decrease) in cash		(178)	32
Cash, beginning of period		645	809
<b>Cash, end of period</b>		<b>\$467</b>	<b>\$841</b>
Supplemental cash flow information	21		

The accompanying notes are an integral part of the unaudited interim condensed consolidated financial statements.



## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To facilitate a better understanding of Stelco Holdings Inc's unaudited interim condensed consolidated financial statements, a listing of all the notes is provided below:

1 . Corporate Information	2	15 . Cost of Goods Sold	9
2 . Statement of Compliance and Basis of Preparation	2	16 . Selling, General and Administrative Expenses	10
3 . Trade and Other Receivables	2	17 . Finance Costs	10
4 . Prepaid Expenses and Deposits	3	18 . Finance And Other Income (Loss)	10
5 . Derivative Asset	3	19 . Other Costs	11
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**1. CORPORATE INFORMATION**

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

Stelco Inc. (Stelco), one of Canada's leading steel producers, is a material wholly-owned subsidiary of Stelco Holdings, and is a corporation incorporated under the CBCA. Stelco is an integrated steel producer with facilities in two locations, Hamilton and Nanticoke, Ontario, which produce a variety of steel products for customers in the steel service centre, appliance, automotive, energy, construction, and pipe and tube industries in North America.

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

Stelco Holdings' unaudited interim condensed consolidated financial statements (Consolidated Financial Statements) have been prepared by management in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). The Consolidated Financial Statements comprise the financial statements of Stelco Holdings and its subsidiaries (collectively, the Company). Under International Financial Reporting Standards (IFRS), additional disclosures are required in the annual financial statements and, therefore, these Consolidated Financial Statements and accompanying notes should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2023 (2023 Annual Financial Statements).

These Consolidated Financial Statements have been prepared using accounting policies and methods consistent with those used in the preparation of the Company's 2023 Annual Financial Statements.

**Accounting standards amendments issued but not yet adopted**

*IFRS 18 Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements*. IFRS 18 replaces IAS 1, *Presentation of Financial Statements* and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard applies to annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively, with early adoption permitted. The Company is currently assessing the impact on the Consolidated Financial Statements.

**3. TRADE AND OTHER RECEIVABLES**

As at	September 30, 2024	December 31, 2023
Trade receivables <sup>1</sup>	\$177	\$171
Other receivables	8	14
<b>Total trade and other receivables</b>	<b>\$185</b>	<b>\$185</b>

<sup>1</sup> Net of allowance for credit losses of \$2.8 million (December 31, 2023 - \$0.2 million).

**Receivables Purchase Agreement (RPA)**

The Company has an RPA with a Schedule I bank (the Purchaser) that enables Stelco, from time to time, to sell certain customer trade receivables to the Purchaser on an uncommitted revolving basis. Under the terms of the RPA, Stelco administers and processes the collection of receivables and remits those collections to the Purchaser. The Company has derecognized the trade receivables sold under the RPA from the Interim Condensed Consolidated Balance Sheets as substantially all of the risks and rewards for such receivables have been transferred to the Purchaser. As at September 30, 2024, Stelco's available unused purchase limit remaining under the RPA was \$12 million (December 31, 2023 - \$6 million).

Proceeds received by Stelco under the RPA are recorded within cash flows from operating activities on the Interim Condensed Consolidated Statements of Cash Flows. For the three and nine months ended September 30, 2024, the weighted average finance rates for the RPA were 6.50% and 6.86% (three and nine months ended September 30, 2023 - 7.14% and 6.85%), respectively, and the Company recorded \$1 million and \$3 million (three and nine months ended September 30, 2023 - \$1 million and \$3 million), respectively, of related finance charges within finance costs on the Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

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**4. PREPAID EXPENSES AND DEPOSITS**

As at	September 30, 2024	December 31, 2023
Prepaid insurance	\$16	\$9
Advance payments to vendors	6	6
Income tax installment with Canada Revenue Agency	—	8
Other	1	1
<b>Total prepaid expenses and deposits</b>	<b>\$23</b>	<b>\$24</b>

**5. DERIVATIVE ASSET**

On April 30, 2020, Stelco entered into an option agreement with United States Steel Corporation (USS) granting Stelco an option to purchase a 25% ownership interest (the Option) in a to-be-formed joint venture that would own a 100% beneficial interest in USS's Minntac iron ore mine located in Mt. Iron, Minnesota and related infrastructure including the pellet plant. The Option is exercisable by Stelco at any time until January 31, 2027.

During 2020, Stelco paid US\$100 million in aggregate cash consideration for the Option. If and when the Option is exercised, Stelco would pay an exercise price of US\$500 million.

The Option is recorded as a derivative instrument which is presented on the Interim Condensed Consolidated Balance Sheets as a financial asset and carried at fair value through income or loss. At September 30, 2024, the Option's fair value of \$33 million (December 31, 2023 - \$71 million) was estimated using the Black-Scholes option pricing model. During the three and nine months ended September 30, 2024, the Company recognized losses of \$16 million and \$38 million (three and nine months ended September 30, 2023 - losses of \$11 million and \$26 million), respectively, in connection with the change in fair value of the Option, due to changes in certain assumptions such as expected mine asset value volatility and risk-free interest rates that are based on observable market inputs, as well as current foreign exchange rates. The expected option life is fixed and based on the maximum contractual term of the Option.

The Black-Scholes option pricing model assumptions used to estimate the fair value of the Option at the respective dates are noted in the summary below:

As at	September 30, 2024	December 31, 2023
Estimated fair value of mine asset (in millions) <sup>1</sup>	US\$325	US\$320
Exercise price (in millions)	US\$500	US\$500
Expected mine asset value volatility <sup>2</sup>	31.0 %	40.0 %
Expected risk-free interest rate <sup>3</sup>	3.6 %	4.0 %
Expected option life (in years) <sup>4</sup>	2.3	3.1

<sup>1</sup> Based on a 25% ownership interest in the Minntac iron ore mine.

<sup>2</sup> Based on historical equity volatility of selected publicly traded companies combined with factors such as debt to equity ratios to estimate asset volatility.

<sup>3</sup> Based on two to three year U.S. Treasury bond interest rates.

<sup>4</sup> Based on maximum contractual term of the Option remaining.

The following table summarizes the impact to the Option fair value from changes in certain assumptions used in the Black-Scholes option pricing model, assuming all other inputs remain unchanged:

As at	Change	September 30, 2024		December 31, 2023	
		Increase	Decrease	Increase	Decrease
Estimated fair value of mine asset	1 %	\$1	(\$1)	\$2	(\$2)
Expected mine asset value volatility	1 %	2	(2)	3	(3)
Expected risk-free interest rate	25 bps	1	(1)	1	(1)

Refer to note 23 for a further discussion of valuation techniques and inputs used in estimating the Option's fair value at September 30, 2024 and December 31, 2023.



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**6. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Land</b>	<b>Buildings and property improvements</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Assets under leases</b>	<b>Construction in progress</b>	<b>Total</b>
As at December 31, 2023	\$50	\$58	\$1,199	\$36	\$238	\$78	\$1,659
Additions <sup>1</sup>	24	—	22	—	5	112	163
Transfers	—	11	80	8	(7)	(92)	—
Disposals and other <sup>2</sup>	—	—	(7)	—	(3)	—	(10)
<b>As at September 30, 2024</b>	<b>\$74</b>	<b>\$69</b>	<b>\$1,294</b>	<b>\$44</b>	<b>\$233</b>	<b>\$98</b>	<b>\$1,812</b>

<sup>1</sup> Includes land acquired in connection with the acquisition of the Land Vehicle described in note 8.

<sup>2</sup> For the nine months ended September 30, 2024, the Company received \$10 million in cash from the Independent Energy System Operator (IESO), under its *Process and Systems Upgrade Program*, in connection with eligible costs incurred by the Company related to the cogen plant, including machinery and equipment and assets under leases described further below, of which the Company recorded a \$5 million reduction to costs during the period.

<b>Accumulated depreciation</b>	<b>Land</b>	<b>Buildings and property improvements</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Assets under leases</b>	<b>Construction in progress</b>	<b>Total</b>
As at December 31, 2023	\$—	\$7	\$326	\$15	\$48	\$—	\$396
Depreciation	—	3	78	3	14	—	98
Disposals and other	—	—	(4)	3	(3)	—	(4)
<b>As at September 30, 2024</b>	<b>\$—</b>	<b>\$10</b>	<b>\$400</b>	<b>\$21</b>	<b>\$59</b>	<b>\$—</b>	<b>\$490</b>

<b>Net book value</b>	<b>Land</b>	<b>Buildings and property improvements</b>	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Assets under leases</b>	<b>Construction in progress</b>	<b>Total</b>
As at December 31, 2023	\$50	\$51	\$873	\$21	\$190	\$78	\$1,263
<b>As at September 30, 2024</b>	<b>\$74</b>	<b>\$59</b>	<b>\$894</b>	<b>\$23</b>	<b>\$174</b>	<b>\$98</b>	<b>\$1,322</b>

**Assets under leases**

The following table summarizes the changes in the aggregate net carrying value of the Company's right-of-use assets included in property, plant and equipment:

	<b>Land and buildings</b>	<b>Machinery and equipment</b>					<b>Vehicles</b>	<b>Total</b>
		<b>Manufacturing equipment</b>	<b>Power generation</b>	<b>Railcars</b>	<b>Information technology</b>			
As at December 31, 2023	\$13	\$23	\$133	\$9	\$4	\$8	\$190	
Additions	—	—	—	—	—	5	5	
Depreciation	(2)	(3)	(5)	(2)	(1)	(1)	(14)	
Disposals and other <sup>1</sup>	—	—	(4)	—	—	(3)	(7)	
<b>As at September 30, 2024</b>	<b>\$11</b>	<b>\$20</b>	<b>\$124</b>	<b>\$7</b>	<b>\$3</b>	<b>\$9</b>	<b>\$174</b>	

<sup>1</sup> Includes approximately \$3 million received from the IESO (a component of the \$5 million reduction in cost described above), under its *Process and Systems Upgrade Program*, in connection with eligible costs incurred by the Company related to the cogen plant.

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**7. INCOME TAXES**

**Reconciliation of effective tax rate**

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Income (Loss) before income taxes	<b>(\$60)</b>	\$90	<b>\$110</b>	\$233
Combined Canadian federal and provincial income tax rate	<b>25 %</b>	25 %	<b>25 %</b>	25 %
<b>Income tax expense (recovery) based on statutory rate</b>	<b>(15)</b>	22	<b>28</b>	58
<b>Increase in income taxes resulting from:</b>				
Permanent differences	<b>3</b>	—	<b>—</b>	1
<b>Income tax expense (recovery)</b>	<b>(\$12)</b>	\$22	<b>\$28</b>	\$59
Current income tax expense	<b>6</b>	2	<b>47</b>	30
Deferred income tax expense (recovery)	<b>(18)</b>	20	<b>(19)</b>	29

For the three and nine months ended September 30, 2024, the Company recorded deferred tax recovery of \$18 million and \$19 million (three and nine months ended September 30, 2023 - deferred tax expenses of \$20 million and \$29 million), respectively. As at September 30, 2024, the Company has recorded a deferred tax asset of \$5 million (December 31, 2023 - \$3 million) and deferred tax liability of \$41 million (December 31, 2023 - \$58 million).

**Other tax attributes**

As at September 30, 2024, the Company has undepreciated capital cost (UCC) of \$242 million (December 31, 2023 - \$211 million), which includes certain property eligible for accelerated capital cost allowance where tax deductions may exceed depreciation for accounting purposes for respective future periods. A deferred tax liability of \$210 million was recorded in connection with the carrying value of the Company's property, plant and equipment exceeding the UCC balance at September 30, 2024 (December 31, 2023 - \$206 million).

**8. ACQUISITION**

On June 21, 2024, Stelco acquired all of the issued and outstanding partnership units in Legacy Lands Limited Partnership (the Land Vehicle) for a purchase price of \$60 million, which consisted of \$35 million in cash and a \$25 million note payable.

In connection with the Land Vehicle acquisition, which was accounted for as an asset acquisition due to the Land Vehicle not meeting the criteria of a business which requires, at a minimum, an input, substantive process and an ability to produce outputs. The fair value of the purchase price and related acquisition costs paid are as follows:

Cash	<b>\$35</b>
Note payable <sup>1</sup>	<b>22</b>
Acquisition costs	<b>2</b>
<b>Total</b>	<b>\$59</b>

<sup>1</sup> Represents a note payable with a principal value of \$25 million, with the option to pay the outstanding principal balance at any time, bearing interest at a rate of 3.5% per annum, payable semi-annually with a maturity date of June 21, 2030. The note payable is a financial liability carried at amortized cost using an effective interest rate of 5.51% and is secured by land and buildings located at Nanticoke, Ontario. Refer to note 12 for further details.

Stelco received the following assets and allocated the total purchase price and acquisition costs as follows:

Cash	<b>\$12</b>
Mortgage receivable <sup>1</sup>	<b>23</b>
Land <sup>2</sup>	<b>24</b>
<b>Total</b>	<b>\$59</b>

<sup>1</sup> Represents a mortgage receivable with a principal value of \$27 million, with the option to pay the outstanding principal balance at any time, bearing interest at a rate of 3.5% per annum, payable semi-annually with a maturity date of June 21, 2030. The mortgage receivable is a financial asset carried at amortized cost using an effective interest rate of 6.21% and is secured by certain third party real estate properties.

<sup>2</sup> Includes approximately 210 acres of lands located adjacent to the Company's Lake Erie Works (LEW) operations.

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Immediately prior to the acquisition of the Land Vehicle, the Company also completed a reconveyance agreement remaining from Stelco's LEW land purchase during 2018, which resulted in the Company reconveying title to certain lands that were not acquired in the initial Land Vehicle land and buildings purchase agreement.

**9. TRADE AND OTHER PAYABLES**

As at	September 30, 2024	December 31, 2023
Inventory monetization arrangement	\$383	\$483
Trade payables <sup>1</sup> and other	295	290
Payables to related parties <sup>2</sup>	6	7
<b>Total trade and other payables</b>	<b>\$684</b>	<b>\$780</b>

<sup>1</sup> Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less.

<sup>2</sup> Refer to note 26 for details.

**Inventory monetization arrangement (IMA)**

The weighted average finance rates for the IMA for the three and nine months ended September 30, 2024 were 8.17% and 8.20% (three and nine months ended September 30, 2023 - 8.39% and 8.06%), respectively, and the finance costs of \$8 million and \$25 million (three and nine months ended September 30, 2023 - \$9 million and \$24 million), respectively, are recorded on the Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss). This financing arrangement is secured by inventory with a carrying value of \$678 million (December 31, 2023 - \$672 million).

Unless otherwise amended, extended or renewed, amounts advanced under the amended IMA are required to be repaid when the facility expires on November 29, 2024. The Company was in compliance with the financial covenants pursuant to the IMA as at and for the three and nine months ended September 30, 2024.

**10. OTHER LIABILITIES**

As at	September 30, 2024	December 31, 2023
Lease and other related obligations	\$360	\$364
Share-based compensation <sup>1</sup>	116	63
Salaries and benefits payable	35	37
Strategic Innovation Fund loan	19	18
Boiler project financing arrangement	12	12
Post-employment benefits	8	7
Interest payable	1	1
<b>Total other liabilities</b>	<b>\$551</b>	<b>\$502</b>
Current	81	73
Non-current	470	429

<sup>1</sup> Refer to note 22 for details.

**Lease and other related obligations**

As at September 30, 2024, the Company had leased power generation equipment, real estate property, manufacturing and other equipment and had other related obligations with a carrying value of \$360 million (December 31, 2023 - \$364 million). Refer to note 6 for the carrying value of the right-of-use assets related to the respective lease obligations.

During the nine months ended September 30, 2024, the Company recorded a remeasurement charge of \$5 million (nine months ended September 30, 2023 - \$5 million) within finance costs on the Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss), related to a lease related obligation in connection with an annual consumer price index adjustment, which increased the total estimated cash payments under the arrangement.

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**11. ASSET-BASED LENDING FACILITY (ABL)**

As at	September 30, 2024	December 31, 2023
Revolving	\$—	\$—
Term loan <sup>1</sup>	42	53
<b>Asset-based lending facility</b>	<b>42</b>	<b>53</b>
Current	15	15
Non-current	27	38

<sup>1</sup> Net of deferred transaction costs subject to amortization of \$0.3 million (December 31, 2023 - \$0.5 million).

The amount available to be drawn under the ABL varies from time to time, based upon a borrowing base determined with reference to eligible trade receivables, certain inventory and, from time to time, cash collateral, and excludes certain trade receivables that have been sold under the RPA and inventory that has been monetized under the IMA. At September 30, 2024, the amount available for advances under the ABL was \$209 million (December 31, 2023 - \$194 million), which includes the available borrowing base less: outstanding letters of credit of \$24 million (December 31, 2023 - \$22 million), term loan principal outstanding of \$42 million (December 31, 2023 - \$54 million) and a minimum excess availability requirement of \$30 million (December 31, 2023 - \$30 million). There were no cash amounts drawn and outstanding under the revolving ABL at September 30, 2024 (December 31, 2023 - nil).

The weighted average finance rates for amounts outstanding under the term loan for the three and nine months ended September 30, 2024 were 7.07% and 7.47% (three and nine months ended September 30, 2023 - 7.63% and 7.30%), respectively, and the Company was in compliance with the financial covenants pursuant to the ABL agreement as at and for the three and nine months ended September 30, 2024.

**12. OBLIGATIONS TO INDEPENDENT EMPLOYEE TRUSTS**

As at	September 30, 2024	December 31, 2023
Employee benefit commitment	\$222	\$239
Mortgage payable	102	104
Note payable	23	—
<b>Obligations to independent employee trusts</b>	<b>\$347</b>	<b>\$343</b>
Current	44	45
Non-current	303	298

The Company's obligations to independent employee trusts consist of multiple funding requirements to certain pension and independent employee health and life trusts. These funding requirements include both fixed scheduled payments and variable contributions based on Stelco's operating performance, which is estimated for purposes of determining the future obligations presented herein, and the utilization of specific tax attributes. The obligations to independent employee trusts include both the employee benefit commitment, entered into as part of Stelco's CCAA reorganization on June 30, 2017, as amended, and a mortgage assumed in connection with the acquisition of land and buildings located in Hamilton and Nanticoke, Ontario on June 5, 2018.

**Employee benefit commitment (EBC)**

This financial liability was initially recorded at its estimated 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 each Consolidated Balance Sheet date to determine amortized cost.

During the three and nine months ended September 30, 2024, the Company recorded a remeasurement cost of nil and \$1 million (three and nine months ended September 30, 2023 - remeasurement recovery of \$3 million), respectively, in connection with changes of estimates related to the timing and magnitude of estimated cash flows and future funding requirements of the EBC, including the impact of payments made in the periods.

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Future EBC payments are estimated as follows:

As at	September 30, 2024
2024 <sup>1</sup>	\$9
2025	40
2026	24
2027	28
2028	25
Thereafter	282
<b>Total estimated EBC payments</b>	<b>\$408</b>
Less: amounts representing future finance costs	(186)
<b>Present value of EBC</b>	<b>\$222</b>

<sup>1</sup> Represents remaining three months of 2024.

**Note payable**

As described in note 8, Stelco acquired all of the issued and outstanding partnership units in the Land Vehicle, for which the purchase consideration included a 6-year note payable with a principal value of \$25 million, with the option to pay the outstanding principal balance at any time, bearing interest at a rate of 3.5% per annum, payable semi-annually, with a maturity date of June 21, 2030. The note payable is a financial liability carried at amortized cost using an effective interest rate of 5.51%.

The Company's land and buildings located at Nanticoke, Ontario, acquired from the Land Vehicle serve as security for the mortgage and note payable, respectively, and certain obligations in respect of the amended EBC.

**13. SHARE CAPITAL**

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 common shares are entitled to dividends, as and when declared by the Board of Directors. The following common shares were issued and outstanding at each respective date:

As at	September 30, 2024	December 31, 2023
Common shares		
Outstanding	54,448,388	55,128,694
Carrying amount	\$314	\$318

**Dividends to common shareholders**

Common share dividends declared and paid in 2024 as summarized below:

(millions of Canadian dollars, except per share amounts)

Record date	Payment date	Cash dividend per common share	Total common share dividends
March 1, 2024	March 7, 2024	\$0.50	\$28
May 17, 2024	May 24, 2024	0.50	27
August 19, 2024	August 26, 2024	0.75	41

During the nine months ended September 30, 2023, Stelco Holdings paid ordinary dividends to common shareholders in the aggregate amount of \$69 million, or \$1.26 per common share.

**Normal course issuer bid**

On February 21, 2024, the Company received approval from the TSX to commence a normal course issuer bid (the 2024 NCIB). Stelco Holdings may purchase up to 3,344,684 common shares pursuant to the 2024 NCIB, which commenced on February 28, 2024 and expires on February 27, 2025, or such earlier date as Stelco may complete its purchases pursuant to the notice of intention filed with the TSX.

The maximum number of common shares that may be repurchased for cancellation under the 2024 NCIB represents approximately 10% of the Company's public float as of February 21, 2024, as calculated in accordance with the rules of the

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TSX. As of February 21, 2024, the Company had 55,128,694 common shares issued and outstanding. The average daily trading volume for the six months ended January 31, 2024 (ADTV), calculated in accordance with the rules of the TSX for purposes of the 2024 NCIB, was 214,539 common shares. Under the rules of the TSX, Stelco is entitled to repurchase, during each trading day, up to 25% of the ADTV, or 53,634 common shares (excluding purchases made pursuant to the block purchase exception), through the TSX.

Repurchases will be made through the facilities of the TSX as well as through other designated exchanges and alternative trading systems in Canada in accordance with applicable regulatory requirements. The price paid for such repurchased shares will be the market price of such shares at the time of acquisition or such other price as may be permitted by the TSX. All common shares repurchased under the 2024 NCIB will be cancelled. The actual number of shares and timing of the repurchases under the 2024 NCIB will be determined by the Company.

During the nine months ended September 30, 2024, Stelco Holdings purchased and cancelled 680,306 common shares at a weighted average price of \$38.04 per share for a total purchase price of approximately \$26 million. The excess of the purchase price paid over the average carrying value of the shares purchased and cancelled, in the amount of approximately \$22 million, was recognized as a share repurchase premium and reduction to retained earnings.

**14. REVENUE FROM SALE OF GOODS**

Revenue from steel and non-steel product sales are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Steel products	\$632	\$716	\$2,038	\$2,178
Non-steel products	22	60	78	126
<b>Total</b>	<b>\$654</b>	<b>\$776</b>	<b>\$2,116</b>	<b>\$2,304</b>

Revenue by geographical location is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Canada	\$498	\$531	\$1,578	\$1,552
United States and other	156	245	538	752
<b>Total</b>	<b>\$654</b>	<b>\$776</b>	<b>\$2,116</b>	<b>\$2,304</b>

**15. COST OF GOODS SOLD**

Cost of goods sold is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Cost of inventories sold:				
Steel products <sup>1</sup>	\$554	\$573	\$1,683	\$1,776
Non-steel products	23	55	72	109
Other <sup>2</sup>	12	16	40	46
<b>Total</b>	<b>\$589</b>	<b>\$644</b>	<b>\$1,795</b>	<b>\$1,931</b>

<sup>1</sup> For three and nine months ended September 30, 2024, includes depreciation expense of \$33 million and \$98 million (three and nine months ended September 30, 2023 - \$31 million and \$92 million), respectively.

<sup>2</sup> Includes freight, certain employee variable compensation expenses and other non-inventory related costs.

**STELCO HOLDINGS INC.****NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 and 2023****16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Selling, general and administrative expenses are comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Share-based compensation expense (recovery) <sup>1</sup>	\$73	(\$1)	\$58	\$12
Employee salary and benefits expense	6	5	16	15
Professional, consulting and legal fees	8	2	13	7
Management fees <sup>2</sup>	2	3	5	7
Other <sup>3</sup>	6	2	13	7
<b>Total</b>	<b>\$95</b>	<b>\$11</b>	<b>\$105</b>	<b>\$48</b>

<sup>1</sup> Refer to note 22 for details.<sup>2</sup> Refer to note 26 for details.<sup>3</sup> Includes bad debt expense, and corporate, public company and travel costs.**17. FINANCE COSTS**

Finance costs are comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Finance charges related to:				
IMA	\$8	\$9	\$25	\$24
RPA	1	1	3	3
Accretion of:				
Lease and other related obligations	8	8	23	23
EBC	5	6	16	22
Interest expense related to:				
Mortgage	2	2	6	6
ABL	1	2	4	5
Remeasurement of:				
Lease related obligation <sup>1</sup>	—	—	5	5
EBC <sup>2</sup>	—	(3)	1	(3)
Foreign exchange loss (gain)	(5)	6	4	4
Other	1	1	4	3
<b>Total</b>	<b>\$21</b>	<b>\$32</b>	<b>\$91</b>	<b>\$92</b>

<sup>1</sup> Refer to note 10 for details.<sup>2</sup> Remeasurement of employee benefit commitment for change in the timing and magnitude of estimated cash flows and future funding requirements. Refer to note 12 for further details.**18. FINANCE AND OTHER INCOME (LOSS)**

Finance and other income (loss) is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Loss on derivative asset <sup>1</sup>	(\$16)	(\$11)	(\$38)	(\$26)
Finance income	7	14	26	34
Other income	—	—	1	1
<b>Total</b>	<b>(\$9)</b>	<b>\$3</b>	<b>(\$11)</b>	<b>\$9</b>

<sup>1</sup> Refer to note 5 for details.

**STELCO HOLDINGS INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 and 2023**

**19. OTHER COSTS**

Other costs are comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Research and development	\$2	\$—	\$5	\$—
Demolition	—	1	1	4
Write-down of construction in progress	—	1	—	4
Other	1	1	1	1
<b>Total</b>	<b>\$3</b>	<b>\$3</b>	<b>\$7</b>	<b>\$9</b>

**20. NET INCOME (LOSS) PER SHARE**

The following table sets forth the computation of basic and diluted net income (loss) per common share:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Weighted average common shares outstanding - basic and diluted (in thousands)	54,448	55,129	54,813	55,129
Net income (loss) per common share - basic and diluted	(\$0.88)	\$1.23	\$1.50	\$3.16

**21. SUPPLEMENTAL CASH FLOW INFORMATION**

Changes in operating working capital and other items comprise the following:

Nine months ended September 30,	2024	2023
Cash provided by (used in) operating working capital:		
Trade and other receivables	(\$5)	(\$41)
Inventories	(46)	(35)
Prepaid expenses and deposits	1	19
Trade and other payables	4	58
Income taxes payable	29	1
Other liabilities	52	—
	<b>\$35</b>	<b>\$2</b>
Cash provided by (used in) other operating items:		
EBC	(\$34)	(\$131)
Pension benefits	(1)	1
Provisions	—	1
Foreign exchange and other	9	2
	<b>(\$26)</b>	<b>(\$127)</b>
Change in operating working capital and other items	<b>\$9</b>	<b>(\$125)</b>



**STELCO HOLDINGS INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 and 2023**

Capital expenditures on property, plant and equipment comprise the following:

Nine months ended September 30,	2024	2023
Capital expenditures and additions:		
Machinery, equipment, assets under leases and construction in progress	\$139	\$147
Land and buildings <sup>1</sup>	—	—
Total capital expenditures and additions	139	147
Capital expenditures and additions not affecting cash:		
Assets under leases	(5)	(6)
Construction in progress and other capital additions included in trade and other payables	—	(2)
Capital expenditures on property, plant and equipment	\$134	\$139

<sup>1</sup> Excludes land acquired in connection with the acquisition of the Land Vehicle described in note 8.

Other supplemental cash flow information:

Nine months ended September 30,	2024	2023
Interest and finance charges paid	\$39	\$40
Interest received	28	33
Income taxes paid	14	5

**22. SHARE-BASED COMPENSATION**

For the three and nine months ended September 30, 2024, the Company recorded share-based compensation expense of \$73 million and \$58 million (three and nine months ended September 30, 2023 - recovery of \$1 million and expense of \$12 million), respectively, in selling, general and administrative expenses on the Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) related to the vesting, service and periodic fair value remeasurements, of awards granted under the Company's long-term incentive plan, total shareholder return based incentive program and deferred share unit plan.

**Long-term incentive plan (LTIP)**

Stelco Holdings' LTIP is designed to promote the alignment of senior management, employees and consultants of the Company with shareholder interests and the creation of sustainable shareholder value, and facilitate recruitment, motivation and retention of executives and key talent.

Under the terms of the LTIP, the maximum number of common shares that may be subject to treasury-settled awards under the LTIP or any other share-based compensation arrangements adopted by Stelco Holdings is 2.5 million common shares. No participant may be granted, in any calendar year, share-based awards with respect to more than 5% of the issued and outstanding common shares of Stelco Holdings. As at September 30, 2024, the Company has no outstanding share-based compensation awards that may be settled with newly-issued common shares.

**Total shareholder return (TSR) based incentive program (TSR Incentive Program)**

On February 23, 2022, the Company's Board of Directors approved a TSR Incentive Program. Under the terms of the TSR Incentive Program, upon the TSR reaching specified target thresholds of 50%, 75% and 100%, and, subject to the discretion of the Board of Directors, participants in the program will receive restricted share units (RSUs) issued in accordance with the terms of Stelco Holdings' amended and restated LTIP. TSR is measured based on the total shareholder return from (i) the 30-day volume weighted average price of the common shares on the TSX ending immediately prior to February 23, 2022 to (ii) the day on which the volume weighted TSR over a period of 90 calendar days reaches one of the specified TSR thresholds.

RSUs granted in connection with the TSR Incentive Program carry similar terms and conditions to those granted directly under the LTIP, including the issuance of additional RSUs in consideration of common share dividends paid, and cliff vest on the earlier of: i) 36 months following the date the RSUs were granted and ii) December 31, 2025.

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During the three months ended September 30, 2024, the two remaining TSR-specified target thresholds of 75% and 100% under the TSR Incentive Program were met, resulting in the following aggregate RSUs being granted and issued to the TSR Incentive Program participants:

<b>TSR threshold</b>	<b>RSU grant date</b>	<b>RSUs granted</b>	<b>Fair value per RSU granted</b>
50%	March 2, 2023	1,000,179	\$48.92
75%	July 24, 2024	480,732	\$50.15
100%	August 27, 2024	421,554	\$57.19

As at September 30, 2024, the Company recorded a liability of nil (December 31, 2023 - \$17 million) in other liabilities on the Consolidated Balance Sheets related to remaining TSR Incentive Program tranches with outstanding target thresholds. See below for further discussion of RSUs granted in connection with the TSR Incentive Program.

**Restricted share units (RSUs)**

The following table summarizes the changes in the Company's outstanding RSUs:

<b>LTIP</b>	<b>TSR Incentive Program <sup>1</sup></b>	<b>Total</b>
<b>Nine months ended September 30, 2024</b>		
Balance, beginning of period	227,384	1,335,705
Granted	64,768	967,054
Dividend equivalents	6,267	51,802
Vested and cash settled	(118,609)	(118,609)
Balance, end of period	179,810	2,235,952

<sup>1</sup> RSUs granted and issued in connection with the TSR Incentive Program fully vest on December 31, 2025.

On February 26, 2024, 63,524 RSUs were granted under the LTIP to certain employees, including members of the Company's Executive Leadership Team (ELT), with a grant date fair value of \$41.18 per RSU, with one-third of the total grant amount vesting on January 1 of each of 2025, 2026 and 2027. In addition, during March 2024, 1,244 RSUs were granted with a fair value of \$40.17 per RSU, vesting on December 31, 2025.

As at September 30, 2024, there were a total of 2,235,952 outstanding and unvested RSUs (December 31, 2023 - 1,335,705 RSUs), for which the Company recorded a liability of \$98 million (December 31, 2023 - \$33 million) in other liabilities.

**Stock appreciation rights (SARs)**

During the three months ended September 30, 2024, all 16,668 vested SARs were exercised and cash settled. As at September 30, 2024, there were no vested or outstanding SARs (December 31, 2023 - 16,668 SARs), therefore the Company recorded a liability of nil (December 31, 2023 - \$0.6 million) in other liabilities.

**Deferred share unit plan (DSUs)**

The following table summarizes the changes in the Company's outstanding DSUs:

<b>Nine months ended September 30, 2024</b>	
Balance, beginning of period	241,171
Granted	23,897
Dividend equivalents	9,239
Balance, end of period	274,307

As at September 30, 2024, there were 274,307 vested and outstanding DSUs (December 31, 2023 - 241,171 DSUs), for which the Company recorded a liability of \$18 million (December 31, 2023 - \$12 million) in other liabilities.

**STELCO HOLDINGS INC.**  
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**23. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table provides the carrying values and fair values of financial instruments:

As at	September 30, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets:</b>				
Cash	\$467	\$467	\$645	\$645
Restricted cash	9	9	10	10
Trade and other receivables	185	185	185	185
Mortgage receivable	24	24	—	—
Derivative asset	33	33	71	71
<b>Financial liabilities:</b>				
Trade and other payables	\$684	\$684	\$780	\$780
Income taxes payable	31	31	2	2
Other liabilities	241	312	237	308
Asset-based lending facility	42	42	53	53
<b>Obligations to independent employee trusts:</b>				
Employee benefit commitment	222	274	239	292
Mortgage payable	102	111	104	112
Note payable	23	23	—	—

The fair values of cash, restricted cash, trade and other receivables, trade and other payables, certain other liabilities and income taxes payable approximate their carrying amounts largely due to the short-term nature of these instruments. The carrying value of variable rate debt (such as the ABL) generally approximates its fair value.

The fair value of the Company's derivative asset is determined using the discounted cash flow method and Black-Scholes option model, which incorporates observable or unobservable inputs for interest and foreign exchange rates, equity and commodity prices (including indices), corresponding market volatility levels, and other market-based pricing factors. A derivative instrument is classified as Level 2 in the hierarchy if observable market inputs are available or the unobservable inputs are not significant to the fair value. Otherwise, it is classified as Level 3 in the hierarchy.

The fair values of mortgage receivable, certain other liabilities (Strategic Innovation Fund loan, cold mill lease related obligation and boiler project financial arrangement), mortgage payable, and note payable are estimates based on discounted cash flow models applying current rates offered to the Company for similar financial instruments subject to similar risk and maturities. Fair value measurements of these instruments were estimated using Level 2 inputs.

The fair value of the EBC is estimated based on a discounted cash flow analysis of expected fixed and variable payments to be paid in future periods to the pension and OPEB trusts. The contractually fixed payments are discounted using a rate that is reflective of the Company's cost of borrowing and similar senior unsecured debt for companies in the same sector that are of a similar size. The estimated variable payments are discounted using a rate consistent with a market rate of return of the Company. The fair value measurement of this instrument was classified as Level 2 in the hierarchy.

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the Interim Condensed Consolidated Balance Sheets is as follows:

	September 30, 2024			December 31, 2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative asset <sup>1</sup>	\$—	\$—	\$33	\$—	\$—	\$71

<sup>1</sup> Refer to note 5 for details.

There were no transfers between Level 1, Level 2 or Level 3 during the three and nine months ended September 30, 2024 and 2023.

**STELCO HOLDINGS INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**24. 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 various factors such as general market conditions and successful capital deployment. The Company's share capital is not subject to externally imposed restrictions.

The Company defines its capital to include amounts outstanding under existing financing arrangements including the ABL and IMA, as well as all components of equity, and is comprised as follows:

As at	September 30, 2024	December 31, 2023
Amounts outstanding under the:		
ABL	\$42	\$54
IMA	383	483
Total	<b>\$425</b>	<b>\$537</b>
Total equity	<b>1,256</b>	1,296
<b>Total capital</b>	<b>\$1,681</b>	<b>\$1,833</b>

**25. COMMITMENTS AND CONTINGENCIES**

**Claims and litigation**

The Company is involved in claims and litigation arising in the normal course of business. While the final outcomes 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 Statements.

**Purchase commitments**

At September 30, 2024, the Company had future commitments of approximately \$115 million for capital expenditures.

**Licensing and option agreements**

On December 30, 2021, the Company executed licensing and option agreements with Primobius GmbH (Primobius) to commercialize Primobius's proprietary advanced electric vehicle battery recycling and processing technologies in North America. The option agreement grants Primobius the right to acquire between 25% and 50% of the equity in a wholly-owned subsidiary of Stelco that would perform these activities (the EV Option). If the EV Option is not exercised by Primobius, Stelco will still have the exclusive rights to utilize Primobius's proprietary technology in Canada, the United States and Mexico to recycle lithium-ion batteries removed from end-of-life electric vehicles, and Primobius will be entitled to a gross revenue royalty.

In December 2023, the EV Option and licensing agreement were renewed to include an extended term with an expiry date of June 30, 2025. The licensing agreement requires that Stelco complete an engineering and commercial study that is subject to certain minimum internal rates of return targets and acceptance by Primobius. The fair value of the purchase consideration for the license intangible asset, as defined in the licensing and option agreements, was immaterial as at September 30, 2024.

**STELCO HOLDINGS INC.**  
**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**26. RELATED PARTY TRANSACTIONS**

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

The following table provides the total value of transactions that have been entered into with related parties and outstanding balances (including liability accruals) with related parties for the relevant financial periods:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Purchases of services</b>				
Joint ventures	\$5	\$6	\$13	\$15
Bedrock Management <sup>1</sup>	2	3	5	7
<b>Dividend from joint venture</b>	\$—	\$—	\$—	\$2
As at			September 30, 2024	December 31, 2023
<b>Related party liabilities</b>				
Bedrock Management <sup>1</sup>			\$4	\$7
Joint ventures			2	—

<sup>1</sup> Stelco is party to a management services agreement with Bedrock Industries ManagementCo Inc. (Bedrock Management), under which Stelco receives senior management, commercial, business development, operating, financial, human resources, and executive recruitment services, as well as other services that may be required from time to time.

**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 include the ELT and the Board of Directors. The ELT is comprised of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and General Counsel & Corporate Secretary of the Company.

Remuneration of the Company's Board of Directors and ELT for the respective periods is as follows:

	Board of Directors				ELT			
	Three months ended September 30,		Nine months ended September 30,		Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Share-based compensation expense (recovery)	\$8	(\$1)	\$5	(\$1)	\$52	\$—	\$43	\$11
Management and director fees	—	—	1	1	2	3	5	7
Salaries and benefits	—	—	—	—	—	1	1	2
<b>Total</b>	<b>\$8</b>	<b>(\$1)</b>	<b>\$6</b>	<b>\$—</b>	<b>\$54</b>	<b>\$4</b>	<b>\$49</b>	<b>\$20</b>

**27. EVENTS AFTER THE REPORTING PERIOD**

On July 15, 2024, the Company announced that it had entered into a definitive agreement (Arrangement Agreement) with Cleveland-Cliffs Inc. (Cliffs), pursuant to which Cliffs agreed to acquire all of the issued and outstanding common shares of Stelco Holdings (the Transaction) for \$60.00 in cash and 0.454 shares of Cliffs common stock per Stelco Holdings common share. On November 1, 2024, pursuant to the terms of the Arrangement Agreement, Cliffs completed the acquisition of Stelco Holdings. In connection with closing, Stelco Holdings shareholders received \$60.00 in cash and 0.454 shares of Cliffs common stock per Stelco Holdings common share. Additionally, LTIP and DSU plan participants received \$60.00 in cash and 0.454

**STELCO HOLDINGS INC.**

**NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(In Canadian dollars, and tabular amounts in millions, except where otherwise noted)

**THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 and 2023**

shares of Cliffs common stock per outstanding RSU and DSU, settling all outstanding share-based compensation obligations, which terminated the LTIP and DSU plans. Immediately prior to the closing of the Transaction, the Company's outstanding IMA and ABL facilities were settled using cash on hand and funds provided by Cliffs pursuant to the Arrangement Agreement. The Company incurred total transaction costs of \$29 million in connection with the Transaction.

On November 1, 2024, Stelco repaid all outstanding payments under the boiler project financing arrangement for \$17 million.

On November 8, 2024, Stelco Holdings Inc., Stelco Inc. and 13421422 Canada Inc., a direct, wholly-owned subsidiary of Cliffs, were amalgamated, with Stelco Inc. being the surviving entity and a wholly-owned subsidiary of Cliffs.

**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION****Introduction**

The following unaudited pro forma condensed combined financial statements and related notes present the historical consolidated financial statements of Cleveland-Cliffs Inc. ("Cliffs") and Stelco Holdings Inc. ("Stelco") as if the completion of the Arrangement (as defined below) had occurred on the dates specified below.

The following unaudited pro forma condensed combined statement of financial position of Cliffs as of September 30, 2024, is based on the historical consolidated financial statements of Cliffs and Stelco, referenced below, using the acquisition method of accounting as prescribed by Accounting Standards Codification Topic 805 Business Combinations. The unaudited pro forma condensed combined statements of operations of Cliffs for the year ended December 31, 2023, and for the nine months ended September 30, 2024 are based on the historical consolidated financial statements of Cliffs and Stelco, referenced below, using the acquisition method of accounting.

Stelco's historical consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board which differ in certain respects from U.S. GAAP. Adjustments were made to Stelco's historical financial statements to estimate the conversion from IFRS to U.S. GAAP as well as reclassifications to conform Stelco's historical presentation to Cliffs' accounting presentation.

The transaction accounting adjustments consist of those necessary to account for the Arrangement. The unaudited pro forma condensed combined statement of financial position as of September 30, 2024, gives effect to the Arrangement as if it had occurred on September 30, 2024 and includes all adjustments necessary to reflect the application of acquisition accounting for the Arrangement. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2023 and for the nine months ended September 30, 2024 give effect to the Arrangement as if it had occurred on January 1, 2023, and include all adjustments necessary to reflect the application of acquisition accounting for the Arrangement. All references to "\$" in the tables below are to United States dollars unless otherwise stated.

The unaudited pro forma condensed combined financial information does not give effect to any cost savings, operating synergies or revenue synergies that may result from the Arrangement or the costs to achieve any synergies.

The unaudited pro forma condensed combined financial statements are presented for informational purposes only, in accordance with Article 11 of Regulation S-X, and are not intended to represent or to be indicative of the income or financial position that Cliffs would have reported had the Arrangement been completed as of the dates set forth in the unaudited pro forma condensed combined financial statements due to various factors. The unaudited pro forma condensed combined statement of financial position does not purport to represent the future financial position of Cliffs and the unaudited pro forma condensed combined statements of operations do not purport to represent the future results of operations of Cliffs.

The unaudited pro forma condensed combined financial statements reflect management's preliminary estimate of the fair value of purchase consideration and the fair values of tangible and intangible assets acquired and liabilities assumed in the Arrangement, with the remaining estimated purchase consideration recorded as goodwill. Independent valuation specialists have conducted analyses to assist management of Cliffs in determining the fair values of the assets acquired and liabilities assumed. Cliffs' management is responsible for these third-party valuations and appraisals. Since these unaudited pro forma condensed combined financial statements have been prepared based on preliminary estimates of the fair value of purchase consideration and fair values of assets acquired and liabilities assumed, the actual amounts to be reported in future filings may differ materially from the amounts used in the pro forma condensed combined financial statements. The unaudited pro forma condensed combined financial information is based upon currently available information and estimates and assumptions that Cliffs management believes are reasonable as of the date hereof. Any of the factors underlying these estimates and assumptions may change or prove to be materially different.

The unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the Arrangement and should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements, and the historical financial statements of Cliffs and Stelco and the related notes thereto included elsewhere or incorporated by reference.

The unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the Arrangement, and should be read in conjunction with the following:

- The accompanying notes to the unaudited pro forma condensed combined financial statements;

- The Cliffs historical audited consolidated financial statements and notes thereto contained in the Cliffs Annual Report on Form 10-K for the year ended December 31, 2023;
- The Cliffs historical unaudited condensed consolidated financial statements and notes thereto contained in the Cliffs Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024;
- The Stelco historical audited consolidated financial statements and notes thereto for the year ended December 31, 2023 attached as Exhibit 99.1 to the accompanying Current Report on Form 8-K; and
- The Stelco historical unaudited interim condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2024 attached as Exhibit 99.2 to the accompanying Current Report on Form 8-K.



**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION**  
**As of September 30, 2024**  
**(USD, in millions)**

	Historical Cleveland-Cliffs Inc.	Stelco Holdings Inc. After Reclassifications (Note 5)	IFRS to US GAAP Adjustments	Notes (Note 4)	Transaction Accounting Adjustments	Notes (Note 8)	Pro Forma Combined Company
<b>ASSETS</b>							
<b>Current Assets:</b>							
Cash and cash equivalents	\$ 39	\$ 345	\$ —		\$ (384)	8a	\$ —
Accounts receivable, net	1,583	131	—		—		1,714
Inventories	4,236	711	—		10	8b	4,957
Other current assets	169	22	—		75	8c	266
<b>Total current assets</b>	<b>6,027</b>	<b>1,209</b>	<b>—</b>		<b>(299)</b>		<b>6,937</b>
<b>Non-current assets:</b>							
Property, plant and equipment, net	8,687	915	(21)	4a,4b	409	8d	9,990
Goodwill	1,005	—	—		905	8e	1,910
Pension and OPEB assets	378	—	—		—		378
Other non-current assets	699	80	33	4a,4b	1,092	8f	1,904
<b>TOTAL ASSETS</b>	<b>\$ 16,796</b>	<b>\$ 2,204</b>	<b>\$ 12</b>		<b>\$ 2,107</b>		<b>\$ 21,119</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Current liabilities:</b>							
Accounts payable	\$ 1,983	\$ 223	\$ —		\$ —		\$ 2,206
Accrued employment costs	413	44	—		—		457
Accrued expenses	379	—	—		27	8g	406
Other current liabilities	480	366	—		(294)	8h	552
<b>Total current liabilities</b>	<b>3,255</b>	<b>633</b>	<b>—</b>		<b>(267)</b>		<b>3,621</b>
<b>Non-current liabilities:</b>							
Long-term debt	3,774	20	—		2,461	8i	6,255
Pension and OPEB liabilities	666	15	—		—		681
Deferred income taxes	567	30	—		466	8j	1,063
Other non-current liabilities	1,439	578	12	4b	80	8k	2,109
<b>TOTAL LIABILITIES</b>	<b>9,701</b>	<b>1,276</b>	<b>12</b>		<b>2,740</b>		<b>13,729</b>
<b>Commitments and contingencies</b>							
<b>Equity:</b>							
Common shares	66	232	—		(232)	8l	66
Capital in excess of par value of shares	4,875	—	—		(130)	8l	4,745
Retained earnings	1,426	696	—		(744)	8l	1,378
Treasury shares	(1,153)	—	—		473	8l	(680)
Accumulated other comprehensive income	1,640	—	—		—		1,640
<b>Total shareholders' equity</b>	<b>6,854</b>	<b>928</b>	<b>—</b>		<b>(633)</b>		<b>7,149</b>
Noncontrolling interests	241	—	—		—		241
<b>TOTAL EQUITY</b>	<b>7,095</b>	<b>928</b>	<b>—</b>		<b>(633)</b>		<b>7,390</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 16,796</b>	<b>\$ 2,204</b>	<b>\$ 12</b>		<b>\$ 2,107</b>		<b>\$ 21,119</b>

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**Year Ended December 31, 2023**  
**(USD, In Millions, Except Per Share Amounts)**

	Historical Cleveland-Cliffs Inc.	Stelco Holdings Inc. After Reclassifications (Note 5)	IFRS to US GAAP Adjustments	Transaction Accounting Adjustments	Notes (Note 7)	Pro Forma Combined Company
Revenues	\$ 21,996	\$ 2,162	\$ —	\$ —		\$ 24,158
Operating costs:						
Cost of goods sold	(20,605)	(1,867)	—	(17)	7a	(22,489)
Selling, general and administrative expenses	(577)	(67)	—	(74)	7b	(718)
Acquisition-related costs	(12)	—	—	(48)	7c	(60)
Goodwill impairment	(125)	—	—	—		(125)
Miscellaneous – net	—	(1)	—	—		(1)
Total operating costs	(21,319)	-21319000000 (1,935)	—	(139)		(23,393)
<b>Operating income (loss)</b>	<b>677</b>	<b>227</b>	<b>—</b>	<b>(139)</b>		<b>765</b>
Other income (expense)						
Interest expense, net	(289)	(52)	—	(189)	7d	(530)
Net periodic benefit credits other than service cost component	204	—	—	—		204
Other non-operating income (loss)	5	(27)	—	—		(22)
Total other expense	(80)	(79)	—	(189)		(348)
<b>Income (loss) from continuing operations before income taxes</b>	<b>597</b>	<b>148</b>	<b>—</b>	<b>(328)</b>		<b>417</b>
Income tax benefit (expense)	(148)	(37)	—	82	7e	(103)
<b>Income (loss) from continuing operations</b>	<b>449</b>	<b>111</b>	<b>—</b>	<b>(246)</b>		<b>314</b>
Income from discontinued operations, net of tax	1	—	—	—		1
<b>Net income (loss)</b>	<b>450</b>	<b>111</b>	<b>—</b>	<b>(246)</b>		<b>315</b>
Income attributable to noncontrolling interest	(51)	—	—	—		(51)
<b>Net income (loss) attributable to shareholders</b>	<b>\$ 399</b>	<b>\$ 111</b>	<b>\$ —</b>	<b>\$ (246)</b>		<b>\$ 264</b>
<b>Earnings per common share attributable to Cliffs shareholders - basic</b>						
Continuing operations	\$ 0.78				7f	\$ 0.49
Discontinued operations	—					—
	<u>\$ 0.78</u>					<u>\$ 0.49</u>
<b>Earnings per common share attributable to Cliffs shareholders - diluted</b>						
Continuing operations	\$ 0.78				7g	\$ 0.49
Discontinued operations	—					—
	<u>\$ 0.78</u>					<u>\$ 0.49</u>
<b>Average number of shares (in thousands)</b>						
Basic	510,211				7f	536,073
Diluted	511,499				7g	537,361

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**Nine Months Ended September 30, 2024**  
**(USD, In Millions, Except Per Share Amounts)**

	Historical Cleveland-Cliffs Inc.	Stelco Holdings Inc. After Reclassifications (Note 5)	IFRS to GAAP Adjustments	Transaction Accounting Adjustments	Notes (Note 7)	Pro Forma Combined Company
Revenues	\$ 14,860	\$ 1,556	\$ —	\$ —		\$ 16,416
Operating costs:						
Cost of goods sold	(14,517)	(1,318)	—	10	7a	(15,825)
Selling, general and administrative expenses	(347)	(76)	—	(55)	7b	(478)
Acquisition-related costs	(14)	(5)	—	—		(19)
Restructuring and other charges	(131)	—	—	—		(131)
Asset impairments	(79)	—	—	—		(79)
Miscellaneous – net	(63)	(4)	—	—		(67)
Total operating costs	(15,151)	(1,403)	—	(45)		(16,599)
<b>Operating income (loss)</b>	(291)	153	—	(45)		(183)
Other income (expense)						
Interest expense, net	(235)	(45)	—	(138)	7d	(418)
Loss on extinguishment of debt	(27)	—	—	—		(27)
Net periodic benefit credits other than service cost component	184	—	—	—		184
Change in fair value of foreign currency contracts, net	(7)	—	—	—		(7)
Other non-operating income (loss)	3	(27)	—	—		(24)
Total other expense	(82)	(72)	—	(138)		(292)
<b>Income (loss) from continuing operations before income taxes</b>	(373)	81	—	(183)		(475)
Income tax benefit (expense)	99	(21)	—	46	7e	124
<b>Income (loss) from continuing operations</b>	(274)	60	—	(137)		(351)
Income (loss) from discontinued operations, net of tax	—	—	—	—		—
<b>Net income (loss)</b>	(274)	60	—	(137)		(351)
Income attributable to noncontrolling interest	(33)	—	—	—		(33)
<b>Net income (loss) attributable to shareholders</b>	\$ (307)	\$ 60	\$ —	\$ (137)		\$ (384)
<b>Loss per common share attributable to Cliffs shareholders - basic</b>						
Continuing operations	\$ (0.64)				7f	\$ (0.76)
Discontinued operations	—					—
	\$ (0.64)					\$ (0.76)
<b>Loss per common share attributable to Cliffs shareholders - diluted</b>						
Continuing operations	\$ (0.64)				7g	\$ (0.76)
Discontinued operations	—					—
	\$ (0.64)					\$ (0.76)
<b>Average number of shares (in thousands)</b>						
Basic	477,846				7f	503,708
Diluted	477,846				7g	503,708

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Information.

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**  
(Dollars and shares in millions, except per share amounts)

**Note 1: Description of transactions**

On July 14, 2024, Cliffs, 13421422 Canada Inc., a Canadian corporation and wholly owned subsidiary of Cliffs (the "Purchaser"), and Stelco, entered into an Arrangement Agreement (the "Arrangement Agreement"), pursuant to which the Purchaser will acquire all of the issued and outstanding common shares of Stelco ("Stelco Shares") from the holders thereof (the "Stelco Shareholders"). The acquisition of the Stelco Shares and the other transactions contemplated by the Arrangement Agreement were implemented by way of a statutory plan of arrangement (the "Arrangement") under the *Canada Business Corporations Act* (the "CBCA") on the terms and conditions set out in the plan of arrangement related thereto (the "Plan of Arrangement").

On November 1, 2024, pursuant to the Arrangement Agreement, the acquisition of Stelco was completed, in which Cliffs was the acquirer.

The Arrangement Agreement and the Plan of Arrangement provide that, following the effective time of, and as specified in, the Arrangement (the "Effective Time"), each Stelco Share outstanding immediately prior to the Effective Time would be transferred by the holder thereof to Purchaser in exchange for (a) C\$60.00 in cash (the "Cash Consideration") plus (b) 0.454 of a share of Cliffs' common stock ("Cliffs Common Stock"), \$0.125 par value per share ("Share Consideration" and together with the Cash Consideration and the cash in lieu of fractional shares of Cliffs Common Stock, the "Consideration").

In addition, following the Effective Time, Stelco's outstanding share-based compensation awards would be treated as follows:

a Each outstanding restricted share unit granted pursuant to Stelco's Long Term Incentive Plan (the "LTIP"), whether vested or unvested, would be deemed assigned and transferred to Stelco in exchange for the payment and delivery by or on behalf of Stelco of the Consideration (less applicable withholding) and thereafter cancelled;

b Each outstanding deferred share unit granted pursuant to Stelco's Deferred Share Unit Plan would be deemed assigned and transferred to Stelco in exchange for the payment and delivery by or on behalf of Stelco of the Consideration (less applicable withholding) and thereafter cancelled; and

c Each outstanding stock appreciation right granted pursuant to the LTIP, whether vested or unvested, would be deemed assigned and transferred to Stelco in exchange for the payment and delivery by or on behalf of Stelco equal to a portion of the Consideration (less applicable withholding) determined by reference to a formula described in the Plan of Arrangement.

Cliffs financed the aggregate Consideration payable under the Arrangement in cash (being the aggregate Cash Consideration and the cash in lieu of fractional shares of Cliffs common stock) with the issuance of \$2,400 million of senior notes (the "notes") and borrowings under its existing asset-based revolving credit facility (the "ABL Facility"), together with cash on hand.

The unaudited pro forma condensed combined financial information is based on the historical consolidated financial information of Cliffs and Stelco and has been prepared to give effect to the Arrangement.

**Note 2: Basis of presentation**

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting, with Cliffs considered the accounting acquirer as Cliffs obtained control of Stelco through its acquisition of all of the issued and outstanding Stelco Shares. Under the acquisition method of accounting, the preliminary purchase price is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values, with the excess purchase price, if any, allocated to goodwill. To prepare the unaudited pro forma condensed combined financial information, Cliffs adjusted the assets and liabilities included within the Arrangement to their estimated fair values based on Cliffs' most recent preliminary valuation work. Cliffs has not completed the detailed valuation work necessary to finalize the required estimated fair values and estimated useful lives of the assets acquired and liabilities assumed and the related allocation of the purchase price. The final purchase price allocation will be determined during the measurement period and determination of the estimated fair value of assets and liabilities, and associated tax adjustments. Accordingly, the final acquisition accounting adjustments may be materially different from the transaction accounting adjustments contained herein.

The unaudited pro forma condensed combined financial information has been compiled in a manner consistent with the accounting policies adopted by Cliffs. Certain financial information of Stelco as presented in its historical consolidated financial statements has been preliminarily reclassified to conform to the historical presentation in

## Notes to Unaudited Pro Forma Condensed Combined Financial Information

(Dollars and shares in millions, except per share amounts)

Cliffs' consolidated financial statements for the purposes of preparing the unaudited pro forma condensed combined financial information. Cliffs' initial review of the accounting policies of Stelco did not identify any material differences to the accounting policies followed by Cliffs. Upon integration during the measurement period, Cliffs will perform a full and detailed review of Stelco's accounting policies. As a result of that review, Cliffs may identify additional differences between the accounting policies of the companies that, when conformed, could have a material impact on the consolidated financial statements of the combined company.

### Note 3: Foreign currency translation

The Stelco historical financial information and pro forma adjustments have been translated from Canadian dollars to U.S. dollars using historical exchange rates. Refer to Note 5 - TRANSLATION AND RECLASSIFICATION ADJUSTMENTS for further information. The average exchange rates applicable to Stelco during the periods presented for the unaudited pro forma condensed combined statements of operations and the period end exchange rates for the unaudited pro forma condensed combined balance sheet are as follows:

Period Presented	Exchange rate	Canadian Dollar / U.S. Dollar
September 30, 2024	Period end spot rate	\$1 CAD to \$0.7393 USD
Nine Months Ended September 30, 2024	Average spot rate	\$1 CAD to \$0.7353 USD
Year Ended December 31, 2023	Average spot rate	\$1 CAD to \$0.7411 USD
November 1, 2024	Spot rate	\$1 CAD to \$0.7168 USD

### Note 4: IFRS to U.S. GAAP adjustments

Stelco reported its financial statements under IFRS, which differs in certain material respects from U.S. GAAP. The following represents material adjustments that have been made to align Stelco's IFRS financial information on a consistent basis with Cliffs U.S. GAAP accounting policies for purposes of the pro forma presentation in the IFRS to U.S. GAAP adjustments column:

#### Leases

##### a. Other leases

IFRS uses a single on-balance sheet lease accounting model whereas U.S. GAAP under ASC 842 Leases applies a dual classification on-balance sheet accounting model with leases either classified as a finance or operating lease. Under U.S. GAAP operating lease right-of-use assets are presented separately from property, plant and equipment. Under IFRS, entities are able to record right-of-use assets within property, plant and equipment. As of September 30, 2024, \$4 million has been reclassified from *Property, plant and equipment, net* to *Other non-current assets* to reclassify the operating lease right-of-use asset to conform to U.S. GAAP presentation.

##### b. Sale and leaseback

Stelco completed a sale-leaseback transaction where it sold the entirety of its interest in a parcel of land (and buildings) which includes the properties underlying the operations of Hamilton Works. In conjunction with the sale, Stelco entered into long-term lease arrangements for certain portions of the lands to continue its cokemaking and steel finishing operations at Hamilton Works.

The IFRS to U.S. GAAP, primarily ASC 842 Leases, adjustments related to the sale-leaseback transaction include the net impact of the following:

- i. under U.S. GAAP, a portion of the transaction did qualify as a sale and the leaseback liability is recorded as an operating lease, not a financing obligation. The adjustment reflects the amount of property, plant & equipment that was derecognized and right-of-use asset recorded to *Other non-current assets*;
- ii. under U.S. GAAP, a portion of the transaction did not qualify as a sale and the leaseback liability is recorded as a financing obligation, not a lease. The adjustment reflects the derecognition of the IFRS right-of-use asset and the value of property, plant & equipment continuing to be carried; and

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**

*(Dollars and shares in millions, except per share amounts)*

- iii. under both U.S. GAAP and IFRS a portion of the transaction that qualified as a sale is classified as an operating lease under U.S. GAAP, not a finance lease. The adjustment reclassifies the operating lease right-of-use asset to *Other non-current assets*.

In summary, the adjustments related to the sale-leaseback transaction are noted as follows:

- i. reduction of *Property, plant and equipment, net* by \$14 million;
  - ii. increase to *Other non-current assets* by \$29 million; and
  - iii. increase to *Other non-current liabilities* by \$12 million due to measurement differences with respect to the financing and lease obligations.
-

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**  
(Dollars and shares in millions, except per share amounts)

**Note 5: Translation and Reclassification adjustments**

Certain reclassifications have been applied to the historical presentation of Stelco's statements of income and balance sheet to conform to Cliffs' financial statement presentation. Translation and reclassifications to Stelco's consolidated statement of income for the year ended December 31, 2023, are as follows:

Financial Statement Line	Historical Stelco Holdings Inc. Before Reclassifications (CAD)	Exchange rate	Historical Stelco Holdings Inc. Before Reclassifications (USD)	Reclassifications (USD)	Notes	Stelco Holdings Inc. After Reclassifications (USD)
Revenues from sale of goods	\$ 2,917	0.7411	\$ 2,162	\$ (2,162)	a	\$ —
Revenues	—	0.7411	—	2,162	a	2,162
Cost of goods sold	(2,517)	0.7411	(1,865)	(2)	b,d	(1,867)
Selling, general and administrative expenses	(91)	0.7411	(67)	—		(67)
Miscellaneous – net	—	0.7411	—	(1)	c,i	(1)
Finance cost	(110)	0.7411	(82)	82	h,i	—
Finance and other income	9	0.7411	7	(7)	e,f	—
Interest expense, net	—	0.7411	—	(52)	e,h	(52)
Share of income from joint ventures	2	0.7411	1	(1)	d	—
Other costs	(11)	0.7411	(8)	8	b,c,g	—
Other non-operating income (loss)	—	0.7411	—	(27)	f,g	(27)
Current income tax expense	(11)	0.7411	(8)	8	j	—
Deferred income tax expense	(39)	0.7411	(29)	29	j	—
Income tax benefit (expense)	—	0.7411	—	(37)	j	(37)

- a. Represents the reclassification of \$2,162 million of *Revenues from sale of goods* to *Revenues*.
- b. Represents the reclassification of \$3 million of *Other costs* to *Cost of goods sold*.
- c. Represents the reclassification of \$4 million of *Other costs* to *Miscellaneous - net*.
- d. Represents the reclassification of \$1 million of *Share of income from joint ventures* to *Cost of goods sold*.
- e. Represents the reclassification of \$33 million of income from *Finance and other income* to *Interest expense, net*.
- f. Represents the reclassification of \$26 million of losses from *Finance and other income* to *Other non-operating income (loss)*.
- g. Represents the reclassification of \$1 million of *Other costs* to *Other non-operating income (loss)*.
- h. Represents the reclassification of \$85 million of *Finance costs* to *Interest expense, net*.
- i. Represents the reclassification of \$3 million of gains from *Finance costs* to *Miscellaneous-net*.
- j. Represents the reclassification of \$8 million and \$29 million of *Current income tax expense* and *Deferred income tax expense*, respectively, to *Income tax benefit (expense)*.

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**

*(Dollars and shares in millions, except per share amounts)*

Translation and reclassifications to Stelco's consolidated statement of income (loss) and comprehensive income (loss) for the nine months ended September 30, 2024, are as follows:

Financial Statement Line	Historical Stelco Holdings Inc. Before Reclassifications (CAD)	Exchange rate	Historical Stelco Holdings Inc. Before Reclassifications (USD)	Reclassifications (USD)	Notes	Stelco Holdings Inc. After Reclassifications (USD)
Revenues from sale of goods	\$ 2,116	0.7353	\$ 1,556	\$ (1,556)	a	\$ —
Revenues	—	0.7353	—	1,556	a	1,556
Cost of goods sold	(1,795)	0.7353	(1,320)	2	i	(1,318)
Selling, general and administrative expenses	(105)	0.7353	(77)	1	c,j	(76)
Acquisition-related costs	—	0.7353	—	(5)	j	(5)
Miscellaneous – net	—	0.7353	—	(4)	b,g	(4)
Finance cost	(91)	0.7353	(67)	67	f,g	—
Finance and other income (loss)	(11)	0.7353	(8)	8	d,e	—
Interest expense, net	—	0.7353	—	(45)	d,f	(45)
Share of income from joint ventures	3	0.7353	2	(2)	i	—
Other costs	(7)	0.7353	(5)	5	b,c	—
Other non-operating income (loss)	—	0.7353	—	(27)	e	(27)
Current income tax expense	(47)	0.7353	(35)	35	h	—
Deferred income tax (expense) recovery	19	0.7353	14	(14)	h	—
Income tax benefit (expense)	—	0.7353	—	(21)	h	(21)

- a. Represents the reclassification of \$1,556 million of *Revenues from sale of goods* to *Revenues*.
- b. Represents the reclassification of \$1 million of *Other costs* to *Miscellaneous-net*.
- c. Represents the reclassification of \$4 million of *Other costs* to *Selling, general and administrative expenses*.
- d. Represents the reclassification of \$19 million of income from *Finance and other income (loss)* to *Interest expense, net*.
- e. Represents the reclassification of \$27 million of losses from *Finance and other income (loss)* to *Other non-operating income (loss)*.
- f. Represents the reclassification of \$64 million of *Finance costs* to *Interest expense, net*.
- g. Represents the reclassification of \$3 million of losses from *Finance costs* to *Miscellaneous-net*.
- h. Represents the reclassification of \$35 million and \$14 million of *Current income tax expense* and *Deferred income tax (expense) recovery*, respectively, to *Income tax benefit (expense)*.
- i. Represents the reclassification of \$2 million from *Share of income from joint ventures* to *Cost of goods sold*.
- j. Represents the reclassification of \$5 million of *Selling, general and administrative expenses* to *Acquisition-related costs*.



**Notes to Unaudited Pro Forma Condensed Combined Financial Information**  
(Dollars and shares in millions, except per share amounts)

Translation and reclassifications to Stelco's consolidated balance sheet as of September 30, 2024, are as follows:

Financial Statement Line	Historical Stelco Holdings Inc. Before Reclassifications (CAD)	Exchange rate	Historical Stelco Holdings Inc. Before Reclassifications (USD)	Reclassifications (USD)	Notes	Stelco Holdings Inc. After Reclassifications (USD)
Cash and cash equivalents	\$ —	0.7393	\$ —	\$ 345	a	\$ 345
Cash	467	0.7393	345	(345)	a	—
Restricted cash	9	0.7393	7	(7)	x	—
Accounts receivable, net	—	0.7393	—	131	b	131
Trade and other receivables	185	0.7393	137	(137)	b,c	—
Inventories	878	0.7393	649	62	y	711
Other current assets	—	0.7393	—	22	c,d	22
Prepaid expenses and deposits	23	0.7393	16	(16)	d	—
Property, plant and equipment, net	1,322	0.7393	977	(62)	y	915
Other non-current assets	—	0.7393	—	80	e,f,g,h,i,x	80
Derivative assets	33	0.7393	24	(24)	e	—
Intangible assets	15	0.7393	11	(11)	f	—
Investment in joint ventures	21	0.7393	16	(16)	g	—
Deferred tax asset	5	0.7393	4	(4)	h	—
Mortgage receivable	24	0.7393	18	(18)	i	—
Accounts payable	—	0.7393	—	223	j	223
Trade and other payables	684	0.7393	506	(506)	j,k	—
Accrued employment costs	—	0.7393	—	44	l	44
Other current liabilities	—	0.7393	—	366	k,m,n,o,p	366
Other liabilities	81	0.7393	60	(60)	l,m	—
Asset-based lending facility	15	0.7393	11	(11)	n	—
Income taxes payable	31	0.7393	23	(23)	o	—
Obligations to independent employee trusts	44	0.7393	33	(33)	p	—
Long-term debt	—	0.7393	—	20	u	20
Pension and OPEB liabilities	—	0.7393	—	15	r,s	15
Deferred income taxes	—	0.7393	—	30	v	30
Other non-current liabilities	—	0.7393	—	578	q,t,w	578
Provisions	18	0.7393	13	(13)	q	—
Pension benefits	12	0.7393	9	(9)	r	—

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**  
(Dollars and shares in millions, except per share amounts)

<b>Financial Statement Line</b>	<b>Historical Stelco Holdings Inc. Before Reclassifications (CAD)</b>	<b>Exchange rate</b>	<b>Historical Stelco Holdings Inc. Before Reclassifications (USD)</b>	<b>Reclassifications (USD)</b>	<b>Notes</b>	<b>Stelco Holdings Inc. After Reclassifications (USD)</b>
Other liabilities	470	0.7393	347	(347)	s,t	—
Asset-based lending facility	27	0.7393	20	(20)	u	—
Deferred tax liability	41	0.7393	30	(30)	v	—
Obligations to independent employee trusts	303	0.7393	224	(224)	w	—
Common shares	314	0.7393	232	—		232
Retained earnings	942	0.7393	696	—		696

- a. Represents the reclassification of \$345 million from *Cash* to *Cash and cash equivalents*.
- b. Represents the reclassification of \$131 million from *Trade and other receivables* to *Accounts receivable, net*.
- c. Represents the reclassification of \$6 million from *Trade and other receivables* to *Other current assets*.
- d. Represents the reclassification of \$16 million from *Prepaid expenses and deposits* to *Other current assets*.
- e. Represents the reclassification of \$24 million from *Derivative asset* to *Other non-current assets*.
- f. Represents the reclassification of \$11 million from *Intangible assets* to *Other non-current assets*.
- g. Represents the reclassification of \$16 million from *Investment in joint ventures* to *Other non-current assets*.
- h. Represents the reclassification of \$4 million from *Deferred tax asset* to *Other non-current assets*.
- i. Represents the reclassification of \$18 million from *Mortgage receivable* to *Other non-current assets*.
- j. Represents the reclassification of \$223 million from *Trade and other payables* to *Accounts payable*.
- k. Represents the reclassification of \$283 million from *Trade and other payables* to *Other current liabilities*.
- l. Represents the reclassification of \$44 million from *Other liabilities* to *Accrued employment costs*.
- m. Represents the reclassification of \$16 million from *Other liabilities* to *Other current liabilities*.
- n. Represents the reclassification of \$11 million from *Asset-based lending facility* to *Other current liabilities*.
- o. Represents the reclassification of \$23 million from *Income taxes payable* to *Other current liabilities*.
- p. Represents the reclassification of \$33 million from *Obligations to independent employee trusts* to *Other current liabilities*.
- q. Represents the reclassification of \$13 million from *Provisions* to *Other non-current liabilities*.
- r. Represents the reclassification of \$9 million from *Pension benefits* to *Pension and OPEB liabilities*.
- s. Represents the reclassification of \$6 million from *Other liabilities* to *Pension and OPEB liabilities*.
- t. Represents the reclassification of \$341 million from *Other liabilities* to *Other non-current liabilities*.

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**

*(Dollars and shares in millions, except per share amounts)*

- u. Represents the reclassification of \$20 million from *Asset-based lending facility* to *Long-term debt*.
- v. Represents the reclassification of \$30 million from *Deferred tax liability* to *Deferred income taxes*.
- w. Represents the reclassification of \$224 million from *Obligations to independent employee trusts* to *Other non-current liabilities*.
- x. Represents the reclassification of \$7 million from *Restricted cash* to *Other non-current assets*.
- y. Represents the reclassification of \$62 million from *Property, plant and equipment, net* to *Inventories*.

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**  
(Dollars and shares in millions, except per share amounts)

**Note 6: Purchase consideration**

The unaudited pro forma condensed combined statement of financial position has been adjusted to reflect a preliminary allocation of the estimated purchase price to identifiable assets to be acquired and liabilities to be assumed, with any remaining excess recorded as goodwill, if applicable. The preliminary purchase price allocation in this unaudited pro forma condensed combined financial information for the Arrangement is based upon an estimated purchase price of \$3,208 million. Included in the estimated purchase price are certain debt arrangements that contained change of control provisions that were triggered by the acquisition and required consent to consummate the acquisition. These amounts were repaid in full and terminated at or prior to the Effective Time of the Arrangement and therefore have been included as part of purchase consideration.

The fair value of the transaction consideration is as follows:

	<b>Amount (USD)</b>
Total cash consideration	\$ 2,450
Total share exchange consideration	343
Total debt consideration	415
<b>Total estimated transaction consideration</b>	<b>\$ 3,208</b>

Total estimated cash consideration is calculated as follows:

	<b>Amount</b>
Number of outstanding Stelco Shares	54.5
Number of outstanding share-based compensation awards	2.5
<b>Total consideration shares</b>	<b>57.0</b>

	<b>Amount</b>
Number of consideration shares	57.0
Consideration share price per share (CAD)	\$ 60.00
<b>Total cash consideration (CAD)</b>	<b>3,418</b>
Exchange rate (November 1, 2024)	0.7168
<b>Total cash consideration (USD)</b>	<b>\$ 2,450</b>

The fair value of share exchange consideration is as follows:

	<b>Amount</b>
Total consideration shares	57.0
Fixed share exchange factor	0.454
<b>Total Cliffs exchange shares</b>	<b>25.9</b>
Cliffs share price at closing date (November 1, 2024) (USD)	\$ 13.27
<b>Total share exchange consideration (USD)</b>	<b>\$ 343</b>

The fair value of debt consideration is calculated as follows:

	<b>Amount</b>
Inventory monetization arrangement (CAD)	\$ 537
Asset-based lending facility (CAD)	41
<b>Fair value of debt included in consideration (CAD)</b>	<b>\$ 578</b>
Exchange rate (November 1, 2024)	0.7168
<b>Total debt consideration (USD)</b>	<b>\$ 415</b>

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**  
(Dollars and shares in millions, except per share amounts)

The following is a preliminary estimate of the assets acquired and the liabilities assumed by Cliffs, as if the Arrangement had occurred on September 30, 2024:

	<b>Amount</b>
Cash and cash equivalents	\$ 345
Accounts receivable, net	131
Inventories	721
Other current assets	97
Property, plant and equipment, net	1,324
Other non-current assets	1,193
Accounts payable	(223)
Accrued employment costs	(44)
Other current liabilities	(72)
Pension and OPEB liabilities	(15)
Deferred income taxes	(496)
Other non-current liabilities	(658)
<b>Net identifiable assets acquired</b>	<b>\$ 2,303</b>
Goodwill	905
<b>Total net assets acquired</b>	<b>\$ 3,208</b>

**Note 7: Transaction Accounting Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations**

a. *Costs of goods sold*—Represents adjustments comprised of the following:

	<b>Nine Months Ended September 30, 2024</b>	<b>Year Ended December 31, 2023</b>
Depreciation of property, plant and equipment (i)	\$ 13	\$ 14
Amortization of fair value step up of inventory (ii)	—	(27)
Amortization expense, net of intangible assets/liability (iii)	\$ (3)	\$ (4)
Total transaction accounting adjustments	\$ 10	\$ (17)

- i. The adjustment to historical depreciation expense due to the recognition of Stelco's property, plant and equipment at their preliminary fair values in acquisition accounting, depreciated over their estimated remaining useful lives, determined in accordance with Cliffs' policy.
  - ii. The increase to cost of goods sold related to the fair value step up of semi-finished and finished goods inventory as the inventory is expected to be sold within 12 months of the acquisition date. These costs will not affect the combined company's statement of operations beyond 12 months after the acquisition date.
  - iii. Adjustment for the net amortization expense on the preliminary estimated fair value of the intangible assets acquired and liability assumed.
- b. *Selling, general and administrative expenses*—Represents impact of amortization expense of \$55 million and \$74 million for the nine months ended September 30, 2024, and the year ended December 31, 2023, respectively, on the fair value of the definite lived intangible assets recognized as part of acquisition accounting. Amortization expense for intangible assets is calculated using the straight-line method.
- c. *Acquisition-related costs*—Represents transaction accounting adjustments for the year ended December 31, 2023 of \$48 million of additional acquisition-related costs incurred by Cliffs subsequent to September 30, 2024. The remaining transaction costs are included in the historical statement of operations for the nine months ended September 30, 2024. These costs will not affect the combined company's statement of operations beyond 12 months after the acquisition date.

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**

*(Dollars and shares in millions, except per share amounts)*

The income tax benefit of \$12 million related to the acquisition-related costs is also reflected in the unaudited pro forma condensed combined statement of operations as a non-recurring adjustment to *Income (loss) from continuing operations*.

d. *Interest expense, net*—Represents adjustments to reflect the refinancing of Stelco’s historical debt in connection with the Arrangement:

	<b>Nine Months Ended September 30, 2024</b>	<b>Year Ended December 31, 2023</b>
Increased amortization of debt issuance costs from the planned debt refinancing, net of elimination of Stelco’s historical debt issuance costs	\$ (5)	\$ (7)
Increased interest expense from the debt refinancing activity	(133)	(182)
<b>Total transaction accounting adjustments</b>	<b>\$ (138)</b>	<b>\$ (189)</b>

e. *Income tax benefit (expense)*—Represents adjustments to reflect the income tax benefit (expense) on Stelco Holdings Inc. After Reclassifications—*Income (loss) from continuing operations before income taxes* at a statutory rate of 25% to record the income tax impact of transaction accounting adjustments that affect *Income (loss) from continuing operations before income taxes*.

f. *Basic average number of shares*—Reflects the pro forma issuance of 25.9 million Cliffs common shares from treasury shares upon closing of the Arrangement as if the Arrangement took place on January 1, 2023.

g. *Diluted average number of shares*—Reflects the pro forma issuance of 25.9 million Cliffs common shares from treasury shares upon closing of the Arrangement as if the Arrangement took place on January 1, 2023.

**Note 8: Transaction Accounting Adjustments to Unaudited Pro Forma Condensed Combined Statement of Financial Position**

a. *Cash and cash equivalents*—Adjustments for financing transactions totaling \$2,507 million to fund the Arrangement’s cash purchase consideration of \$2,865 million and estimated transaction costs of \$26 million. Estimated transaction costs include legal, consulting, regulatory, filing and other fees directly related to the Arrangement.

b. *Inventories*—Represents the fair value adjustment of \$27 million to step-up the semi-finished and finished goods inventory and a \$17 million step-down of supplies inventory to a preliminary fair value of \$721 million. The estimated step-up inventory on the semi-finished and finished goods inventory will increase cost of goods sold as the acquired inventory is sold within the first turn of the inventory after the completion of the Arrangement.

c. *Other current assets*—Represents the adjustment of \$75 million for the fair value of estimated harmonization sales tax on the repayment of the inventory monetization arrangement at the time of closing.

d. *Property, plant and equipment, net*—Represents the fair value adjustment to step-up property, plant and equipment by \$409 million to the preliminary fair value of \$1,303 million. Transaction adjustment also represents the elimination of Stelco’s historical accumulated depreciation of \$362 million. The estimated fair value is depreciated over the estimated useful lives of the assets, generally on a straight-line basis.

<b>Property, Plant and Equipment Classification</b>	<b>Estimated Fair Value</b>	<b>Estimated Remaining Useful Life</b>
Land, land improvements and mineral rights	\$ 22	N/A
Buildings	184	25
Equipment	1,048	15
Construction in progress	49	N/A
<b>Total</b>	<b>\$ 1,303</b>	

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**

*(Dollars and shares in millions, except per share amounts)*

The estimated fair value and estimated useful lives are preliminary and subject to change once Cliffs has sufficient information as to the specific types, nature, age, condition and location of Stelco's property, plant and equipment. The finalization of the detailed valuation work may have a material impact on the valuation of property, plant and equipment and the purchase price allocation.

- e. *Goodwill*—Represents the adjustment to goodwill by \$905 million to reflect the additional excess consideration over the updated fair value of the assets to be acquired and liabilities to be assumed. Goodwill primarily represents the growth opportunities through diversification within our customer base across service centers, construction and other industrial end markets with higher volumes of spot sales, as well as any synergistic benefits to be realized from the Arrangement. None of the goodwill is expected to be deductible for income tax purposes.
- f. *Other non-current assets*—Represents adjustments to record the preliminary estimated fair value of intangible assets of approximately \$1,120 million, which represents an increase of \$1,113 million over Stelco's net book value of intangible assets prior to completion of the Arrangement. The estimated fair values of identified intangible assets are preliminary and are determined based on assumptions that market participants would use in pricing an asset, on a most advantageous market for the asset (i.e., its highest and best use).

The final fair value determinations for identifiable intangible assets may differ from this preliminary determination, and such differences could be material. Amortization of the intangible assets is recognized based on a 3 to 20-year useful life utilizing a straight-line amortization method.

Pro forma amortization expense of the acquired intangible assets was \$60 million and \$80 million for the nine months ended September 30, 2024 and the year ended December 31, 2023, respectively. The following table summarizes the expected pro forma amortization expense of the acquired intangible assets for the fiscal years ending December 31, 2024 through December 31, 2029 and thereafter, which has been prepared to reflect the transaction as if it occurred on January 1, 2023. Cliffs has not completed the detailed valuation work necessary to finalize the required estimated fair values, estimated lives, or pattern of amortization associated with the acquired intangible assets which may result in a change in actual amortization expense recognized. The finalization of the detailed valuation work may have a material impact on the valuation of intangible assets and the purchase price allocation.

	Remaining					
	October 1, 2024 to December 31, 2024	2025	2026	2027	2028	2029 and thereafter
Amortization expense	\$ 20	\$ 80	\$ 74	\$ 74	\$ 74	\$ 660

*Other non-current assets* were also adjusted for the write-off of \$21 million of bridge financing costs.

- g. *Accrued expenses*—Represents the \$27 million of additional transaction costs incurred by Cliffs subsequent to September 30, 2024. These costs will not affect the combined company's statement of operations beyond 12 months after the acquisition date.
- h. *Other current liabilities*—Represents the extinguishment of \$294 million of the current portion of Stelco's historical inventory monetization arrangement and asset-based lending facility.
- i. *Long-term debt*—Represents the adjustments related to the financing transactions of \$2,507 million for debt obligations issued in connection with the Arrangement, net of adjustments for related debt issuance costs of \$26 million. Additionally, the adjustment includes \$20 million for the extinguishment of the non-current portion of Stelco's historical asset-based lending facility.
- j. *Deferred income taxes*—Represents adjustments of \$466 million to record the income tax impact at a rate of 25% on certain preliminary fair value adjustments resulting in \$496 million of deferred tax liabilities. These adjustments include the tax impact of other fair value adjustments, primarily related to property, plant and equipment and intangible assets. The finalization of the detailed valuation work may have a material impact on the valuation of deferred income taxes and the purchase price allocation.

**Notes to Unaudited Pro Forma Condensed Combined Financial Information**

*(Dollars and shares in millions, except per share amounts)*

- k. *Other non-current liabilities*—Represents the transaction adjustment to record the preliminary estimated fair value of an intangible liability of approximately \$80 million. Amortization of the intangible liability is recognized based on a 33-year useful life utilizing a straight-line amortization method.

Pro forma amortization credits of the assumed intangible liability was \$2 million and \$2 million for the nine months ended September 30, 2024 and the year ended December 31, 2023, respectively. The following table summarizes the expected pro forma amortization credits of the assumed intangible liability for the fiscal years ending December 31, 2024 through December 31, 2029 and thereafter, which has been prepared to reflect the transaction as if it occurred on January 1, 2023. Cliffs has not completed the detailed valuation work necessary to finalize the required estimated fair values, estimated lives, or pattern of amortization associated with the assumed intangible liability which may result in a change in actual amortization expense recognized. The finalization of the detailed valuation work may have a material impact on the valuation of intangible liabilities and the purchase price allocation.

	Remaining					
	October 1, 2024 to December 31, 2024	2025	2026	2027	2028	2029 and thereafter
Amortization credits	\$ 1	\$ 2	\$ 2	\$ 2	\$ 2	67

- l. *Total equity*—Represents the elimination of Stelco Shares and retained earnings, as well as the following adjustments to reflect the capital structure of the combined company:

	Common Shares	Capital in excess of par value of shares	Retained Earnings	Common Shares in Treasury
Fair value of Cliffs common shares issued from Treasury shares for outstanding Stelco Shares and underlying converted Stelco share-based compensation awards	\$ —	\$ (130)	\$ —	473
Elimination of Stelco historical total equity	(232)	—	(696)	—
Additional expected transaction costs	—	—	(48)	—
<b>Total</b>	<b>\$ (232)</b>	<b>\$ (130)</b>	<b>\$ (744)</b>	<b>473</b>