THIRD QUARTER 2021
MANAGEMENT'S DISCUSSION AND ANALYSIS
STELCO HOLDINGS INC.

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

This Management’s Discussion and Analysis (MD&A) is intended to enable a reader to assess Stelco Holdings Inc.’s (Stelco Holdings) results of operations and financial performance for the three and nine months ended September 30, 2021 (Q3 2021 and YTD 2021, respectively). Unless the context indicates otherwise, references to the “Company”, “Stelco”, “we”, “us” or “our” refer to Stelco Holdings and its consolidated subsidiaries, as applicable. This MD&A, which has been prepared as of November 10, 2021, should be read in conjunction with our unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2021 (Consolidated Financial Statements) as well as the annual consolidated financial statements (the 2020 Annual Financial Statements) and MD&A for the year ended December 31, 2020 (2020 MD&A). The Consolidated Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* and are presented in millions of Canadian dollars unless otherwise indicated.

These documents, as well as additional information relating to the Company, including our Annual Information Form dated as of February 17, 2021 (2020 AIF) have been filed electronically with the Canadian securities regulators through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available through the SEDAR website at www.sedar.com. Readers are cautioned against relying on or otherwise obtaining information in respect of the Company from sources other than from the Company’s public filings on the SEDAR website.

FORWARD-LOOKING INFORMATION

Certain information included in this MD&A contains forward-looking information within the meaning of applicable securities laws. This information includes, but is not limited to, statements made in our “Business Overview”; “Strategy"; “Results of Operations”; “Capital Resources and Liquidity”, and “Commitments and Contingencies” sections of this MD&A.

Forward-looking information may relate to our future outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategy, budgets, operations, financial results, taxes, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as ‘‘plans’’, ‘‘targets’’, ‘‘expects’’, ‘‘does not expect’’, ‘‘is expected’’, ‘‘exists’’, ‘‘budget’’, ‘‘scheduled’’, ‘‘estimates’’, ‘‘outlook’’, ‘‘forecasts’’, ‘‘projection’’, ‘‘prospects’’, ‘‘strategy’’, ‘‘intends’’, ‘‘anticipates’’, ‘‘does not anticipate’’, ‘‘believes’’, or variations of such words and phrases or state that certain actions, events or results ‘‘may’’, ‘‘could’’, ‘‘would’’, ‘‘might’’, ‘‘will’’, ‘‘will be taken’’, ‘‘occur’’ or ‘‘be achieved’’. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances. The forward-looking statements contained herein are presented for the purpose of assisting the holders of our securities and financial analysts in understanding our financial position and results of operations as at and for the periods ended on the dates presented, as well as our financial performance objectives, vision and strategic goals, and may not be appropriate for other purposes.

The forward-looking information includes, among other things: expectations that the LG Bedrock (as hereinafter defined) representatives serving as directors on the Company’s board of directors will continue until the next annual general meeting of shareholders; statements regarding our strategy of maximizing total shareholder returns while maintaining a conservative capital structure; statements regarding the Company’s six strategic objectives, namely: (i) operating safely and sustainably, (ii) expanding and serving our customer base, (iii) optimizing production from our assets, (iv) maintaining a strong balance sheet, (v) maximizing profitability and cash flows, and (vi) growing our business; statements with respect to the Pellet Agreement (as defined herein), including, with respect to the Company’s belief that the Pellet Agreement will supply substantially all of Stelco’s anticipated requirements of iron ore pellets at Lake Erie Works through January 31, 2028, including volumes required to support the expansion of production projected as a result of the recently completed blast furnace upgrade and reline; our ability to capitalize on any increase in hot metal production through the use of the pig iron caster; statements regarding the timing and cost of the construction of the Cogen Plant (as defined herein) and the related boiler assets and infrastructure; expectations that the Cogen Plant will receive all applicable regulatory approvals in a timely fashion, expectations that such facility will be completed and, if completed, would lower the Company’s overall power consumption costs; statements regarding the expected aggregate maximum fixed payment amounts that will be payable by the Company in respect of the Cogen Plant and the related boiler assets and infrastructure; statements with respect to the timing and cost of the Coke Battery Upgrade Project (as defined herein) and the anticipated increase in production capacity resulting from the Coke Battery Upgrade Project; statements regarding the Coke Battery Upgrade Project contributing towards the achievement of the Company’s environmental compliance objectives and reducing our energy purchases; statements regarding the Company’s belief that the RPA (as defined herein) provides the Company with improved liquidity on certain customers’ trade receivables; statements regarding our intention to pursue and complete capital projects in connection with the Contribution (as defined herein); statements with respect to the application of the Contribution to such capital projects; statements with respect to our intention to fully capitalize on the Contribution and expectations that the funding commitment, and any capital projects in connection therewith, will allow us to: (i) increase research and development, (ii) facilitate growth and expansion, (iii) advance industrial research and technology, (iv) produce additional advanced steel products, (v) lower the Company’s overall production costs, and/or (vi) improve the Company’s environmental footprint; statements regarding the COVID-19 pandemic and the impacts that it may have on the Company and the industry and market in which the Company operates; expectations regarding increased domestic demand for our products as a result of existing Canadian trade measures; expectations regarding Canadian government support for businesses and workers impacted by trade measures; expectations that the CBSA’s (as defined herein) policies will provide the Canadian steel industry with effective protection against foreign trade measures; statements regarding the Company’s working capital and expectations that cash-on hand, cash generated from our operations, amounts available under our ABL (as defined

herein), RPA and IMA (as defined herein), and the availability of debt and equity capital in the public markets will be sufficient to meet our future operating expenses, capital expenditures, and future debt services costs and to support the growth of our business, repay short-term obligations and deploy for general corporate purposes; statements regarding potential future acquisitions; expectations that the resolution of any litigation proceedings or actions will not have a material impact on the Company's consolidated balance sheets, statements of income or statements of cash flows; and expectations regarding industry trends, market growth rates and the Company's future growth rates, plans and impact.

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

KEY ASSUMPTIONS UNDERLYING OUR COKE BATTERY UPGRADE PROJECT

The estimated cost, schedule and production volumes associated with the Coke Battery Upgrade Project included in this MD&A are based on a number of assumptions in addition to the foregoing assumptions, including, but not limited to, the following material assumptions: expectations that third party contractors and suppliers will deliver, construct and perform in accordance with agreed upon budgets and schedules; expectations that the scope of work will remain unchanged in all material respects; our ability to obtain any applicable regulatory approvals and permits required in connection with the Coke Battery Upgrade Project; expectations that, upon completion, the facility will produce in accordance with anticipated design capacity; expectations that the market for steel does not experience a material adverse change subsequent to the completion of the Coke Battery Upgrade Project; expectations that our customers will continue to purchase material volumes of production upon completion of the project; the facility, upon completion, performing in such a manner so as to provide sufficient coke that, together with our HW coke battery, satisfy our production needs; and expectations that we will fully realize current and future production levels at our LEW facility.

KEY ASSUMPTIONS UNDERLYING OUR SHIPPING VOLUME ESTIMATES FOR THE FOURTH QUARTER OF 2021

The estimates with respect to our shipping volumes during the fourth quarter of 2021 referenced in this MD&A are based on a number of assumptions in addition to the foregoing assumptions, including, but not limited to, the following material assumptions: the Company's ability to continue to access the U.S. market without any adverse trade restrictions; no significant legal or regulatory developments, changes in economic conditions, or macro changes in the competitive environment affecting our business activities; upgrades to existing facilities remaining on schedule and on budget and their anticipated effect on revenue and costs; the Company's ability to attract new customers and further develop and maintain existing customers; currency exchange and interest rates; the impact of competition; and growth in steel markets and industry trends.

We believe that our performance and our ability to achieve these shipments during the fourth quarter of 2021 depend on a number of material factors including: (i) sustained global demand growth; (ii) continued steel production capacity curtailments in China; (iii) continued fair trade practices, particularly with respect to the North American market; (iv) the COVID-19 pandemic not having an adverse impact on North American demand for our products; (v) continued signs of a broad economic recovery, together with ongoing economic support from federal, provincial, and local governments in connection with the recovery from the COVID-19 pandemic; and (vi) stable supply and demand fundamentals in the rest of the world. These factors are also subject to a number of inherent risks, challenges and assumptions.

The forward-looking information contained in this MD&A represents management's expectations as of the date of this MD&A and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, is subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to, those described herein and referred to under the heading "Risk and Uncertainties" below, and see the section "Risk Factors" in the 2020 AIF for a description of the risks and uncertainties that impact our business. We caution that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect our results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Overview

Stelco Holdings is the parent company of Stelco Inc. (Stelco), one of Canada's leading steel producers, and is listed on the Toronto Stock Exchange (TSX) under the symbol 'STLC'. Stelco Holdings was incorporated on September 25, 2017 under the *Canada Business Corporations Act* and is based in Hamilton, Ontario, Canada.

Stelco Holdings completed an initial public offering on November 10, 2017, and acquired all outstanding shares of Stelco from Bedrock Industries Cooperatief U.A. (formerly known as Bedrock Industries B.V. (Bedrock Industries)), which is a wholly-owned indirect subsidiary of Bedrock Industries LP (Bedrock).

Overview

Stelco was established in 1910 and is primarily engaged in the production and sale of steel products. The Company owns and operates what we believe is among the newest and the most technologically advanced integrated steelmaking facilities in North America. Stelco produces flat-rolled value-added steels, including premium-quality coated, pre-painted, cold-rolled full hard, fully processed cold-rolled and hot-rolled sheet products, as well as pig iron and metallurgical coke. With first-rate gauge, crown, and shape control, as well as uniform through-coil mechanical properties, our steel products are supplied to customers in the steel service centre, construction, automotive, energy, appliance, and pipe and tube industries across Canada and the United States. We believe our total cash costs per net ton (nt) are among the lowest in North America.

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

Our operations are strategically located near our raw material suppliers and core customers which we believe positions us to serve both Canadian and U.S. customers with shorter lead-times relative to other steelmakers. Furthermore, the fact that both of our operating facilities have access to multiple modes of transportation (water, rail and truck) allows us to negotiate competitive freight rates, rapidly adapt to changing market environments, and access customers across a wide range of locations.

COVID-19 Pandemic

We continue to undertake comprehensive measures to protect the health of our employees and their families, and ensure the continuity of our operations to serve the needs of our customers. Some of the measures taken by the Company include, but are not limited to, a constant supply of PPE for our employees, enhanced cleaning and sanitation procedures, social distancing, remote working and a company-wide communication plan, which enables us to safeguard employee health while ensuring service continuity for our customers. The Company also continues to evaluate all developments and make any necessary modifications and enhancements to our COVID-19 response as new and updated information is provided by public health authorities and governments.

While COVID-19 continues to have a significant worldwide impact, we are confident that as one of North America's most technologically advanced steel companies we are well positioned to succeed. Our tactical flexibility business model will ensure that Stelco remains competitive, versatile and ready to capitalize on the expected economic recovery across North America.

Unfair Trade Practices

On May 17, 2019, Canada and the United States issued a joint statement agreeing to eliminate tariffs on steel and aluminum effective May 20, 2019. As a result of the understanding between the two countries, neither Canadian importers of steel from the United States, nor U.S. importers of steel from Canada are required to pay tariffs or surtaxes pursuant to these measures. While imports into both countries continue to be monitored by the respective governments, we anticipate that the Government of Canada will continue to support the businesses and workers impacted by the U.S. administration's trade measures.

On August 23, 2019, the Government of Canada announced regulatory and policy changes intended to improve the effectiveness and transparency of Canada's trade remedy system that were in effect. In connection with these changes, the Canada Border Services Agency (CBSA) has updated its policy to allow anti-dumping levels to be reviewed more frequently, which may provide the Canadian steel industry with more effective and up-to-date protection in the face of changing market circumstances. The CBSA and Global Affairs Canada have also taken steps to enhance the verification of steel import data. Furthermore, the Government of Canada has implemented regulatory amendments which are intended to provide the CBSA with greater flexibility when calculating appropriate levels of anti-dumping duties in circumstances in which price distortions may be involved.

The Government of Canada has continued to consult with the steel industry and workers regarding additional improvements to Canada's trade remedy system. As a result, on April 19, 2021, the Government of Canada announced its intention to launch public consultations on measures to further strengthen Canada's trade remedy system. On August 6, 2021, the government

launched public consultations regarding possible legislative and regulatory changes which could ultimately result in amendments to the *Special Import Measures Act* and the *Canadian International Trade Tribunal Act* and related regulations. The proposed measures are intended to maintain a robust trade remedy system that helps ensure unfairly traded foreign imports do not damage the domestic industry.

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

Repurchase and cancellation of common shares

During August, 2021, the Company repurchased and cancelled 11,398,024 common shares (the Repurchase) from LG Bedrock Holdings LP (LG Bedrock or the Selling Shareholder) at a price of $34.93 per common share, for gross proceeds to the Selling Shareholder of approximately $398 million. As a result of the Repurchase, the Selling Shareholder's ownership in the Company was reduced from 19,052,235 common shares to 7,654,211 of the issued and outstanding common shares (representing a decrease from approximately 21.5% to approximately 9.9% of the issued and outstanding common shares after giving effect to the Repurchase.

The Repurchase was completed pursuant to a definitive share purchase agreement between the Company and the Selling Shareholder, which included a customary lock-up in respect of LG Bedrock's remaining common shares for a period of 12 months expiring on August 13, 2022, subject to certain limited exceptions. The Repurchase was completed at a discount of approximately 26% to the closing price of the Company's common shares on August 12, 2021. The Company believes that the Repurchase provided a number of benefits to our shareholders, including improved market liquidity in respect of the Company's common shares and an improved capital markets profile.

As a result of LG Bedrock's holdings decreasing to below 10% of the issued and outstanding common shares, LG Bedrock ceased to have any nomination rights or preemptive rights pursuant to the investor rights agreement between, among others, the Company and LG Bedrock. However, each of LG Bedrock's current representatives on the Board of Directors will continue to serve as a director of the Company, subject to the Board of Directors' ordinary course director assessment and succession processes.

Secondary Offerings

On March 10, 2021, Stelco Holdings announced the completion of a bought deal secondary offering (the March Offering) of 7,000,000 common shares of Stelco Holdings by Bedrock Industries at a price of $26.25 per common share for aggregate gross proceeds of $184 million. The net proceeds of the March Offering, after deducting the underwriter's commission, were paid to Bedrock Industries. Prior to the March Offering, Bedrock Industries held 41,172,315 of Stelco Holdings' common shares, which represented approximately 46.4% of the total outstanding common shares. Following the completion of the March Offering, Bedrock Industries held 34,172,315 common shares, representing approximately 38.5% of the issued and outstanding common shares of Stelco Holdings. Subsequent to the March Offering, Bedrock Industries authorized a distribution in kind of all of its common shares in Stelco Holdings to LG Bedrock and to Alan Kestenbaum.

On June 2, 2021, Stelco Holdings announced the completion of a bought deal secondary offering (the June Offering) of 6,670,000 common shares of Stelco Holdings by LG Bedrock at a price of $33.00 per common share for aggregate gross proceeds of $220 million. The net proceeds of the June Offering, after deducting the underwriter's commission, were paid to LG Bedrock. Prior to the completion of the June Offering, LG Bedrock held 25,752,236 of Stelco Holdings' common shares, which represented approximately 29% of the issued and outstanding common shares. Following the completion of the June Offering, LG Bedrock held 19,082,236 common shares, representing approximately 21.5% of the issued and outstanding common shares of Stelco Holdings.

The March Offering was completed by way of a prospectus supplement dated March 5, 2021 to the final base shelf prospectus of the Company dated February 11, 2021 (the Base Shelf Prospectus). The June Offering was completed by way of a prospectus supplement dated May 28, 2021, to the Base Shelf Prospectus. Each of the Base Shelf Prospectus and the prospectus supplements in respect of the March Offering and the June Offering are available on the Company's SEDAR profile at www.sedar.com.

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 the Contribution that Stelco will receive is dependent upon qualified expenditures made by the Company in connection with 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 January 1, 2024.

As of September 30, 2021, the Company has received an aggregate of $34 million in cash proceeds in connection with the Contribution. Management believes that investment in these capital projects will allow the Company to produce additional advanced steel products, lower its overall production costs and improve its environmental footprint.

Strategy

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

Operate Safely and Sustainably

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

Expand and Serve our Customer Base

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

Optimize Production from our Assets

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

Maintain a Strong Balance Sheet

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

Maximize Profitability and Cash Flow

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

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

Grow our Business

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

Non-IFRS Performance Measures

In this MD&A, we refer to certain non-IFRS measures which we use in addition to International Financial Reporting Standards (IFRS) measures to evaluate the financial condition and results of operations of the business. We use non-IFRS measures that are typically used by our competitors in the North American steel industry, including “Adjusted Net Income”, ‘‘Adjusted EBITDA’’, ‘‘Adjusted EBITDA per net ton’’, ‘‘Average Selling Price per net ton’’ and ‘‘Shipping Volume" to provide supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management uses these non-IFRS financial measures in order to facilitate operating performance comparisons from period-to-period, to prepare annual operating budgets and forecasts, and drive performance through our management compensation program.

These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. Reconciliation of these measures to IFRS can be found in the ‘‘*Review of Non-IFRS Measures*’’ section of this MD&A.

Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per common share (diluted)

Adjusted Net Income (Loss) is defined as net income or loss for the period adjusted for the impact of impairment charges related to intangibles, property, plant and equipment and investments; acquisitions/disposition gains or losses and related transaction costs; gains or losses on derivative instruments; remeasurement impacts related to employee benefit commitment obligations; adjustment for other significant non-routine, non-recurring and/or non-cash items; and the tax effect of the adjusted items. In this MD&A, the Company adjusted for the following non-routine, non-recurring, and/or non-cash items: (i) remeasurement of employee benefit commitment, (ii) gain/loss from commodity-based swaps, (iii) gain/loss on derivative asset, (iv) transaction-based and other corporate-related costs, and (v) other costs. Management believes adjusting net income by excluding the impact of specified items may be more reflective of ongoing operational results and uses this measure internally to assist with the planning and forecasting of future operating results. Management is of the view that Adjusted Net Income (Loss) is a useful measure of our performance because the aforementioned adjusting items do not reflect the underlying operating performance of our core business and are not necessarily indicative of future operating results. Adjusted Net Income (Loss) is intended to provide additional information only and does not have a standardized definition under IFRS and therefore may not be comparable to similar measures presented by other companies.

Adjusted Net Income (Loss) per common share (diluted) is defined as Adjusted Net Income (Loss) divided by the weighted average number of diluted shares outstanding for the period.

Adjusted EBITDA (Loss) and Adjusted EBITDA (Loss) as a percentage of total revenue

Adjusted EBITDA (Loss) is defined as net income or loss for the period before finance costs, finance income, income tax expense, depreciation and amortization and the impact of certain non-routine, non-recurring, and/or non-cash items. In this MD&A, the Company adjusted for the following non-routine, non-recurring, and/or non-cash items: (i) deferred tax recovery, (ii) gain/loss from commodity-based swaps, (iii) gain/loss on derivative asset, (iv) transaction-based and other corporate-related costs, and (v) other costs. Adjusted EBITDA (Loss) is used by management, investors, and securities analysts to measure operating performance of the Company and is a supplement to our Consolidated Financial Statements presented in accordance with IFRS. Adjusted EBITDA (Loss) is a helpful measure of operating performance before non-operating financial items such as finance costs, finance income and income tax expense, as well as depreciation which is a non-cash expense. Adjusted EBITDA (Loss) also removes the impact of certain non-routine, non-recurring, and/or non-cash items to enable management, investors and securities analysts to gain a clearer understanding of the underlying financial performance of the Company. Adjusted EBITDA (Loss) is also helpful to facilitate comparison of operating performance on a consistent basis from period-to-period and to provide a more complete understanding of factors and trends impacting our business. While management considers Adjusted EBITDA (Loss) to be a meaningful measure for assessing the underlying financial performance of the Company, Adjusted EBITDA (Loss) is a non-IFRS measure and does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies.

Adjusted EBITDA (Loss) as a percentage of total revenue is defined as Adjusted EBITDA (Loss) divided by total revenue for the period.

Adjusted EBITDA (Loss) per net ton

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

Average Selling Price per net ton

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

Shipping Volume

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

Selected Financial Information

The following table provides selected information for the period as indicated:

(millions of Canadian dollars, except where otherwise noted)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Financial results				
Total revenue	**$ 1,354**	$ 237	**$ 2,937**	$ 1,093
Gross profit (loss)	**783**	(60)	**1,368**	(16)
Selling, general and administrative expenses	**13**	9	**38**	30
Net income (loss)	**614**	(88)	**1,096**	(112)
Adjusted Net Income (Loss) [1]	**629**	(81)	**1,184**	(97)
Adjusted EBITDA (Loss) [1]	**787**	(39)	**1,382**	15
Per common share (diluted)				
Net income (loss)	**$ 7.42**	$ (0.99)	**$ 12.64**	$ (1.26)
Adjusted Net Income (Loss) [1]	**$ 7.60**	$ (0.91)	**$ 13.65**	$ (1.09)
Common share dividends declared and paid	**$ 0.20**	$ —	**$ 0.40**	$ 0.10
Operating results				
Average Selling Price per nt (in dollars per nt) [1]	**$ 1,808**	$ 683	**$ 1,360**	$ 698
Adjusted EBITDA (Loss) per nt (in dollars per nt) [1]	**1,108**	(117)	**670**	10
Shipping Volume (in thousands of nt) [1]	**710**	334	**2,064**	1,531
Hot-rolled	**542**	211	**1,499**	1,081
Coated	**123**	76	**405**	297
Cold-rolled	**11**	16	**52**	66
Other [2]	**34**	31	**108**	87

As at	**September 30, 2021**	December 31, 2020
Financial position		
Total assets	**$ 2,618**	$ 1,779
Total non-current liabilities	**521**	651

[1] The definition and reconciliation of these non-IFRS measures are included in the 'Non-IFRS Performance Measures' and 'Review of Non-IFRS Measures' sections of this MD&A.
[2] Includes other steel products: pig iron, slabs and non-prime steel sales.

Review of Quarterly Financial Results

For the third quarter of 2021, Stelco realized net income of $614 million compared to a net loss of $88 million for the same period during 2020, representing an increase of $702 million which is primarily due to the net effect of the following:

- $843 million increase in gross profit, resulting from $1,117 million higher revenue from sale of goods partly offset by a $274 million increase in cost of goods sold; and
- $11 million deferred tax recovery; partly offset by
- $125 million current income tax expense;
- $10 million increase in finance costs;
- $9 million increase in other losses;
- $4 million increase in selling, general and administrative expenses; and
- $3 million increase in other costs.

For the first nine months of 2021, Stelco realized net income of $1,096 million compared to a net loss of $112 million for the same period during 2020, representing an increase of $1,208 million which is primarily due to the net effect of the following:

- $1,384 million increase in gross profit, resulting from $1,844 million higher revenue from sale of goods partly offset by $460 million increase in cost of goods sold;
- $56 million deferred tax recovery; and
- $2 million decrease in other costs; partly offset by
- $125 million current income tax expense;
- $68 million increase in finance costs;
- $34 million decrease in finance and other income; and
- $8 million higher selling, general and administrative expenses.

Revenue

The majority of our revenue from the sale of goods is derived from hot-rolled, cold-rolled and coated steel products. A substantial portion of the Company's revenue is derived from spot sales rather than through fixed-price contracts with customers. In addition, other product sales such as coke and by-products (including kish, tar, slag, mill scale, dross, light oil and ammonia) are included in revenue. Our revenues include sales to customers from the steel service centre, appliance, automotive, energy, construction, and pipe and tube industries in Canada and the United States.

Q3 2021

Revenue increased by $1,117 million or 471%, from $237 million for the three months ended September 30, 2020 (Q3 2020) to $1,354 million in Q3 2021, primarily due to an increase in the market price of steel and higher steel shipments. Average Selling Price per nt increased by 165% or $1,125 per nt, from $683 per nt in Q3 2020 to $1,808 per nt in Q3 2021. Our Shipping Volumes increased 113% to 710 thousand nt from 334 thousand nt in Q3 2020, which was impacted by the Company's blast furnace upgrade project resulting in lower steel inventory available for sale for the respective period.

The sales product volume mix of our hot-rolled, coated, cold-rolled and other steel products represented approximately 76%, 17%, 2% and 5%, respectively, of the total Shipping Volumes in Q3 2021, whereas in Q3 2020 it was approximately 63%, 23%, 5% and 9%, respectively. Also impacting revenue were non-steel sales which increased to $70 million in Q3 2021, from $9 million in Q3 2020, mostly due to higher iron oxide and kish sales during the period.

YTD 2021

Revenue increased by $1,844 million or 169%, from $1,093 million for the nine months ended September 30, 2020 (YTD 2020) to $2,937 million YTD 2021, primarily due to an increase in the market price of steel and higher steel shipments. Average Selling Price per nt increased by 95% or $662 per nt, from $698 per nt in YTD 2020 to $1,360 per nt YTD 2021. Our Shipping Volumes increased 35% to 2,064 thousand nt from 1,531 thousand nt in YTD 2020.

The mix of our hot-rolled, coated, cold-rolled and other steel products represented approximately 73%, 20%, 2% and 5%, respectively, of the total sales volume YTD 2021, whereas in YTD 2020 it was approximately 71%, 19%, 4% and 6%, respectively. Also impacting revenue were non-steel sales which increased to $129 million YTD 2021, from $24 million in YTD 2020, mostly due to higher metallurgical coke, iron oxide and kish sales during the period.

Gross profit

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

Q3 2021

Gross profit increased by $843 million, from a gross loss of $60 million in Q3 2020 to gross profit of $783 million in Q3 2021 mainly due to higher revenue of $1,117 million for the period as discussed above, partly offset by higher cost of goods sold of $274 million. The increase in cost of goods sold was due to the following: $239 million increase from steel product sales in connection with higher steel shipments and certain higher raw material costs, in particular, scrap metal incurred during the period, $36 million increase from non-steel product sales and $9 million in higher overhead and other costs, partly offset by a $10 million decrease in depreciation expense. During Q3 2020, the Company recorded a $16 million machinery and equipment depreciation charge resulting from the disposal and replacement of certain major components in connection with Stelco's blast furnace upgrade project completed in October 2020.

In addition, during Q3 2020, the Company received $17 million in connection with the CEWS program, which was recorded as a reduction to cost of goods sold. The Company did not receive any funds in connection with the CEWS program during Q3 2021.

YTD 2021

Gross profit increased by $1,384 million, from a gross loss of $16 million YTD 2020 to gross profit of $1,368 million YTD 2021 mainly due to higher revenue of $1,844 million for the period as discussed above, partly offset by higher cost of goods sold of $460 million. The increase in cost of goods sold was due to the following: $382 million increase from steel product sales (similar to Q3 2021 as described above), $57 million increase from non-steel product sales and $23 million in higher overhead and other costs, partly offset by a $2 million decrease in depreciation expense.

In addition, YTD 2021, the Company received $1 million in connection with the CEWS program (YTD 2020 - $32 million), which was recorded as a reduction to cost of goods sold.

Selling, general and administrative expenses

	Three months ended September 30,		Nine months ended September 30,	
(millions of Canadian dollars)	**2021**	2020	**2021**	2020
Employee salary and benefits expense	**$ 5**	$ 3	**$ 14**	$ 11
Management fees [1]	**4**	1	**7**	4
Share-based compensation expense	**1**	2	**6**	2
Professional, consulting and legal fees	**1**	1	**4**	7
Other [2]	**2**	2	**7**	6
	$ 13	$ 9	**$ 38**	$ 30

[1] Represents management fees to an affiliate of Bedrock.
[2] Includes corporate, public company, travel and certain COVID-19 related costs such as additional employee personal protective equipment, enhanced sanitization and other cleaning services.

Q3 2021

SG&A increased by $4 million or 44%, from $9 million in Q3 2020 to $13 million in Q3 2021, primarily due to the following: $3 million increase in management fees and $2 million increase in employee salary and benefits expenses, partly offset by $1 million decrease in share-based compensation expense (which includes the impact from a fair value remeasurement of outstanding share-based awards). For the three months ended September 30, 2020, the Company recorded a $1 million reduction to employee salary expense in connection with the CEWS.

YTD 2021

SG&A increased by $8 million or 27%, from $30 million in YTD 2020 to $38 million in YTD 2021, primarily due to the following: $4 million increase in share-based compensation expense (which includes the impact from a fair value remeasurement of outstanding share-based awards), $3 million in higher employee salary and benefits expenses and $3 million increase in management fees, partly offset by $3 million lower professional, consulting and legal fees.

For the nine months ended September 30, 2020, professional, consulting and legal fees included $2 million of costs in connection with the acquisition of the Minntac iron ore mine option. Refer to note 6 of the Consolidated Financial Statements for further details.

Finance costs

	Three months ended September 30,		Nine months ended September 30,	
(millions of Canadian dollars)	**2021**	2020	**2021**	2020
Remeasurement of employee benefit commitment	**$ 3**	$ —	**$ 79**	$ (1)
Accretion of employee benefit commitment	**11**	10	**30**	28
Interest on loans and borrowings	**8**	7	**24**	22
Foreign exchange loss (gain)	**3**	(2)	**(6)**	10
Accretion expense related to lease obligations	**1**	1	**2**	2
	$ 26	$ 16	**$ 129**	$ 61

Q3 2021

Finance costs increased by $10 million or 63%, from $16 million in Q3 2020 to $26 million in Q3 2021, primarily due to a $3 million remeasurement charge related to our employee benefit commitment and $5 million related to the period-over-period impact of foreign exchange translation on U.S. dollar denominated working capital during the period.

During Q3 2021, the Company recorded a $3 million remeasurement charge in connection with a change of estimate related to the timing and magnitude of estimated cash flows and future funding requirements of the employee benefit commitment which are revisited at each balance sheet date to determine the carrying amount of amortized cost. Due to the long-term nature of the underlying assumptions, the employee benefit commitment is highly sensitive to changes in these assumptions. Refer to note 13 of the Consolidated Financial Statements for further details.

YTD 2021

Finance costs increased by $68 million or 111%, from $61 million in YTD 2020 to $129 million YTD 2021, primarily due to the following: $80 million related to the remeasurement impact from our employee benefit commitment, partly offset by $16 million improvement related to the period-over-period impact of foreign exchange translation on U.S. dollar denominated working capital during the period.

Finance and other income (loss)

	Three months ended September 30,		Nine months ended September 30,	
(millions of Canadian dollars)	**2021**	2020	**2021**	2020
Loss on commodity-based swaps	**$ —**	$ (4)	**$ (27)**	$ (1)
Loss on derivative asset [1]	**(13)**	—	**(6)**	—
Finance income	**—**	1	**—**	2
Other income (loss)	**—**	(1)	**1**	1
	$ (13)	$ (4)	**$ (32)**	$ 2

[1] Refer to note 6 on the Consolidated Financial Statements for further details.

Commodity-based swaps

During 2020, Stelco entered into a series of commodity-based swaps with U.S.-based financial institutions as part of a strategy to lessen the Company's exposure to hot-rolled coil steel market price volatility in connection with existing and future sales orders from customers. During the three and nine months ended September 30, 2021, the Company recorded nil and a loss of $27 million, respectively, within finance and other income (loss) in connection with these swap contracts. The Company did not have any outstanding commodity-based swap contracts at September 30, 2021.

Stelco did not enter into these contracts for trading or speculative purposes.

Other costs

	Three months ended September 30,		Nine months ended September 30,	
(millions of Canadian dollars)	**2021**	2020	**2021**	2020
Demolition costs [1]	**$ 2**	$ —	**$ 3**	$ 1
Write-down of construction in progress [2]	**1**	—	**1**	5
	$ 3	$ —	**$ 4**	$ 6

[1] Represents demolition costs for certain buildings (and other assets) not connected to the Company's ongoing operations.
[2] Includes certain capital projects that are no longer being pursued by the Company, representing aborted construction in progress costs without future benefit to Stelco.

Deferred tax recovery

During the three and nine months ended September 30, 2021, the Company recorded a deferred tax recovery of $11 million and $56 million, respectively, and a net deferred tax asset of $56 million at September 30, 2021 (December 31, 2020 - nil), due to the increased probability that the Company will be able to utilize certain previously unrecognized tax attributes against current period and future taxable income.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits, any unused tax losses and other tax attributes, to the extent that it is probable that taxable income will be available against such items and can be utilized within their respective expiry periods. In evaluating the Company's ability to utilize any deferred tax assets, Stelco considers information such as projected future taxable income and results of recent operations. In projecting future taxable income, the Company prepares forecasts based on available operational and financial information (including steel and input prices, and foreign exchange), considers future capital expenditure requirements, and includes other significant assumptions that are consistent with Stelco's future business plans. Refer to note 8 of the Consolidated Financial Statements for further details.

Review of Non-IFRS Measures

Adjusted Net Income (Loss)

The following table provides a reconciliation of net income (loss) to Adjusted Net Income (Loss):

	Three months ended September 30,		Nine months ended September 30,	
(millions of Canadian dollars)	**2021**	2020	**2021**	2020
Net income (loss)	**$ 614**	$ (88)	**$ 1,096**	$ (112)
Add back/(Deduct) following items:				
Remeasurement of employee benefit commitment [1]	**3**	—	**79**	(1)
Loss from commodity-based swaps	**—**	4	**27**	4
Loss on derivative asset [2]	**13**	—	**6**	—
Other costs	**3**	—	**4**	6
Transaction-based and other corporate-related costs	**—**	1	**1**	4
Other	**—**	2	**—**	2
Total adjusted items before tax	**19**	**7**	**117**	**15**
Tax impact of above items	**(4)**	**—**	**(29)**	—
Total adjusted items after tax	**15**	**7**	**88**	**15**
Adjusted Net Income (Loss)	**$ 629**	**$ (81)**	**$ 1,184**	**$ (97)**

1 Remeasurement of employee benefit commitment for change in the timing of estimated cash flows and future funding requirements.
2 Refer to note 6 on the Consolidated Financial Statements for further.

Q3 2021

Adjusted Net Income for the quarter was $629 million compared to an Adjusted Net Loss of $81 million for Q3 2020, representing a change of $710 million, primarily due to the net effect of the following:

- $843 million increase in gross profit; and
- $11 million in deferred tax recovery; partly offset by
- $125 million in current income taxes;
- $7 million higher selling, general and administrative expenses (adjusted for the following Q3 2020 items: $1 million in transaction-based and other corporate-related costs and $2 million in other expense);
- $7 million increase in finance costs (adjusted for a $3 million remeasurement charge from the employee benefit commitment); and
- $4 million related to the tax impact of the adjusted items noted in the table above.

YTD 2021

Adjusted Net Income YTD 2021 was $1,184 million compared to an Adjusted Net Loss of $97 million YTD 2020, a change of $1,281 million, primarily due to the net effect of the following:

- $1,384 million increase in gross profit;
- $56 million in deferred tax recovery; and
- $12 million decrease in finance costs (adjusted for a $80 million remeasurement charge increase from the employee benefit commitment); partly offset by

- $125 million in current income taxes;
- $13 million higher selling, general and administrative expenses (adjusted for $3 million decrease in transaction-based and other corporate-related costs and $2 million other expense);
- $5 million decrease in finance and other income (adjusted for a $23 million loss from commodity-based swaps and $6 million loss on derivative asset); and
- $29 million related to the tax impact of the adjusted items noted in the table above.

For discussion and analysis of our financial results, refer to *'Review of Quarterly Financial Results'* section in this MD&A.

Adjusted EBITDA (Loss)

The following table provides a reconciliation of net income (loss) to Adjusted EBITDA (Loss) for the periods indicated:

(millions of Canadian dollars, except where otherwise noted)	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	**2021**	2020
Net income (loss)	**$ 614**	$ (88)	**$ 1,096**	$ (112)
Add back/(Deduct) following items:				
Finance costs	**26**	16	**129**	61
Income tax expense (recovery):				
Current	**125**	—	**125**	—
Deferred	**(11)**	—	**(56)**	—
Depreciation	**17**	27	**50**	52
Loss from commodity-based swaps	**—**	4	**27**	4
Loss on derivative asset [1]	**13**	—	**6**	—
Other costs	**3**	—	**4**	6
Transaction-based and other corporate-related costs	**—**	1	**1**	4
Finance income	**—**	(1)	**—**	(2)
Other	**—**	2	**—**	2
Adjusted EBITDA (Loss)	**$ 787**	$ (39)	**$ 1,382**	$ 15
Adjusted EBITDA as a percentage of total revenue [2]	**58 %**	NM	**47 %**	1 %

[1] Refer to note 6 on the Consolidated Financial Statements for further details.
[2] NM - not meaningful.

Q3 2021

Adjusted EBITDA for the quarter was $787 million compared to a $39 million Adjusted EBITDA Loss for Q3 2020, representing an increase of $826 million which is primarily due to the net effect of the following:

- $833 million increase in gross profit (adjusted for $10 million in lower depreciation expense); partly offset by
- $7 million higher selling, general and administrative expenses (adjusted for the following Q3 2020 items: $1 million transaction-based and other corporate-related costs and $2 million other expense).

YTD 2021

Adjusted EBITDA in YTD 2021 was $1,382 million compared to $15 million in YTD 2020, representing an increase of $1,367 million which is primarily due to the net effect of the following:

- $1,382 million increase in gross profit (adjusted for $2 million in lower depreciation expense); partly offset by
- $13 million higher selling, general and administrative expenses (adjusted for $3 million decrease in transaction-based and other corporate-related costs and $2 million other expense); and
- $3 million decrease in other income (adjusted for a $23 million higher loss from commodity-based swaps and $6 million loss on derivative asset).

For discussion and analysis of our financial results, refer to *'Review of Quarterly Financial Results'* section in this MD&A.

Review of Balance Sheets

The following table provides selected balance sheet information as at the date indicated:

(millions of Canadian dollars) As at	**September 30, 2021**	December 31, 2020
Cash	**$ 410**	$ 59
Trade and other receivables	**534**	183
Inventories	**487**	509
Derivative asset	**127**	133
Property, plant and equipment, net	**969**	845
Deferred tax asset	**56**	—
Total assets	**$ 2,618**	$ 1,779
Trade and other payables	**740**	668
Derivative liabilities	**—**	84
Other liabilities	**122**	103
Asset-based lending facility (ABL)	**87**	128
Income taxes payable	**125**	—
Obligations to independent employee trusts	**579**	498
Total liabilities	**$ 1,673**	$ 1,498
Total equity	**$ 945**	$ 281

As reflected in the selected balance sheet information above, between December 31, 2020 and September 30, 2021, the Company's trade and other receivables increased from $183 million to $534 million (representing a change of $351 million or 192%), derivative asset decreased from $133 million to $127 million (representing a change of $6 million or 5%) (refer to note 6 of the Consolidated Financial Statements for further details), deferred tax asset increased from nil to $56 million (refer to note 8 of the Consolidated Financial Statements for further details), trade and other payables increased from $668 million to $740 million (representing a change of $72 million or 11%) which includes the impact of our inventory monetization arrangement discussed further below, derivative liabilities decreased from $84 million to nil (refer to note 10 to the Consolidated Financial Statements for further details), other liabilities increased from $103 million to $122 million (representing a change of $19 million or 18%), income taxes payable increased to $125 million (refer to note 8 to the Consolidated Financial Statements for further details) from nil, total liabilities increased from $1,498 million to $1,673 million (representing a change of $175 million or 12%), and total equity increased from $281 million to $945 million (representing a change of $664 million or 236%).

Our inventories decreased by 4% from $509 million at December 31, 2020 to $487 million at September 30, 2021, primarily due to lower raw material quantities on hand in connection with the production, sales and shipment of steel and non-steel products during the period.

Property, plant and equipment increased to $969 million at September 30, 2021 from $845 million at December 31, 2020, mainly due to the following: capital additions of $190 million, partly offset by depreciation expense of $50 million for the period and a Strategic Innovation Fund contribution of $14 million. For discussion of the Strategic Innovation Fund contribution, refer to note 7 to the Consolidated Financial Statements. Our capital additions for the period include costs related to the Lake Erie Works Coke Battery Upgrade Project, normative projects at our steelmaking facilities, certain assets under lease and other capital assets relating to operations.

During the first nine months of 2021, the Company received net proceeds of approximately $16 million, under the inventory monetization arrangement (IMA). Changes in the carrying amounts are primarily net proceeds related to receipts, production and consumption of raw materials, metallurgical coke and slabs by the Company financed under this arrangement, in addition to impacts from foreign exchange. As at September 30, 2021, amounts utilized under this arrangement amounted to $407 million (December 31, 2020 - $389 million) and are recorded within trade and other payables on the Company's consolidated balance sheets.

Our ABL indebtedness decreased from $128 million at December 31, 2020 to $87 million at September 30, 2021, due to net cash repayments by the Company of $28 million of the revolving portion during the period and scheduled repayments of $12 million on the non-revolving term loan. Amounts available to be drawn under the revolving ABL will vary from time to time, based upon a borrowing base determined with reference to Stelco's trade receivables and certain inventory balances. Refer to note 12 of the Consolidated Financial Statements for further details.

Review of Cash Flows

The following section provides an overview analysis of cash flows for the respective periods as indicated:

(millions of Canadian dollars) Nine months ended September 30,		**2021**		2020
Cash, beginning of period	**$**	**59**	$	257
Cash provided by (used in):				
Operating activities		**976**		70
Investing activities		**(177)**		(310)
Financing activities		**(448)**		89
Cash, end of period	**$**	**410**	$	106

Cash provided by Operating Activities

For the nine months of 2021, cash provided by operating activities totaled $976 million compared to $70 million for the same period of 2020. Cash provided by operating activities for the period benefited from higher gross profit primarily due to higher revenue from the sale of goods, partly offset by an increase in cost of goods sold. Partly offsetting the impact of higher gross profit realized during the period was the effect from changes in working capital and other operating items, in particular the timing impact from trade receivable collections, trade payables, income tax payable and derivative contracts settlement payments compared to the nine months ended September 30, 2020. Refer to note 22 to the Consolidated Financial Statements for further details.

Cash used in Investing Activities

For the nine months ended September 30, 2021, cash used in investing activities totaled $177 million compared to $310 million for the same period of 2020. Cash used in investing activities during the period included capital expenditures (net of a Strategic Innovation Fund contribution) of $175 million primarily related to growth and normative capital projects, including our Coke Battery Upgrade Project, and other capital assets relating to operations. For the nine months ended September 30, 2020, cash used in investing activities included $169 million primarily related to growth and normative projects including our blast furnace upgrade project, pig iron casting facility then under development, coke ovens, certain assets under lease and other capital assets relating to operations; $81 million in connection with the acquisition of the Minntac mine option; and $60 million of restricted cash, which included $48 million of cash collateral in connection with the Company's asset-based lending facility borrowing base availability.

Cash used in Financing Activities

For the nine months ended September 30, 2021, cash used in financing activities totaled $448 million which includes $399 million from the repurchase and cancellation of 11,398,024 common shares during the period, $33 million in dividends paid to common shareholders, $28 million in net repayments on the revolving portion of our asset-based loan facility, $12 million in principal payments on the non-revolving term loan and $6 million in lease obligation principal payments, partly offset by $16 million in IMA net proceeds, $11 million in connection with the Strategic Innovation Fund contribution and $4 million in advances under the boiler project financing arrangement.

Results of Operations

For the nine months of 2021, Stelco continued to experience strong market conditions and favourable pricing trends across its key products, including hot-rolled, cold-rolled and coated products, compared to the same period of 2020. Our steel selling prices remain influenced by overall international demand, scrap steel prices, iron ore prices, trade sanctions and product availability. Volatile steel prices may cause fluctuations in our financial results. We expect that our steel shipments during the fourth quarter of 2021 will be in line with our average quarterly Shipping Volume during the first half of 2021.

On January 28, 2021, the Company announced that Stelco successfully commissioned the new pig iron caster at its LEW facility. The addition of the pig iron caster to Stelco's operations further supports the Company's tactical flexibility strategy and allows the Company to fully capitalize on increased hot metal capacity resulting from the recently completed blast furnace upgrade project. The total cost of the pig iron casting project was approximately $52 million and is recorded as property, plant and equipment on the Company's consolidated balance sheet.

In July 2019, we commenced the rehabilitation of the LEW coke battery by idling one half of the battery and preparing the ovens for repair and related demolition work. During the first quarter of 2021, the Company ceased its coke production at LEW to proceed with an expanded project to rehabilitate the coke battery, which includes upgrading the LEW coke oven end flues (the Coke Battery Upgrade Project). Based on currently available information, the Coke Battery Upgrade Project is expected to cost approximately $183 million in total (which includes $65 million of capital expenditures prior to 2021), and is anticipated to be substantially completed by year-end.

We expect that the LEW Coke Battery Upgrade Project will improve the integrity and efficiency of the LEW coke oven battery, with the potential of further increasing our production capability by up to 50 thousand nt of additional coke per annum while also helping us to meet our environmental compliance objectives and providing waste gases that we will recycle into our other operations, thereby reducing energy purchases.

As previously noted, the Company remains committed to its focus on maximizing profits, including regaining higher margin business, increasing our expansion into additional markets outside Canada with respect to hot-rolled, cold-rolled and coated coil sales, and assessing opportunities to introduce new products. Stelco, as a low cost advanced integrated steel producer in North America with flexible shipping and production capabilities, will continue to seek new opportunities in the domestic and international steel markets and expects to continue to maximize profitability and cash flows in the near term.

Capital Resources and Liquidity

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

Our principal uses of funds are for operating expenses, capital expenditures, finance costs and debt service. Management believes that cash generated from operations, together with amounts available under our ABL, receivables purchase agreement (RPA), and IMA, and the availability of debt and equity capital in the public markets will be sufficient to meet our future operating expenses, capital expenditures and debt service costs, and to support the growth of our business (primarily through working capital and capital expenditures), repay short-term obligations, and deploy for general corporate purposes.

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

The Company has significant working capital requirements related to inventories due to the lead time of acquiring raw materials, the quantities of raw materials that are required to produce semi-finished steel and the amount of time required to process this semi-finished steel into a finished product. This working capital requirement is characteristic of many companies within the steel industry.

As at September 30, 2021, management believes that the Company's overall liquidity and operating cash flow will be sufficient to meet the Company's anticipated cash requirements for capital expenditures, working capital, debt obligations and other commitments, based on the following:

- $410 million in cash;
- $224 million available for advances under the asset-based lending facility;
- Liquidity on certain raw material purchases, slabs, and metallurgical coke inventories provided by the IMA;
- $2 million purchase limit remaining under the RPA with a Schedule II bank which provides Stelco Inc. with improved liquidity on certain customers' trade receivables on an uncommitted revolving basis; and
- Stable demand and pricing for our products resulting in positive future cash generation from operations.

Credit Facility and Other Arrangements

Asset-Based Lending Facility (ABL)

As at	**September 30, 2021**	December 31, 2020
Revolving	**$ —**	$ 29
Non-revolving term loan	**87**	99
Asset-based lending facility	**$ 87**	$ 128

During the nine months ended September 30, 2021, Stelco's net borrowing activity on the ABL revolving facility resulted in a nil outstanding balance as at September 30, 2021 (December 31, 2020 - $29 million). The amount available to be drawn under the ABL will vary from time to time, based upon a borrowing base determined with reference to eligible trade receivables and inventory, and excludes certain trade receivables that have been sold under the RPA and inventory that has been monetized under the IMA, discussed further in notes 4 and 9 in the Consolidated Financial Statements, respectively. At September 30, 2021, the amount available for advances under the ABL was $224 million (December 31, 2020 - $43 million), which includes the available borrowing base less outstanding letters of credit of $33 million (December 31, 2020 - $33 million), cash amounts drawn and outstanding under the ABL of nil (December 31, 2020 - $29 million) and a minimum excess availability requirement of $30 million (December 31, 2020 - $30 million).

The weighted average finance rate for amounts drawn under the ABL for the three and nine months ended September 30, 2021 was 2.99% and 3.75% (three and nine months ended September 30, 2020 - 4.11% and 4.37%), respectively. In addition, Stelco's outstanding letters of credit under the ABL were $33 million at September 30, 2021 (December 31, 2020 - $33 million) and the Company was in compliance with the financial covenants pursuant to the ABL agreement as at and during the three and nine months ended September 30, 2021.

Amendments to the ABL agreement

In June 2021, Stelco entered into an amended ABL agreement which included the following significant amendments to the

previous terms disclosed in the Company's 2020 Annual Financial Statements:

i) an extended term for the ABL with an expiry date of June 18, 2026 (previously August 16, 2023);

ii) an amendment to the definition of CDOR and LIBOR within the ABL to include a reduced floor rate of 0.50% (previously 0.75%);

iii) a change in the unused line fee to 0.25% (previously 0.25% - 0.375%); and

iv) until the non-revolving term loan is repaid in full, Stelco is to maintain total minimum liquidity of $50 million consisting of excess availability under the ABL of at least $30 million and cash and cash equivalents of $20 million. Subsequent to the repayment in full of the term loan, Stelco is to maintain a total minimum liquidity of $40 million, consisting of excess availability under the ABL of at least $20 million and cash and cash equivalents of $20 million.

Pursuant to the terms of the ABL agreement, Stelco is restricted from making dividend payments or other distributions to its shareholder Stelco Holdings, unless the conditions specified in the ABL agreement are satisfied, including, among other conditions:

i) Stelco must not be in default under the ABL agreement; and

ii) Stelco must have excess availability of 20% or greater under the terms of the ABL agreement at all times during the 30 consecutive days immediately preceding the date of any such payment and after giving effect to any such payment.

Inventory Monetization Arrangement

As at	**September 30, 2021**	December 31, 2020
Inventory monetization arrangement	**$ 407**	$ 389

The weighted average finance rate for the IMA for the three and nine months ended September 30, 2021 was 3.65% and 4.04% (three and nine months ended September 30, 2020 - 4.80% and 4.70%), respectively, and resulting finance costs of $4 million and $11 million (three and nine months ended September 30, 2020 - $4 million and $9 million), respectively, are recorded on the consolidated statements of income (loss). This financing arrangement is secured by inventory with a carrying value of $379 million (December 31, 2020 - $408 million) serving as collateral.

Amendment to the IMA

In March 2021, Stelco entered into an amended IMA, which included the following significant terms:

i) an extended term with an expiry date of February 28, 2022;

ii) adjusted volume limits of eligible inventory, consistent with the Company's projected operating levels;

iii) Stelco to maintain a minimum liquidity balance of at least $40 million (previously $50 million), which includes maintaining a minimum level of cash and cash equivalents of $20 million;

iv) finance rate of LIBOR plus a margin of 3.5% (previously LIBOR plus a margin of 4.5%);

v) an option for Stelco to terminate the arrangement early on January 31, 2022; and

vi) an option by mutual agreement to renew the IMA for an additional minimum 360-day term.

Unless otherwise amended, extended or renewed, amounts advanced under the amended IMA are required to be repaid when the facility expires on February 28, 2022. The Company was in compliance with the financial covenants pursuant to the inventory monetization agreement as at and for the three and nine months ended September 30, 2021.

Receivables Purchase Agreement

In June 2019, Stelco entered into an RPA with a Schedule II bank (the Purchaser), enabling 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 May 2021, Stelco amended the RPA with the Purchaser, which included an updated finance rate of CDOR/LIBOR plus a margin of 1.75% (previously 2.75%); other terms remained substantially similar to the original agreement.

During September 2021, Stelco further amended the RPA with the Purchaser, which included an increase in the aggregate maximum purchase limit to $74 million (previously $66 million); other terms remained substantially similar to the original agreement.

As at September 30, 2021, Stelco's available purchase limit remaining under the RPA was $2 million (December 31, 2020 - $19 million).

Share Capital

The Company's 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, 2021		December 31, 2020
Common shares				
Outstanding (in thousands)		**77,315**		88,713
Carrying amount	**$**	**446**	$	512

Refer to note 14 of the Consolidated Financial Statements for further details.

Repurchase and cancellation of common shares

During August 2021, the Company repurchased common shares from LG Bedrock for a total purchase price of $398 million. For a discussion of the Repurchase, refer to the '*Business Overview – Repurchase and cancellation of common shares*' section in this MD&A. In connection with the Repurchase, the excess of the purchase price paid over the average carrying value of the common shares repurchased in the amount of $332 million was recognized as a share repurchase premium and reduction to retained earnings on the Consolidated Financial Statements. The Company also recorded transaction costs of $1 million in connection with the Repurchase, as a charge to retained earnings.

Increase of Legal Stated Capital

During August 2021, the Company increased the stated legal capital account of the common shares of Stelco Holdings by $995 million to a total of $1,495 million. Previously on June 4, 2019, at the annual general and special meeting of shareholders of Stelco Holdings, common shareholders approved a special resolution to reduce the stated capital account of the common shares of Stelco Holdings to $500 million and add $995 million to the contributed surplus account of Stelco for legal and tax purposes.

The increase of stated capital did not result in any change to equity as presented in the Company's Consolidated Financial Statements and therefore did not affect the Company's book value. The increase of stated capital had no impact on the day-to-day operations of the Company and did not, on its own, alter the financial condition of the Company.

Dividend Policy

The Company's primary objective is to deploy capital in a disciplined manner that creates value for our shareholders. We evaluate our capital allocation policies on an on-going basis to ensure that we are maximizing returns for our shareholders. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend on many factors, including, among others, our financial condition, current and anticipated cash requirements, contractual restrictions and financing agreement covenants, solvency tests imposed by applicable corporate law and other factors that our Board of Directors may deem relevant.

Accordingly, management and the Board of Directors regularly review the Company's rate of dividends to ensure an appropriate level thereof.

Common Share Dividends

Common share dividends declared and paid in 2021 were as follows:

(millions of Canadian dollars, except per share amounts) Record date	Payment date	Cash dividend per common share		Total common share dividends
February 26, 2021	March 4, 2021	0.10	$	9
May 14, 2021	May 19, 2021	0.10	$	9
August 25, 2021	August 31, 2021	0.20	$	15

Subsequent to September 30, 2021, the Board of Directors declared a dividend of $0.30 per common share, payable on November 30, 2021, to shareholders of record as of November 24, 2021.

The dividends have been declared as "eligible dividends" for purposes of the *Income Tax Act (Canada)*.

Share-based compensation

Stelco Holdings' amended and restated long-term incentive plan (LTIP), was 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 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 three and nine months ended September 30, 2021, the Company recorded a share-based compensation expense of $1 million and $6 million (three and nine months ended September 30, 2020 - $2 million), respectively, in selling, general and administrative expenses on the consolidated statements of income (loss) in connection with share-based awards granted under the Company's LTIP.

Restricted share units (RSUs)

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

(RSUs in total)	
Nine months ended September 30,	**2021**
Balance, beginning of period	**77,181**
Granted	**61,802**
Vested and cash settled	**(27,062)**
Balance, end of period	**111,921**

On February 22, 2021, 58,346 RSUs were granted to certain members of the Company's Executive Leadership Team (ELT), with a grant date fair value of $22.81 per RSU, with one-third of the total grant amount vesting on January 1 of each of 2022, 2023 and 2024.

In addition, 3,456 RSUs were granted during the nine months ended September 30, 2021, with an average grant date fair value of $35.17 per RSU. Other than in respect of dividend equivalent units issued pursuant to the terms of the LTIP, one-third of the original grant amount of such RSUs vests on each of the first three anniversaries of the respective grant dates.

As at September 30, 2021, there were 111,921 outstanding and unvested RSUs (December 31, 2020 - 77,181 RSUs) under the Company's LTIP, for which the Company recorded a liability of $2.2 million (December 31, 2020 - $0.9 million) in other liabilities.

Stock appreciation rights (SARs)

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

(SARs in total)	
Nine months ended September 30,	**2021**
Balance, beginning of period	**150,000**
Exercised and cash settled	**(49,999)**
Balance, end of period	**100,001**

As at September 30, 2021, there were 100,001 outstanding and unvested SARs (December 31, 2020 - 150,000 SARs), for which the Company recorded a liability of $1.7 million (December 31, 2020 - $1.1 million) in other liabilities.

Deferred share units (DSUs)

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

(DSUs in total)	
Nine months ended September 30,	**2021**
Balance, beginning of period	**104,538**
Granted	**22,977**
Balance, end of period	**127,515**

As at September 30, 2021, there were 127,515 outstanding and vested DSUs (December 31, 2020 - 104,538 DSUs) under the Company's LTIP, for which the Company recorded a liability of $4.7 million (December 31, 2020 - $2.4 million).

Commitments and Contingencies

Employee Benefit Commitments

- On emergence from Companies' Creditors Arrangement Act on June 30, 2017, Stelco had funding commitments with certain pension and other post-employment benefit (OPEB) trusts. Stelco committed to pay up to a maximum of $400 million to fund five main defined benefit pension plans previously sponsored by Stelco (Main Pension Plans). On June 5, 2018, Stelco entered into an Amended OPEB Funding Agreement, replacing the Original OPEB Funding Agreement, and committed to fixed contributions of approximately $494.5 million over 25 years to the ELHTs created for receiving, holding and distributing funds on account of OPEBs for legacy employees of Stelco. In addition, Stelco agreed to pay a portion of its free cash flows (as defined) and certain estimated tax-related savings amounts to the ELHTs.
- Certain estimated components of the employee benefit commitments are tied to Stelco's future cash flow generation and certain tax-related savings amounts. The carrying value of the employee benefit funding commitment liability recognized by

the Company on its consolidated balance sheet is determined based upon the present value of those future payments as estimated by management. Changes in the magnitude or timing of those estimated future cash payments may result in the employee benefit commitment liability balances being adjusted upward or downward in future periods. If such adjustments to the liability carrying value were to occur, the Company would also recognize a corresponding expense item in its consolidated statements of income as an element of finance cost. Management will assess estimates of future cash flows related to these employee benefit funding arrangements each period.

- Refer to note 13 to the Consolidated Financial Statements for estimated remaining payments under the employee benefit commitment at September 30, 2021.
- Bedrock has guaranteed certain minimum contributions to the Main Pension Plans up to a maximum amount of $160 million. The amount of such guarantee is reduced based upon, among other things, certain contributions being made to the Main Pension Plans over time. The guarantee will be discharged upon the earlier of the $160 million being reduced to zero or the aggregate amount of all payments made by Stelco and/or Bedrock reaching $300 million.

Other Commitments

- During January 2021, Stelco entered into fixed price coal contracts with certain third party suppliers for 2021 purchases, reducing Stelco's commodity price risk in connection with this raw material.
- On April 30, 2020, Stelco entered into a new eight-year pellet sale and purchase agreement (the Pellet Agreement) with United States Steel Corporation (U.S. Steel) which runs until January 31, 2028. The Pellet Agreement provides for the supply of substantially all of Stelco's anticipated requirements of iron ore pellets at Lake Erie Works over the term of the Pellet Agreement. The Pellet Agreement superseded and replaced the previous iron ore pellet supply agreement with U.S. Steel, which was set to expire on January 31, 2022.
- Union Agreements - Stelco has collective bargaining agreements with USW Local 8782, USW Local 8782(b) and USW Local 1005, each for a term of 5 years ending July 1, 2022.

Leases

Stelco has leases on certain machinery, equipment (which includes information technology related equipment and service contracts), and railcars, with lease terms ranging between one to ten years. As at September 30, 2021, the Company had lease obligations with a carrying amount of $46 million (December 31, 2020 - $48 million), associated with certain equipment on its consolidated balance sheet.

Energy Services Agreement

On June 18, 2020, Stelco entered into an arrangement containing a lease with DTE Energy Services, Inc. (DTE) for the development, construction and operation of a net 65MW cogeneration facility (Cogen Plant) at Stelco’s LEW facility in Nanticoke, Ontario. DTE is required to fund the capital costs associated with the construction of the Cogen Plant and, upon completion of construction, Stelco is required to pay DTE a fixed annual fee pursuant to an energy services agreement (ESA) for operating the Cogen Plant for an initial term of 20 years. Stelco's total aggregate maximum fixed payments, which include the non-lease components under the ESA, are approximately $267 million (subject to certain contingent variable cost adjustments under the ESA).

The Company will record a 'right-of-use' asset and corresponding lease obligation in connection with the ESA upon the completion of the Cogen Plant, which is expected to be operational during the second half of 2022. Annual fixed payments to DTE will not commence until construction is complete and the Cogen Plant is operational.

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 balance sheets, statements of income, or statements of cash flows.

Contractual Obligations

The following table sets out a summary of our future contractual obligations as at September 30, 2021:

(millions of Canadian dollars)	Total	2021 [1]	2022-2023	2024-2025	Thereafter
	Payments due by period				
Trade payables	$ 328	$ 328	$ —	$ —	$ —
Inventory monetization arrangement	407	407	—	—	—
Lease obligations	56	3	20	13	20
Boiler project financing arrangement	30	—	2	3	25
Strategic Innovation Fund payable [2]	17	—	—	4	13
Purchase obligations - non-capital [3]	412	270	60	52	30
Purchase obligations - capital	88	44	44	—	—
Asset-based lending facility:					
Non-revolving - term loan [2]	95	4	35	33	23
Obligations to independent employee trusts [4]	989	10	287	103	589
Total contractual obligations	**$ 2,422**	**$ 1,066**	**$ 448**	**$ 208**	**$ 700**

[1] Represents the remaining three months of 2021, with exception of the inventory monetization arrangement payments which are dependent on the timing of consumption of the raw materials and semi-finished products monetized under the arrangement up to the expiry date of February 28, 2022.
[2] Includes interest payable or accretion impact until maturity date.
[3] Purchase obligations — non-capital includes contractual commitments for the purchase of raw materials, energy and material processing.
[4] Represents estimated undiscounted cash flows related to obligations to independent employee trusts.

The Company's contractual obligations can be funded by existing cash on hand, cash flow from operations and the revolving portion of the ABL credit facility.

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, among other entities and persons.

Upon being acquired by Bedrock on June 30, 2017, Stelco became a related party of Bedrock. Stelco has executed a management services agreement with an affiliate of Bedrock 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. Fees for services are based upon actual costs incurred by Bedrock and/or its affiliates up to $5 million, and any services above $5 million are subject to a 2% charge back. The Company has incurred expenses of $4 million and $7 million for the three and nine months ended September 30, 2021 (three and nine months ended September 30, 2020 - $1 million and $4 million), respectively, in management services provided by Bedrock and its affiliated entities. Refer to note 27 of the Consolidated Financial Statements for further details.

During August 2021, the Company repurchased common shares from LG Bedrock for a total purchase price of $398 million. For discussion of the common share repurchase, refer to the '*Business Overview – Repurchase and cancellation of common shares*' section in this MD&A.

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 this MD&A.

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,	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Management and director fees	**$ —**	$ —	**$ 1**	$ 1	**$ 4**	$ 1	**$ 7**	$ 4
Salaries and benefits	**—**	—	**—**	—	**1**	—	**3**	1
Share-based compensation	**—**	—	**2**	—	**1**	2	**3**	2
Total	**$ —**	$ —	**$ 3**	$ 1	**$ 6**	$ 3	**$ 13**	$ 7

Selected Quarterly Information

(millions of Canadian dollars, except where otherwise noted)	**2021**			2020				2019
As at and for the three months ended[1]	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial results								
Total revenue	**$1,354**	$ 918	$ 665	$ 424	$ 237	$ 411	$ 445	$ 435
Steel products	**1,284**	877	647	356	228	403	438	417
Non-steel products	**70**	41	18	68	9	8	7	18
Gross profit (loss)	**783**	404	181	57	(60)	28	16	5
Selling, general and administrative expenses	**13**	11	14	18	9	12	9	11
Net income (loss)	**614**	363	119	(47)	(88)	—	(24)	(24)
Adjusted Net Income (Loss)[2, 3]	**629**	383	172	45	(81)	10	(26)	(13)
Adjusted EBITDA (Loss)[2]	**787**	410	185	60	(39)	34	20	10
Per common share (diluted)								
Net income (loss)	**$ 7.42**	$ 4.09	$ 1.34	$ (0.53)	$ (0.99)	$ —	$ (0.27)	$ (0.27)
Adjusted Net Income (Loss)[2]	**$ 7.60**	$ 4.32	$ 1.94	$ 0.51	$ (0.91)	$ 0.11	$ (0.29)	$ (0.15)
Common shareholder dividends declared and paid	**$ 0.20**	$ 0.10	$ 0.10	$ —	$ —	$ —	$ 0.10	$ 0.10
Financial position								
Total assets	**2,618**	2,136	1,774	1,779	1,603	1,605	1,493	1,594
Total non-current liabilities	**521**	566	755	651	629	656	657	623
Operating results								
Average Selling Price per nt (in dollars per nt)[2]	**1,808**	1,292	959	728	683	700	705	659
Adjusted EBITDA (Loss) per nt (in dollars per nt)[2]	**1,108**	604	274	123	(117)	59	32	16
Shipping Volume (in thousands of nt)[2]	**710**	679	675	489	334	576	621	633
Hot-rolled	**542**	490	467	373	211	423	447	382
Coated	**123**	142	140	64	76	109	112	106
Cold-rolled	**11**	9	32	15	16	15	35	40
Other	**34**	38	36	37	31	29	27	105

1 Period end date refers to the following: "Q4" - December 31, "Q3" - September 30, "Q2" - June 30, and "Q1" - March 31.

2 The definition and reconciliation of these non-IFRS measures are included in the "Non-IFRS Performance Measures" and "Review of Non-IFRS Measures" sections of this MD&A.

3 Adjusted Net Income for Q2 2021 and Q1 2021 has been amended to reflect the removal of deferred taxes as an adjusted item. In connection with Stelco recognizing a current tax expense in Q3 2021, the Company recorded the tax impact for reconciling items within Adjusted Net Income which included the impact of both current and deferred taxes on Adjusted Net Income for the respective periods.

Trend Analysis

Stelco Holdings' financial performance for Q3 2021 improved over Q2 2021, primarily as a result of higher Average Selling Price per nt and Shipping Volumes. The following discussion reflects the Company's trend analysis in a chronological order.

Revenue:

- increased $10 million or 2% from Q4 2019 to $445 million in Q1 2020. The increase in revenue reflects a 7% increase in Average Selling Price per nt which increased $46/nt from Q4 2019 to $705/nt in Q1 2020, partly offset by 12 thousand nt or 2% lower Shipping Volumes from Q4 2019 to 621 thousand nt in Q1 2020 and $11 million in lower non-steel sales mostly related to metallurgical coke breeze and pellet fine sales
- decreased $34 million or 8% from Q1 2020 to $411 million in Q2 2020. The decrease in revenue reflects 45 thousand nt or 7% lower Shipping Volumes from Q1 2020 to 576 thousand nt in Q2 2020 and a 1% decrease in Average Selling Price per nt which decreased $5/nt from Q1 2020 to $700/nt in Q2 2020
- decreased $174 million or 42% from $411 million in Q2 2020 to $237 million in Q3 2020. The decrease in revenue reflects 242 thousand nt or 42% lower Shipping Volumes from Q2 2020 to 334 thousand nt in Q3 2020 and a 2% decrease in Average Selling Price per nt which decreased $17/nt from $700/nt in Q2 2020 to $683/nt in Q3 2020. In connection with our planned blast furnace upgrade project during Q3 2020, we experienced a significant decline in our total shipping volumes for the period
- increased $187 million or 79% from $237 million in Q3 2020 to $424 million in Q4 2020. The increase in revenue reflects 155 thousand nt or 46% higher Shipping Volumes from Q3 2020 to 489 thousand nt in Q4 2020 and a 7% increase in Average Selling Price per nt which increased $45/nt from $683/nt in Q3 2020 to $728/nt in Q4 2020 and $59 million in higher non-steel sales mostly related to higher metallurgical coke sales. On October 13, 2020, the Company announced the successful completion of the LEW blast furnace upgrade and reline project and the commencement of hot metal production
- increased $241 million or 57% from $424 million in Q4 2020 to $665 million in Q1 2021. The increase in revenue reflects 186 thousand nt or 38% higher Shipping Volumes from Q4 2020 to 675 thousand nt in Q1 2021 and a 32% increase in Average Selling Price per nt which increased $231/nt from $728/nt in Q4 2020 to $959/nt in Q1 2021, partly offset by $50 million in lower non-steel sales mostly related to lower metallurgical coke sales
- increased $253 million or 38% from $665 million in Q1 2021 to $918 million in Q2 2021. The increase in revenue reflects a 35% increase in Average Selling Price per nt which increased $333/nt from $959/nt to $1,292/nt in Q2 2021, 4 thousand nt or 1% higher Shipping Volumes from Q1 2021 to 679 thousand nt in Q2 2021 and $23 million in higher non-steel sales mostly related to higher metallurgical coke and pellet fines sales
- increased $436 million or 47% from $918 million in Q2 2021 to $1,354 million in Q3 2021. The increase in revenue reflects a 40% increase in Average Selling Price per nt which increased $516/nt from $1,292/nt to $1,808/nt in Q3 2021, 31 thousand nt or 5% higher Shipping Volumes from Q2 2021 to 710 thousand nt in Q3 2021 and $29 million in higher non-steel sales mostly related to higher iron oxide sales, partly offset by lower metallurgical coke sales

Gross profit:

- for Q1 2020 increased compared to Q4 2019 as a result of higher revenue and lower non-steel product costs, partly offset by higher cost of goods sold for steel products primarily due to a higher average cost of steel products sold
- for Q2 2020 increased compared to Q1 2020 mainly due to $15 million received in connection with the CEWS program and lower cost of goods sold associated with certain employee benefits, partly offset by lower Shipping Volumes and Average Selling Price per nt as described above
- for Q3 2020 decreased compared to Q2 2020 mainly due to lower Shipping Volumes and Average Selling Price per nt, and higher depreciation from the disposal and replacement of certain major components in connection with Stelco's blast furnace upgrade project completed in October 2020 as described above
- for Q4 2020 increased compared to Q3 2020 mainly due to higher Shipping Volumes, Average Selling Price per nt and non-steel sales of metallurgical coke as described above, and lower depreciation expense during the period
- for Q1 2021 increased compared to Q4 2020 mainly due to higher Average Selling Price per nt and Shipping Volumes, partly offset by lower non-steel sales of metallurgical coke, as described above, during the period
- for Q2 2021 increased compared to Q1 2021 mainly due to higher Average Selling Price per nt and Shipping Volumes, and higher non-steel sales, as described above, during the period
- for Q3 2021 increased compared to Q2 2021 mainly due to higher Average Selling Price per nt and Shipping Volumes, and higher non-steel sales, as described above, during the period

Since 2019, SG&A has primarily consisted of employee salary and benefit related costs, professional fees, management fees, and share-based compensation related costs.

Net income (loss):

- of $(24) million for Q1 2020 was flat compared to Q4 2019, primarily due to higher gross profit, lower selling, general and administrative expenses, increased finance and other income, lower restructuring and other costs, offset by higher finance costs primarily due to the impact of unfavourable foreign exchange for the period
- of nil for Q2 2020 improved compared to $(24) million for Q1 2020 primarily due to lower finance costs from the period over period impact of foreign exchange, and higher gross profit, partly offset by higher other costs which includes the write-down of certain strategic capital projects no longer under construction, and higher selling, general and administrative expenses and lower finance and other income
- of $(88) million for Q3 2020 decreased compared to nil in Q2 2020 primarily due to lower gross profit as described above, higher finance costs and lower finance and other income, partly offset by lower other costs
- of $(47) million for Q4 2020 improved compared to $(88) million in Q3 2020 primarily due to higher gross profit as described above and lower finance costs, partly offset by a loss on commodity-based swaps and higher selling, general and administrative expenses in connection with cyberattack-related costs incurred during the period
- of $119 million for Q1 2021 improved compared to $(47) million in Q4 2020 primarily due to higher gross profit as described above, lower selling, general and administrative expenses, reduced losses on commodity-based swaps and a deferred tax recovery, partly offset by higher finance costs during the period
- of $363 million for Q2 2021 improved compared to $119 million in Q1 2021 primarily due to higher gross profit as described above, lower selling, general and administrative expenses, reduced losses on commodity-based swaps and lower finance costs, partly offset by lower deferred tax recovery during the period
- of $614 million for Q3 2021 improved compared to $363 million in Q2 2021 primarily due to higher gross profit as described above and lower finance costs, partly offset by current income taxes recorded during the period, higher loss from the derivative asset and an increase in selling, general and administrative expenses

Significant Accounting Policies

Stelco Holdings' Consolidated Financial Statements have been prepared by management in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). The Consolidated Financial Statements comprise the financial statements of Stelco Holdings and its subsidiaries. Under IFRS, additional disclosures are required in the annual financial statements and therefore, the Consolidated Financial Statements and accompanying notes should be read in conjunction with the notes to the 2020 Annual Financial Statements.

The Consolidated Financial Statements have been prepared using consistent accounting policies and methods used in the preparation of the 2020 Annual Financial Statements, except for the significant accounting policies described in note 2 of the Consolidated Financial Statements. Certain comparative information has been reclassified to conform to the current period's presentation.

Disclosure Controls and Procedures (DCP)

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) of the Company have designed or caused to be designed under their direct supervision the Company’s DCP to provide reasonable assurance that: (i) material information relating to the Company is made known to management by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual and interim fillings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation. The CEO and CFO, together with certain other members of the Company's senior management team, have established DCPs so that any material information affecting the Company is made known to the Company's CEO and CFO on a timely basis to enable decisions regarding the required disclosure.

Internal Controls over Financial Reporting (ICFR)

The Company has established adequate ICFR to provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS. Management, including the Company's CEO and CFO, has assessed or caused an assessment under their direct supervision, of the design effectiveness of the Company's ICFR using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (2013).

There were no changes in the Company's ICFR during the nine months ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Risk and Uncertainties

We believe our performance and future success depend on a number of factors that present significant opportunities for us. For a discussion of risk factors that have been identified by the Company refer to the 2020 AIF and 2020 MD&A which is available through the Company's profile on the SEDAR website at www.sedar.com.

Corporate Information

Executive Management

Alan Kestenbaum
Chief Executive Officer

Paul D. Scherzer
Chief Financial Officer

Sujit Sanyal
Chief Operating Officer

Paul Simon
General Counsel & Corporate Secretary

Board of Directors

Alan Kestenbaum
Executive Chairman and
Chief Executive Officer, Stelco Holdings Inc.

Monty Baker [1,2,3]
Corporate Director

Michael W. Dees [3,4,5]
Partner, Lindsay Goldberg

Alan Goldberg
Co-Founder and Chief Executive Officer,
Lindsay Goldberg

Jacob Lew
Partner, Lindsay Goldberg

Michael Mueller [3,4,5,6]
Corporate Director

Heather Ross [2,4,7,8]
Corporate Director

Indira Samarasekera [9]
Corporate Director

Daryl Wilson
Corporate Director [2,5]

[1] Chair of the Compensation Committee
[2] Member of the Audit Committee
[3] Member of the Governance and Nominating Committee
[4] Member of the Compensation Committee
[5] Member of the Environmental, Health and Safety Committee
[6] Chair of the Audit Committee
[7] Lead Director
[8] Chair of the Governance and Nominating Committee
[9] Chair of the Environmental, Health and Safety Committee

Auditors

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Transfer Agent and Registrar

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Stock Exchange Listing

The Toronto Stock Exchange
Stelco Holdings Inc. trading symbol: STLC

Shareholder Information

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Shareholder and Investor Contact

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Chief Financial Officer
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