MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") contains information regarding the financial position and financial performance of Algoma Steel Inc. and its consolidated subsidiaries and unless the context otherwise requires, all references in this section to "Algoma," "the Company,", "we," "us," or "our" refer to Algoma Steel Inc. and its consolidated subsidiaries.

The following MD&A provides Algoma management's perspective on the financial position and financial performance of the Company and its consolidated subsidiaries for the three month periods ended June 30, 2021 and June 30, 2020. This MD&A provides information to assist readers of, and should be read in conjunction with, the Company's June 30, 2021 condensed interim consolidated financial statements and the accompanying notes of the Company and the March 31, 2021 audited consolidated financial statements and the accompanying notes of the Company.

This discussion of the Company's business may include forward-looking information with respect to the Company, including its operations and strategies, as well as financial performance and conditions, which are subject to a variety of risks and uncertainties. Readers are directed to carefully review the sections entitled "Non-IFRS Financial Measures" and "Risk Factors" included elsewhere in this MD&A.

This MD&A is dated as of August 18, 2021. This document has been reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 18, 2021. Events occurring after this date could render the information contained herein inaccurate or misleading in a material respect.

Non-IFRS Financial Measures

In this MD&A we use certain non-IFRS measures to evaluate the performance of Algoma. These terms do not have any standardized meaning prescribed within 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 a further understanding of our financial performance from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. The terms "Adjusted EBITDA" are financial measures utilized by Algoma in reporting its financial results that are not defined by IFRS. The terms "Net Sales Realization" and "Cost Per Ton of Steel Products Sold" are financial measures utilized by Algoma in reporting its financial results that are not defined by IFRS. Net Sales Realization, as defined by Algoma, refers to steel revenue less freight per steel tons shipped. Cost Per Ton of Steel Products Sold, as defined by Algoma, refers to cost of steel revenue less freight, amortization, carbon tax and exceptional items (included in cost of steel revenue) per steel tons shipped.

Adjusted EBITDA, as defined by Algoma, refers to net (loss) income before amortization of property, plant, equipment and amortization of assets, finance costs, interest on pension and other post-employment benefit obligations, income taxes, reorganization costs, foreign exchange loss (gain), finance income, inventory write-downs, carbon tax and certain exceptional items. Adjusted EBITDA is not intended to represent cash flow from operations, as defined by IFRS, and should not be considered as alternatives to net earnings, cash flow from operations, or any other measure of performance prescribed by IFRS. Adjusted EBITDA, as defined and used by Algoma, may not be comparable to Adjusted EBITDA as defined and used by other companies. We consider Adjusted EBITDA to be meaningful measures to assess our operating performance in addition to IFRS measures. They are included because we believe they can be useful in measuring our operating performance and our ability to expand our business and provide management and investors with additional information for comparison of our operating results across different time periods and to the operating results of other companies. Adjusted EBITDA is also used by analysts and our lenders as a measure of our financial performance.

Adjusted EBITDA, Net Sales Realization and Cost Per Ton of Steel Products Sold have limitations as analytical tools and should not be considered in isolation from, or as alternatives to, net income, cash flow from operations or other data prepared in accordance with IFRS. Some of these limitations are:

- they do not reflect cash outlays for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital;
- they do not reflect the finance costs, or the cash requirements necessary to service interest or principal payments on indebtedness;
- they do not reflect income tax expense or the cash necessary to pay income taxes;
- they do not reflect interest on pension and other post-employment benefit obligations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect cash requirements for such replacements;
- they do not reflect the impact of earnings or charges resulting from matters we believe not to be indicative of our ongoing operations; and
- other companies, including other companies in our industry, may calculate this measure differently than as presented in by us, limiting their usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA and the related ratios such as Adjusted EBITDA margin and Adjusted EBITDA per ton should not be considered as measures of discretionary cash available to invest in business growth or to reduce indebtedness. We compensate for these limitations by relying primarily on our IFRS results using Adjusted EBITDA only as a supplement.

For a reconciliation of Adjusted EBITDA to their most comparable IFRS financial measures or to other non-IFRS financial measures see “Results of Operations – Adjusted EBITDA” presented in this MD&A.

Functional Currency

The Company’s functional currency is the US dollar which reflects the Company’s operational exposure to the US dollar. The Company uses the Canadian dollar as its presentation currency. In accordance with IFRS, all amounts presented are translated to Canadian dollars using the current rate method whereby all revenues, expenses and cash flows are translated at the average rate that was in effect during the period or presented at their Canadian dollar transactional amounts and all assets and liabilities are translated at the prevailing closing rate in effect at the end of the period. Equity transactions have been translated at historical rates. The resulting net translation adjustment has been recorded in other comprehensive income.

The currency exchange rates for the relevant periods of fiscal 2022 and fiscal 2021 are provided below:

	Average Rate		**Period End Rate**	
	FY 2022	FY 2021	**FY 2022**	FY 2021
April 1 to June 30	**1.2280**	1.3859	**1.2394**	1.3576

Overview of the Business

Algoma Steel Inc. was incorporated on May 19, 2016 under the BCA, for the purpose of purchasing substantially all of the operating assets and liabilities of Old Steelco Inc. The Company's ultimate parent company is Algoma Steel Parent S.C.A. The Company is an integrated steel producer with its active operations located entirely in Canada. The Company produces sheet and plate products that are sold primarily in North America. The Company is an integrated steel producer with its active operations located entirely in Sault Ste. Marie, Ontario and Canada. The Company produces sheet and plate products that are sold primarily in Canada and the United States.

On May 24, 2021, parent company Algoma Steel Group Inc., formerly known as 1295908 B.C. Ltd., announced it entered into a definitive merger agreement with Legato Merger Corp. that will result in the Company becoming publicly listed. The transaction is expected to close in the third quarter of 2021, subject to the approval of Legato stockholders and the satisfaction or waiver of certain other customary closing conditions, including approvals from Nasdaq and the Toronto Stock Exchange.

Factors Affecting Financial Performance

The Company's profitability is correlated to the pricing of steel, ore, coal and energy and the existence of tariffs on its sales outside of Canada. Changes in the underlying pricing of the Company's steel products and raw materials, and changes in tariffs on sales outside of Canada cause variation in operating results between periods. During periods of stronger or improving steel market conditions, the Company is more likely to be able to pass the increased costs of ore, coal and energy to its customers, protecting the Company's margins from significant erosion. During weaker or rapidly deteriorating steel market conditions, including due to weak steel demand, low industry utilization rates and/or increasing steel product imports, the competitive environment intensifies which results in increased pricing pressure. All of those factors, to some degree, impact pricing, which in turn impacts margins.

Steel pricing is largely dependent on global supply, the level of steel imports into North America and economic conditions in North America. Global steel production overcapacity continues to be a long-term challenge. Steel production in China rose in 2020, going from approximately 1.10 billion tons in 2019 to approximately 1.16 billion tons in 2020—an increase of 5.5%. As a result, China's share of global crude steel production rose from 53.3% in 2019 to 56.6% in 2020 (*source: Worldsteel Association "2021 World Steel in Figures" and Worldsteel Association "2020 World Steel in Figures")*. This trend continued for the first five months of 2021 as steel production in China rose 13.9% with China producing 473.1 million tons in this period (*source: Worldsteel Association Press Release "May 2021 crude steel production" June 22, 2021)*. The OECD projects that global excess steel production capacity was approximately 776 million tons in 2020, up from 624 million tons at the end of 2019, which was itself up significantly from the prior year.

COVID-19 Pandemic

On March 11, 2020, the coronavirus (COVID-19) was declared a pandemic by the World Health Organization. Concerns about the spread of the virus, and measures taken to control the spread of the virus have negatively affected economies globally and upset normal commercial patterns. The manufacture of steel was deemed an essential service by the government of Ontario, Canada, and as a result, operations at the Company have been ongoing since the onset of the COVID-19 pandemic.

From the onset of this global health crisis, management, has worked in close consultation with public health officials, to implement extensive preventative measures and safety protocols. Management has continued to adjust and refine preventative measures throughout this health crisis as regulations and best practice evolve. These measures include:

- Mandatory self-attestation and restricted eligibility for work for employees that fall under a self-isolation or quarantine scenario;
- Mandatory mask use in all shared areas;
- Visitor restrictions and protocols;
- Contractor self-attestation and pre-screening;

- Heightened sanitation protocols, including rotating deep cleaning measures;
- Immediate intensive sanitation of an area where a worker has displayed symptoms;
- Physical distancing protocols for employees and essential service providers, including truck drivers and couriers;
- Staggered shift starts, lunches and breaks to reduce congestion in welfare facilities and lunchrooms;
- Mandatory personal protective equipment, including respirator, disposable coveralls, safety glasses, masks, when working within two metres of another person.
- On-site worker transportation limit of two persons per vehicle, with mask usage;
- Revised vendor delivery protocols to provide for contactless delivery and maintain social distancing;
- Transitioned paper processes online;
- Facilitated work from home arrangements;
- Redesigned work station layout to provide for adequate spacing and limited pulpit occupancy;
- Directed teams to hold meetings via teleconference and video conference;
- Online training delivery; and
- An Employee Hotline where employees can call twenty-four hours a day with any questions or concerns.

Measures have also been taken to safeguard the Company's liquidity position. At June 30, 2021, the Company had cash of C$21.9 million (March 31, 2021 - C$21.2 million) and no balance outstanding on the Revolving Credit Facility (March 31, 2021 - C$90.1 million). During the year ended March 31, 2021, management elected to pay the interest due on the Secured Term Loan Facility in kind for interest accrued during April to September 2020, resulting in an increase in the principal amount of the Secured Term Loan Facility of C$11.3 million, C$11.0 million and C$10.9 million, respectively. In January 2021 and April 2021, interest of C$10.2 million and C$9.4 million on the Secured Term Loan Facility was paid in cash, not in kind.

At the onset of the pandemic, slowdowns and disruptions in the operations of our customers led to a reduction in demand. In response, during the six month period ended September 30, 2020 the Company adjusted production to match demand and to control costs. For the three month period ended June 30, 2021, production and shipment volumes improved, returning normal levels.

Management believes that the Company has sufficient resources to remain in compliance with its debt covenants and support the operations of the Company. However, future unanticipated disruptions in the Company's business activities, and costs incurred by the Company in response to changing conditions and regulations could have a material adverse impact on our business, operating results and financial condition.

Overall Results

Net Income (Loss)

The Company's net income for the three month ended June 30, 2021, was C$214.2 million compared to a net loss of C$42.7 million for the three month period ended June 30, 2020, resulting in a C$256.9 million increase of net income This increase of net income was due primarily to increase in steel revenue of C$422.7 million, a result of increased shipment volume (46.6%) and increase in selling price of steel, offset, in part, by associated increase in cost of steel revenue (C$153.5 million).

Income (Loss) from Operations

The Company's income from operations for the three month period ended June 30, 2021 was C$260.7 million compared to a loss from operations of $2.8 million for the three month period ended June 30, 2020, an increase of C$263.5 million, due primarily to reasons mentioned above for net income.

As discussed above, the onset of the COVID-19 pandemic disrupted the operations of the Company's customers, and reduced the demand for steel products. Accordingly, the Company slowed production during the three month period ended June 30, 2020, to match the reduced demand. However, production has improved subsequently, over the latter half of fiscal 2021 and throughout the three month period ended June

30, 2021, returned to normal levels to match increased demand for steel products.

The Company's Adjusted EBITDA for the three month period ended June 30, 2021 was C$280.9 million (June 30, 2020 – C$20.5 million), with an Adjusted EBITDA margin of 35.6% (June 30, 2020 – 5.9%), average net sales realization ("NSR") of C$1,185 per ton (June 30, 2020 - C$746 per ton) and costs of steel products sold of C$695 per ton (June 30, 2020 - C$673 per ton).

Steel Revenue and Cost of Sales

	April 1 to June 30				
	change		**FY 2022**		FY 2021
tons					
Steel Shipments	↑ **46.6%**		**610,057**		416,216
millions of dollars					
Steel Revenue	↑ **123.6%**	**$**	**764.7**	$	342.0
Cost of steel products sold *(excluding amortization)*	↑ **48.5%**	**$**	**465.2**	$	313.2
dollars per ton					
Average net sales realization on steel sales *(excluding freight)*	↑ **58.9%**	**$**	**1,185**	$	746
Cost per ton of steel products sold *(excluding amortization, freight, carbon tax and exceptional items)*	↑ **3.3%**	**$**	**695**	$	673

The Company's NSR on steel sales (excluding freight) per ton shipped was C$1,185 for the three month ended June 30, 2021 (June 30, 2020 - C$746), an increase of 58.9%. Steel revenue increased by 123.6% and steel shipment volumes increased by 46.6% during the three month period ended June 30, 2021, as compared to the three month period ended June 30, 2020. The overall increase in steel shipment volumes and steel revenue is due to increased steel prices and demand compared to the three month period ended June 30, 2020 when the impacts of the COVID-19 pandemic were initially realized.

For the three month period ended June 30, 2021, the Company's cost of steel products sold increased by 48.5% to C$465.2 (June 30, 2020 - C$313.2) due primarily to increase in shipping volume (46.6%).

Further, the Government of Canada passed the CEWS in response to the COVID-19 pandemic. For the three month period ended June 30, 2021, the Company did not receive CEWS funding. For the three month period ended June 30, 2020, the Company recorded a reduction of C$27.0 million to the cost of steel products sold as a reduction to personnel costs, included therein, in connection with the CEWS program.

Non-steel Revenue and Cost of Sales

For the three month period ended June 30, 2021, the Company's non-steel revenue was C$24.4 million (June 30, 2020 - C$7.4 million). The increase of C$17 million was primarily due to higher sales volume and higher selling prices of tar, light oil and braize. For the three month period ended June 30, 2021 and 2020, non-steel cost of sales approximated non-steel sales.

Administrative and Selling Expenses

millions of dollars	April 1 to June 30 FY 2022	FY 2021
Personnel expenses	**$ 9.3**	$ 5.2
Professional, consulting, legal and other fees	**6.4**	4.9
Software licenses	**1.4**	1.0
Amortization of intangible assets and non-production assets	**0.1**	0.1
Other administrative and selling	**1.0**	1.3
	$ 18.2	$ 12.5

As illustrated in the table above, the Company's administrative and selling expenses for the three month period ended June 30, 2021, was C$18.2 million (June 30, 2020 - C$12.5 million). The increase in administrative and selling expenses of C$5.7 million comprising increased personnel expenses (C$4.1 million) and increased professional, consulting, legal and other fees (C$1.5 million) mainly due to costs associated with on-going cost reduction and efficiency projects.

For the three month period ended June 30, 2021, the Company did not receive CEWS funding. For the three month period ended June 30, 2020, the Company recorded a C$2.4 million reduction in administration and selling expenses as a reduction to personnel costs, included therein, in connection with the CEWS program.

Finance Costs, Finance Income, Interest on Pension and Other Post-employment Benefit Obligations, and Foreign Exchange Gains and Losses

The Company's finance costs represent interest cost on the Company's debt facilities, including the Revolving Credit Facility, Secured Term Loan Facility and Algoma Docks Term Loan Facility. Finance cost also includes the amortization of transaction costs related to the Company's debt facilities and the accretion of the benefits in respect of the Company's governmental loan facilities in respect of the interest free loan issued by, and the grant given by the Canadian federal government as well as the low interest rate loan issued from the Ontario provincial government, all of which are discussed below (Financial Resources and Liquidity - Cash Flow Used in Investing Activities) and the unwinding of discounts on the Company's environmental liabilities.

millions of dollars	April 1 to June 30 FY 2022	FY 2021
Interest on the following facilities		
Revolving Credit Facility	**0.5**	1.4
Secured Term Loan Facility	**9.4**	12.0
Algoma Docks Term Loan Facility	**1.0**	1.4
Revolving Credit Facility fees	**0.3**	0.3
Unwinding of issuance costs of debt facilities and accretion of governmental loan benefits and discounts on environmental liabilities	**3.6**	3.3
Other interest expense	**0.3**	0.4
	$ 15.1	$ 18.8
Finance cost as a percent of revenue	**1.9%**	5.4%

As illustrated in the table above, the Company's finance costs for the three month period ended June 30, 2021, was C$15.1 million compared to C$18.8 million for the three month period ended June 30, 2020 resulting in a decrease of C$3.7 million. The decrease is primarily attributable to the Secured Term Loan Facility ($2.6 million) and the Revolving Credit Facility (C$0.9 million). The Company's finance cost as a percentage of revenue was lower by 3.5% at 1.9% for the three month period ended June 30, 2021 compared to 5.4% for the three month period ended June 30, 2020. On April 1, 2020, management elected to pay the interest due on the Secured Term Loan Facility in kind which resulted in a 1.0% interest premium. Interest on the Secured Short Term Loan Facility of C$9.4 million in April 2021 was paid in cash.

The Company's finance income for the three month period ended June 30, 2021, was nil million compared to C$0.6 million for the three month period ended June 30, 2020, representing a decline of C$0.6 million.

The Company's interest in pension and other post-employment benefit obligations for the three month period ended June 30, 2021 was C$2.9 million compared to C$4.3 million for the three month period ended June 30, 2020.

The Company's foreign exchange loss for the three month ended June 30, 2021 was C$10.0 million compared to C$17.4 million for the three month period ended June 30, 2020. These foreign exchange movements reflect the effect of US dollar exchange rate fluctuations on the Company's Canadian dollar denominated monetary assets and liabilities.

Pension and Post-Employment Benefits

	April 1 to June 30	
millions of dollars	**FY 2022**	FY 2021
Recognized in loss before income taxes:		
Pension benefits expense	**$ 6.1**	$ 6.9
Post-employment benefits expense	**3.0**	3.2
	$ 9.1	$ 10.1
Recognized in other comprehensive loss (pre-tax):		
Pension benefits loss	**$ (20.0)**	$ 78.3
Post-employment benefits loss	**7.1**	53.7
	$ (12.9)	$ 132.0
	$ (3.8)	$ 142.1

As illustrated in the table above, the Company's pension expense for the three month periods ended June 30, 2021 and June 30, 2020 were C$6.1 million and C$6.9 million, respectively, representing a decrease of C$0.8 million. The Company's post-employment benefit expense for the three month periods ended June 30, 2021 and June 30, 2020 were C$3.0 million and C$3.2 million, respectively.

As disclosed in Note 3 to the March 31, 2021 audited consolidated financial statements, all actuarial gains and losses that arise in calculating the present value of the defined benefit pension obligation net of assets and the defined benefit obligation in respect of other post-employment benefits, including the re-measurement components, are recognized immediately in other comprehensive income (loss). In accordance with IFRS, the Company makes an assessment at each reporting period-end as to whether the accrued pension liability and the accrued other post-employment benefit obligation have been significantly impacted by changes in market discount rates, curtailments, settlements, actual returns on defined benefit pension plan assets or other one-off events.

For the three month period ended June 30, 2021, the Company recorded actuarially determined gain to the accrued defined pension liability and accrued other post-employment benefit obligation in other comprehensive loss of C$12.9 million (June 30, 2020 – actuarial determined loss of C$132.0 million). These adjustments are required by IFRS when the accrued liability is significantly impacted by changes in market discount rates, curtailments, settlements, actual returns on defined benefit pension plan assets or other one-off events.

Carbon Taxes

On June 28, 2019, the Company became subject to the Federal Greenhouse Gas Pollution Pricing Act (the "Carbon Tax Act"). The Carbon Tax Act was enacted with retroactive effect to January 1, 2019. The Company has chosen to remove the costs associated with the Carbon Tax Act from EBITDA to facilitate comparison with the results of its competitors in jurisdictions not subject to the Carbon Tax Act. For the three month period ended June 30, 2021, total Carbon Tax recognized in cost of sales was a recovery of C$0.6 million, compared to expense of C$1.5 million in the three month period ended June 30, 2020. The decrease in Carbon tax is mainly due to a true-up of the distribution of the costs between the Company and other emitters. Carbon tax is primarily a function of the volume of our production, increasing as production increases.

Income Taxes

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Management assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective evidence is the cumulative loss the Company has incurred over the first two years of its operations. Such objective evidence limits the ability to consider other subjective evidence, such as management's projections for future growth.

For the three month periods ended June 30, 2021 and June 30, 2020, the Company's current income tax expense/recovery was nil. For the three month period ended June 30, 2021, the Company's deferred income tax expense was $18.5 million (June 30, 2020 – nil).

As of June 30, 2021, the Company had non-capital tax losses available of C$306.4 million, C$109.5 million of which expire in 2038, C$111.5 million of which expire in 2039 and C$85.4 million of which expire in 2040.

Adjusted EBITDA (i)

The following table shows the reconciliation of EBITDA and to net income for the periods indicated:

	April 1 to June 30	
millions of dollars	**FY 2022**	FY 2021
Net income (loss)	**$ 214.2**	$ (42.7)
Amortization of property, plant and equipment and amortization of intangible assets	**20.7**	19.2
Finance costs	**15.1**	18.8
Interest on pension and other post-employment benefit obligations	**2.9**	4.3
Income taxes	**18.5**	-
Foreign exchange loss	**10.1**	17.4
Finance income	**-**	(0.6)
Inventory write-downs *(amortization on property, plant and equipment in inventory)*	**-**	2.6
Carbon tax	**(0.6)**	1.5
Adjusted EBITDA	**$ 280.9**	$ 20.5
Adjusted EBITDA Margin	**35.6%**	5.9%
Adjusted EBITDA / ton	**$ 452.76**	$ 33.04

(i) Adjusted EBITDA is a non-IFRS measure and is defined on page 1 of this report.

Adjusted EBITDA for the three month ended June 30, 2021 was C$280.9 million, compared to C$20.5 million for the three month ended June 30, 2020, resulting in an increase of C$260.4 million. The Adjusted EBITDA margin for the three month periods ended June 30, 2021 and June 30, 2020 was 35.6% and 5.9%, respectively. The Adjusted EBITDA per ton for the three month period ended June 30, 2021 was C$452.76 and was C$33.04 for the three month period ended June 30, 2020.

The increase in Adjusted EBITDA and improvement in Adjusted EBITDA margin for the three month period ended June 30, 2021 compared to the three month period ended June 30, 2020 was due primarily to increases in selling prices and demand for steel products. For the three month period ended June 30, 2021, the Company did not receive CEWS however for the three month period ended June 30, 2020, the Company recorded an associated C$27.0 million reduction to cost of sales and C$2.4 million reduction in administration and selling expenses. The CEWS resulted in a partial offset to the overall increase to Adjusted EBITDA of C$29.4 million for the three month period ended June 30, 2021.

Financial Resources and Liquidity

Summary of Cash Flows

	April 1 to June 30	
millions of dollars	**FY 2022**	FY 2021
Operating Activities:		
Cash generated from operating activities before changes in non-cash working capital and environmental liabilities paid	**$ 274.8**	$ 14.5
Net change in non-cash working capital	**(153.2)**	(34.9)
Environmental liabilities paid	**(0.5)**	(0.3)
Net change in unrealized cash flow hedges	**-**	-
Cash generated by (used) in operating activities	**$ 121.1**	$ (20.7)
Investing activities		
Acquisition of property, plant and equipment	**$ (19.1)**	$ (12.0)
Cash used in investing activities	**$ (19.1)**	$ (12.0)
Financing activities		
Bank indebtedness, net	**$ (86.9)**	$ (9.0)
Repayment of Senior Secured Term Loan Facility	**(0.9)**	(1.0)
Repayment of Algoma Docks Term Loan Facility	**(2.5)**	(1.9)
Government loans issued, net of benefit	**-**	5.1
Interest paid	**(10.7)**	(1.7)
Interest cost of right-of-use assets	**-**	(0.1)
Other	**-**	0.1
Cash used in financing activities	**$ (101.0)**	$ (8.5)
Effect of exchange rate changes on cash	**$ (0.3)**	$ (9.0)
Change in cash and equivalents during the period	**$ 0.7**	$ (50.2)

As illustrated in the table above, the generation of cash for the three month period ended June 30, 2021 was C$0.7 million, compared to the use of cash of C$50.2 million for the three month period ended June 30, 2020. The increase in the generation of cash for the three month period ended June 30, 2021, as compared to the three month period ended June 30, 2020, was C$50.9 million, and is primarily the result of the C$141.8 million increase in cash generated by operating activities, offset by cash used in financing activities of C$92.5 million, a result of repayment of bank indebtedness.

Cash Flow Generated by (Used In) Operating Activities

For the three month period ended June 30, 2021, the cash generated by operating activities was C$121.1 million, compared to C$20.7 million cash used in operating activities for the three month ended June 30,

2020. The increase in cash generated from operating activities for the three month period ended June 30, 2021 was due to higher NSR, offset in part, by increased use of cash for working capital.

The following table shows changes in the Company's non-cash working capital for the periods indicated:

	April 1 to June 30	
millions of dollars	**FY 2022**	FY 2021
Accounts receivable	**$ (61.9)**	$ 65.9
Inventories	**(59.0)**	(66.0)
Prepaid expenses and deposits and other current assets	**(45.3)**	(10.9)
Accounts payable and accrued liabilities	**18.5**	(35.2)
Income and other taxes payable	**(7.0)**	-
Derivative financial instruments (net)	**1.5**	-
Secured term loan interest payment in kind	**-**	11.3
Total	**$ (153.2)**	$ (34.9)

As illustrated in the table above, the Company's use of cash due to changes in non-cash working capital during the three month period ended June 30, 2021, was C$153.2 million (June 30, 2020 – C$34.9 million). The net change in working capital was a decrease of C$118.3 million due to an increase in accounts receivable (C$127.8 million) driven by increased steel revenue (C$422.7 million) and improved NSR (increased by 58.9%). Further, prepaid expenses and other current assets increased due to advance payments for capital project (C$34.4 million). Offset, in part, by a decrease in secured term loan interest payment in kind (C$11.3 million) as management elected to pay the interest due on the Secured Term Loan Facility in kind on April 1, 2020 to conserve cash at the onset of the COVID-19 pandemic in March 2020. Further offset, in part, by an increase in accounts payable and accrued liabilities (C$53.7 million) due to accrued liabilities and timing of payments to vendors.

Cash Flow Used In Investing Activities

For the three month period ended June 30, 2021, cash used in investing activities was C$19.1 million (June 30, 2020 – C$12.0 million). Expenditures for the acquisition of property, plant and equipment for the three month periods ended June 30, 2021 and June 30, 2020 were C$20.4 million and C$18.5 million, respectively. In addition, the Company recorded benefits of C$1.3 million (June 30, 2020 - C$6.5 million) in respect of the interest free loan issued by, and the grant given by the Canadian federal government as well as the low interest rate loan issued from the Ontario provincial government, all of which are discussed below. The acquisition, net of benefits, for the three month period ended June 30, 2021 was C$19.1 million (June 30, 2020 - C$12.0 million).

During the three month period ended June 30, 2021, the Company disposed of property, plant and equipment with a cost of C$0.3 million (June 30, 2020 – nil). The disposal of property, plant and equipment during the three month period ended June 30, 2021 resulted in a net gain of C$0.3 million.

During the three month periods ended June 30, 2021 and June 30, 2020, the Company did not acquire or dispose of intangible assets.

Cash Flow Used In Financing Activities

For the three month period ended June 30, 2021, cash used in financing activities was C$101.0 million (June 30, 2020 – C$8.5 million). During the three month period ended June 30, 2021, the Company made repayments of its Revolving Credit Facility totaling C$103.2 million and drew down C$16.2 million (June 30, 2020 – repaid C$12.0 million and drew down C$3.0 million), its Secured Term Loan of C$0.9 million (June 30, 2020 - C$1.0 million) and its Algoma Docks Term Loan Facility of C$2.5 million (June 30, 2020 – C$1.9 million). In addition, during the three month period ended June 30, 2021, the Company recorded long-term governmental loans issued, net of benefits recorded, of nil (June 30, 2020 - C$5.1 million), and paid interest of C$10.7 million (June 30, 2020 - C$1.7 million).

Capital Resources - Financial Position and Liquidity

As at June 30, 2021, the Company had cash of C$21.9 million (March 31, 2021 - $21.2 million), and had unused availability under its Revolving Credit Facility of C$292.1 million (US$228.8 million) of unused availability after taking into account C$26.2 million (US$21.2 million) of outstanding letters of credit and borrowing base reserves. At March 31, 2021, the Company had drawn C$90.1 million (US$71.7 million), and there was C$200.8 (US$156.5 million) of unused availability after taking into account C$27.4 million (US$21.8 million) of outstanding letters of credit and borrowing base reserves. The increase in the Company's overall available cash (including availability under its Revolving Credit Facility) as of June 30, 2021 compared to March 31, 2021 is due to the factors discussed above.

Contractual Obligations and Off Balance Sheet Arrangements

The following table presents, at June 30, 2021, the Company's obligations and commitments to make future payments under contracts and contingent commitments. The following figures assume that the June 30, 2021, Canadian/US dollar exchange rate of US$1.00 = C$0.8068 remains constant throughout the periods indicated.

millions of dollars	Total	Less than 1 year	Year 2	Years 3-5	More than 5 years
Bank indebtedness	$ -	$ -	$ -	$ -	$ -
Long-term debt	447.9	15.1	16.7	416.1	-
Long-term governmental loans	135.0	2.5	10.0	60.6	61.9
Purchase obligations	728.2	406.0	128.9	128.9	64.4
Lease obligations	1.1	0.4	0.3	0.2	-
Total	$ 1,312.2	$ 424.0	$ 155.9	$ 605.8	$ 126.3

Off balance sheet arrangements include letters of credit, and operating lease obligations as disclosed above. At June 30, 2021, the Company had C$26.2 million (US$21.2 million) (March 31, 2021 - C$27.4 million (US$21.8 million)) of outstanding letters of credit.

As discussed above, the Company maintains defined benefit pension plans and other post-employment benefit plans. At June 30, 2021, the Company's net obligation in respect of its defined benefit pension plans was C$143.8 million (March 31, 2021 - C$170.1 million) and the Company's obligation in respect of its other post-employment benefits plans was C$305.3 million (March 31, 2021 – C$297.8 million).

The Company's obligations, commitments and future payments under contract will be financed through cash flow from operations and funds from the Company's Revolving Credit Facility.

Financial Instruments

The Company's financial assets and liabilities (financial instruments) include cash, restricted cash, accounts receivable, margin payments, parent company promissory note receivable, derivative financial instruments, bank indebtedness, accounts payable and accrued liabilities, long-term debt and long-term governmental loans.

Financial assets and financial liabilities, including derivatives, are recognized when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Financial instruments are disclosed in Note 24 to the June 30, 2021 condensed interim consolidated financial statements.

Critical Accounting Estimates

As disclosed in Note 4 of the March 31, 2021 audited consolidated financial statements, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years.

Significant items subject to such estimates and assumptions include the going concern assessment, allowance for doubtful accounts, carrying amount and useful life of property, plant and equipment and intangible assets, defined benefit retirement plans and income tax expense and scientific research and development investment tax credits. Actual results could differ from those estimates.

Going Concern Assessment

The Company continually monitors its ability to continue on a going concern basis. The Company assesses whether there are any indications that an impairment loss may have occurred. In doing so, the Company makes judgements, based on an internally generated short-term cash flow forecast, in concluding that there are no material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern. Judgements and estimates are made in forming assumptions of future activities, future cash flows and timing of those cash flows. Significant assumptions used in preparing the short-term cash flow forecast include, but are not limited to, short-term commodity prices, production volumes, reserves, operating costs, financing costs and development capital. Changes to these assumptions could affect the estimate of the Company's available liquidity and conclusion as to whether there are material uncertainties related to events or conditions that cast substantial doubt upon the Company's ability to continue as a going concern.

Allowance for doubtful accounts

Management analyzes accounts receivable to determine the allowance for doubtful accounts by assessing the collectability of receivables owing from each individual customer. This assessment takes into consideration certain factors including the age of outstanding receivable, customer operating performance, historical payment patterns and current collection efforts, relevant forward looking information and the Company's security interests, if any.

Useful lives of property, plant and equipment and intangible assets

The Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period, and whenever events or circumstances indicate a change in useful life. Estimated useful lives of items of property, plant and equipment and intangible assets are based on a best estimate and the actual useful lives may be different. The useful life of property, plant and equipment and intangible assets affects the amount of amortization and the net book value disclosed in the Company's financial statements.

Impairment of property, plant and equipment and intangible assets

Any accounting estimate related to impairment of property, plant and equipment and intangible assets require the Company to make assumptions about future cash flows and discount rates. Further, determining whether property, plant and equipment and intangible assets are impaired requires the Company to determine the recoverable amount of the cash generated unit ("CGU") to which the asset is allocated. To determine the recoverable amount of the CGU, management is required to estimate its fair value. To calculate the value of the CGU in use, management determines expected future cash flows, which involves, among other items, realization rates on future steel output, costs and volume of production, growth rate, and the estimated selling costs, using an appropriate weighted average cost of capital. Assumptions about future cash flows require significant judgement because actual operating levels have fluctuated in the past and are expected to do so in the future.

Defined Benefit Retirement Plans

The determination of employee benefit expense and obligations requires the use of assumptions such as the discount rate applied to determine the present value of all future cash flows expected in the plan. Since the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process. Actual results could differ from estimated results which are based on assumptions.

Taxation

The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense and scientific research and experimental development investment tax credits only become final upon filing and acceptance of the returns by the relevant authorities, which occur subsequent to the issuance of the consolidated financial statements.

Additionally, the estimation of income taxes includes evaluating the recoverability of deferred income tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, (loss) income would be affected in a subsequent period. The Company will file tax returns that may contain interpretations of tax law and estimates. Positions taken and estimates utilized by the Company may be challenged by the relevant tax authorities. Rulings that alter tax returns filed may require adjustment in the future.

Risks and Uncertainties

Overview

Management's primary goals in managing risks are:

(i) to ensure that risks are properly identified and controlled;
(ii) to ensure that mechanisms exist to identify risks, analyze and assess their impact on the Company; and
(iii) to monitor changes in those risks and communicate the risks to all levels of management, the Board of Directors and shareholder.

RISKS RELATED TO THE COMPANY

The downturn in the global economy experienced during the second half of 2009 and the first half of 2010, and again in the first half of 2020, caused a sharp reduction in worldwide demand for steel. A protracted global recession or depression will have a material adverse effect on the steel industry and therefore the Company.

The Company's activities and results are affected by international, national and regional economic conditions. The downturn in the global economy in 2009 sparked by uncertainty in credit markets and deteriorating consumer confidence, sharply reduced demand for steel products. This had a pronounced negative effect on the Company and results of operations.

As disclosed in Note 2 to the March 31, 2021 audited consolidated financial statements, the COVID-19 Pandemic which began during the first quarter of calendar year 2020 has since had a profound impact on economies world-wide. The manufacture of steel has been deemed to be an essential service by the government of Ontario, and the Company has continued to operate. However, at the onset of the pandemic and as the pandemic spread, slowdowns and disruptions in the operations of our customers led to a reduction in demand. Throughout the last six months of the year ended March 31, 2021 and continuing through the first three months ended June 30, 2021, demand and steel prices have increased. However as the pandemic is on-going, it is uncertain how the Company will be impacted by the COVID-19 pandemic in the future. Disruptions in the Company's business activities, and costs incurred by the Company in response to changing conditions and regulations and reduction in demand for the steel products the Company manufactures could have a material adverse impact on our business, operating results and financial condition.

A significant and prolonged recession or depression in the United States and Europe, or significantly slower growth or the spread of recessionary conditions to emerging economies that are substantial consumers of steel (such as China, Brazil, Russia and India, as well as emerging Asian markets, the Middle East and the

CIS regions) would exact a heavy toll on the steel industry. Continued financial weakness among substantial consumers of steel products, such as the automotive industry and the construction industry, or the bankruptcy of any large companies in such industries, would have a negative impact in market conditions. Protracted declines in steel consumption caused by poor economic conditions in North America or by the deterioration of the financial condition of our key customers would have a material adverse effect on demand for the Company's products and hence on its results.

Steel companies have significant fixed costs, which are difficult to reduce in times of reduced demand. However, the Company could implement a variety of measures in response to a market downturn and a decline in demand for steel products. These measures might include: curtailing the purchase of raw materials; spreading raw material contracts over a longer period of time; reducing capital spending; negotiating reduced pricing for major inputs, reducing headcount through temporary layoffs, limiting overtime and reducing use of contractors; managing fixed costs with changes in production levels; improving operational practices to reduce lead time; and venturing into export markets in order to increase capacity utilization. However, these initiatives may not prove sufficient, in terms of cost reduction or in realigning the Company's production levels with reduced demand, to achieve profitability and maintain cash flow necessary to pay for capital expenditures and other funding needs.

The Company's utilization rates may decline as a result of increased global steel production and imports.

In addition to economic conditions and prices, the steel industry is affected by other factors such as worldwide production capacity and fluctuations in steel imports/exports and tariffs. Historically, the steel industry has suffered from substantial over capacity. If demand for steel products was to rapidly decline, it is possible that global production levels will fail to adjust fully. If production increases outstrip demand increases in the market, an extended period of depressed prices and market weakness may result.

The Company expects that consolidation in the steel sector in recent years should, as a general matter, help producers to maintain more consistent performance through the down cycles by preventing fewer duplicate investments and increasing producers' utilization and therefore efficiency and economies of scale. In the context of another severe and/or protracted economic downturn, however, overcapacity in the industry may re-emerge.

As demand for steel surged in China, India and other emerging markets, steel production capacity in these markets also surged. China is now the largest worldwide steel producing country by a significant margin. In 2006, China became a net exporter of steel, exerting downward pressure on steel prices in the European and North American markets in that year, though its exports then slowed in 2007. In the second half of 2009, capacity expansion in the Chinese mills slowed and capacity utilization rates declined, resulting in decreased exports, however China remained a net exporter. As the global economy began to recover in 2010, capacity expansion in China progressed. In 2019, China was responsible for 53.3% of global steel production and remains a net exporter. Currently China has approximately 300 million tons of unused capacity, which is approximately three times the production capacity of the United States. In the future, any significant excess capacity utilization in China and increased exports by Chinese steel companies would depress steel prices in many markets.

A protracted fall in steel prices would have a material adverse effect on the Company's results. Price volatility could also have a material, adverse effect on the Company's results.

Steel prices are volatile and the global steel industry has historically been cyclical. After rising during 2007 and through the summer of 2009, steel prices in global markets fell sharply beginning in the late summer of 2009 primarily as a result of collapsing demand and a reduction in finished steel inventories, with demand remaining depressed through the first half of 2010. The fall in prices during this period adversely affected the results of steel producers generally as a result of lower revenues. During 2015, prices fell sharply by approximately US $200 / ton in the North American market, as a result of a significant increase in imports, driven primarily by the strengthening of the US dollar against other currencies. In 2018 prices rose to over US $900 / ton over a short period then fell to under US $500 / ton in the fall of 2019. More recently, in the early part of 2021, prices rose steadily to US $1,000 / ton where they have continued to climb to US $1,500

/ ton over the three month period ended June 30, 2021. These significant fluctuations in the market prices affects the bottom line of the Company as the cost of raw material does fluctuate as quickly as steel pricing. Protracted pricing or volume declines in the future would adversely affect the Company's cash flow and ability to pay for the Company's fixed costs, capital expenditures and other funding obligations.

The Company faces significant domestic and international competition, and there is a possibility that increased use of competitive products could cause sales to decline.

The Company competes with numerous foreign and domestic steel producers. Some of the Company's competitors have greater financial and capital resources than the Company does and continue to invest heavily to achieve increased production efficiencies and improved product quality. The Company primarily competes with other steel producers based on the delivered price of finished products to the Company's customers. The Company's costs are higher than many foreign producers; however freight costs for steel can often make it uneconomical for distant steel producers to compete with us. Foreign producers may be able to successfully compete if their higher shipping costs are offset by lower cost of sales. Although the Company is continually striving to improve its operating costs, it may not be successful in achieving cost improvements or gaining operating efficiencies that may be necessary to remain competitive on a global scale.

The domestic steel industry has, in the past, experienced lengthy periods of difficult markets due to increased foreign imports. Due to unfavorable foreign economic conditions, excess foreign capacity and a stronger US dollar compared to global currencies, imports of steel products to the US and Canadian markets have occasionally reached high levels.

Since the beginning of 1997, a significant number of steel companies have sought protection under Chapter 11 of the United State Bankruptcy Code. Many of these companies continued to operate, while reducing prices to maintain volumes and cash flow and obtaining concessions from their labour unions and suppliers. Some companies have even expanded and modernized during these reorganizations. Upon emerging from reorganization, these companies, or new entities that purchased their facilities through this process, have been relieved of many obligations including environmental, employee and retiree benefits and other obligations, commonly referred to as legacy costs. As a result, they may be able to operate with lower costs and cause increased competition to the Company.

Low-priced steel imports and decreased trade regulation could impact the North American market, resulting in a loss of sales volume, and could adversely affect prices for the Company's products and the Company's results of operations.

Our business has historically been affected by both Canadian and United States trade legislation intended to limit "dumping" – the selling of steel into the United States or Canadian markets at prices below cost or below the price prevailing in a foreign company's domestic market. Dumping may result in injury to companies producing goods in Canada or the US in the form of suppressed prices, lost sales, lower profits and reductions in production, employment levels and the ability to raise capital. Although in a number of cases Canadian trade laws have been successfully employed in the past, they may be inadequate to prevent future unfair import pricing practices which individually or collectively could materially adversely affect the Company.

If Canadian trade laws are weakened, world demand for steel decreases, or the US or Canadian dollars strengthen against foreign currencies, an increase in the market share of imports into Canada may occur, which could have a material adverse effect on the Company. Moreover, trade regulations in other countries, particularly the United States, could materially adversely affect the Company to the extent that they reduce or eliminate the Company's access to certain steel markets. There can be no assurances that the Company will be able to compete effectively in the future. Refer to the following discussion on Tariffs and other trade barriers.

Tariffs and other trade barriers may restrict the Company's ability to compete internationally

The Company has a significant number of customers located in the United States. For the three month periods ended June 30, 2021 and June 30, 2020, 60.7% and 51.6%, respectively, of revenue was from customers located in the United States. The Company exports products to these customers which may become subject to tariffs or other trade restrictions imposed by the United States government. The Company's ability to sell to these customers and compete with producers located in the United States could be negatively affected by tariffs and/or trade restrictions imposed on the Company's products.

On April 20, 2017, the United States administration issued an executive order directing the United States Department of Commerce to investigate whether imports of foreign steel are harming US national security. The directive falls under Section 232 of the Trade Expansion Act of 1962, which allows the US president to restrict trade of a good if such trade is determined to be harmful to US national security. On February 16, 2018, the US Department of Commerce released its report regarding the Section 232 investigation. The recommendations in that report include options regarding tariffs and/or quotas are intended to adjust the level of steel imports into the United States as it has been determined that those imports are an impairment to national security. Subsequently, on the United States announced tariffs of 25% by presidential proclamation dated March 8, 2018 on steel and aluminum imports. Canada, Mexico and certain other countries were granted temporary exemptions, which expired on May 31, 2018. As a result, Canadian steel producers became subject to 25% tariffs on all steel revenues earned on shipments made to the United States effective as of June 1, 2018. Effective on July 1, 2018, Canada began imposing a series of counter tariffs on certain U.S. goods, including steel products. Canada is also reportedly in the process of evaluating further protective measures to prevent the dumping of foreign steel into Canada from countries other than the United States. The Canadian government has also announced various relief measures aimed to helping companies affected by the tariffs and counter tariffs on goods imported from the United States.

As disclosed in Note 7 to the March 31, 2021 audited consolidated financial statements, on May 17, 2019, the United States announced that tariffs would be lifted entirely effective May 20, 2019. The Canadian government subsequently lifted counter tariffs on goods imported from the United States.

There can be no assurance that the United States will not once again levy tariffs on the Company's products shipped to customers in the United States.

The North American steel industry and certain industries the Company serves, such as the automotive, construction, appliance, machinery and equipment, and transportation industries, are cyclical, and prolonged economic declines could have a material adverse effect on the Company's business. The Company initiated a bankruptcy proceeding in 1990 and sought protection under the Companies' Creditors Arrangement Act (Canada) ("CCAA") in 2001 and 2015.

The North American steel industry is cyclical in nature and sensitive to general economic conditions. The financial condition and results of operation of companies in the steel industry are generally affected by macroeconomic fluctuations in the Canadian, US and global economies. Due mainly to the Company's product mix, it has a higher exposure to spot markets than most of the Company's North American competitors and are, therefore, subject to more volatility in the Company's selling prices. In addition, steel prices are sensitive to trends in cyclical industries such as the North American automotive, construction, appliance, machinery and equipment, and transportation industries, which are significant markets for the Company's products. Recent economic situations have negatively impacted the Company's performance. In addition, many of the Company's customers are also affected by economic downturns, which have resulted, and may in the future result, in defaults in the payment of accounts receivable owing to us and would negatively impact the Company's financial results and cash flows.

Old Steelco Inc.'s predecessor company experienced financial difficulties in 1990 after suffering a $702 million loss in that year, in part resulting from a lengthy labour strike. Old Steelco Inc.'s predecessor company initiated a bankruptcy proceeding in 1990 and emerged from bankruptcy protection by way of a $60 million bridge loan from the Government of Ontario. In April 2001, Old Steelco Inc.'s predecessor company's liquidity was exhausted, due to, among other things, the slow ramp-up of the DSPC, the cash drain from operations, a decrease in supplier credit due to earlier payment demands and a decrease in the collateral value of Old Steelco Inc.'s predecessor company's working capital which decreased availability under Old Steelco Inc.'s predecessor company's banking facility. Old Steelco Inc.'s predecessor company also suffered from high debt service costs associated with Old Steelco Inc.'s predecessor company's capital expenditure program and a weakness in short-term steel markets combined with the impact of low-priced imported steel in North American markets. On April 23, 2001, Old Steelco Inc.'s predecessor company sought protection from creditors under the CCAA, emerging there from in 2002.

On November 9, 2015 Old Steelco Inc. sought protection from creditors under the CCAA again. As discussed in Note 1 to the March 31, 2021 audited consolidated financial statements, the Company purchased substantially all of the operating assets of Old Steelco Inc. on November 30, 2018. However, there can be no assurance that the Company will not experience serious financial difficulties in the future.

Our operations could be affected by labour interruptions and difficulties

The Company has 2,696 full-time employees as of June 30, 2021, of which 2,569, representing 95% of the Company's employees, are represented by two locals of the United Steelworkers of America ("USW") under two collective bargaining agreements. On June 26, 2018, Local 2251 members and Local 2724 members voted to ratify new five year collective bargaining agreements. The agreements with Local 2251 and Local 2724 expire on July 31, 2022.

Our customers, or companies upon whom the Company is dependent for raw materials, transportation or other services, could also be affected by labour difficulties. Any such activities, disruptions or difficulties could result in a significant loss of production and sales and could have a material adverse effect on the Company's financial condition or results of operations.

All of the Company's operations are conducted at one facility and are subject to unexpected equipment failures and other business interruptions.

The Company's manufacturing processes are dependent upon critical steelmaking equipment such as furnaces, continuous casters, rolling mills, and electrical equipment (such as transformers), and this equipment may incur downtime as a result of unanticipated failures. Old Steelco Inc. experienced plant shutdowns or periods of reduced production as a result of such equipment failures. The Company has insurance coverage for property damage and business interruption losses. Business interruption provides coverage for loss of gross profit resulting from the interruption of business operations.

During April 2019, Algoma experienced an unplanned outage that disrupted production in our #7 Blast Furnace. The resulting lost production led to a shipping volume reduction during the three month period ended June 30, 2019, of over one hundred thousand tons. During April 2019, the Company recorded a capacity utilization adjustment of $32.7 million to cost of steel products sold. The outage was the result of operator error causing a chemistry imbalance of certain materials.

During fiscal year 2012, a substantial number of stack plate coolers were replaced and a leak detection system was installed at Blast Furnace #7. This program has continued into the current fiscal year. The purpose of these measures is to detect and prevent incidents of water into the furnace hearth.

On January 21, 2011, Blast Furnace #7 experienced significant water leakage and this ultimately led to the chilling of the furnace. Production of raw steel was halted for 23 days with production returning to normal after 33 days.

Unexpected interruptions in production capabilities and unexpected failures in the Company's computer systems would adversely affect productivity and results of operations for the affected period.

No assurance can be given that a significant shutdown will not occur in the future or that such a shutdown will not have a material adverse effect on the Company's business, financial condition or results of operations.

Financial Restrictions

The Company's Revolving Credit Facility, Secured Term Loan Facility, Algoma Docks Term Loan Facility and its government loan facilities contain restrictive covenants which, among other things, limit the incurrence of additional indebtedness, limit investments, capital expenditures and dividends and restrict transactions with affiliates, permitted acquisitions, asset sales, liens and encumbrances and other matters customarily restricted in such agreements. Additionally, the Revolving Credit Facility is governed by a conventional asset based lending borrowing base calculation comprised of eligible accounts receivable plus eligible inventories. Any shortfall in the borrowing base will trigger a mandatory loan repayment in the amount of the shortfall, subject to certain cure rights including the deposit of cash into an account controlled by the agent.

The Company's ability to comply with these restrictions may be affected by events beyond its control. The Company may not achieve operating results that will permit it to meet these restrictive covenants or may need to take business actions prohibited by these covenants. These covenants may also limit the Company's ability to obtain additional or more favourable financing.

Financial Risks

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market risk disclosed in Note 31 to the March 31, 2021 audited consolidated financial statements.

Our business requires substantial capital investment, capital commitments and maintenance expenditures which the Company may have difficulty in meeting and will cause us to incur operating costs.

Our operations are capital intensive. The Company expects to be required to make ongoing capital and maintenance expenditures in an effort to achieve and maintain competitive levels of capacity, cost, productivity and product quality. The Company may not generate sufficient future operating cash flow and external financing sources may not be available in an amount sufficient to enable us to make anticipated capital expenditures, service or refinance the Company's indebtedness, or fund other liquidity needs.

We are dependent upon a small number of customers.

We are dependent upon a small number of customers. The Company's top ten customers for the three month periods ended June 30, 2021 and June 30, 2020, accounted for approximately 49.7% and 48.8%, respectively, of sales. Accordingly, a disruption of sales to certain of these customers could have a material adverse effect on the Company's results of operations and financial condition, particularly given the current economic environment.

The supply and cost of raw materials and energy could have a negative impact on the Company's results of operations and harm the Company's financial condition.

Our operations require substantial amounts of raw materials and energy including coal, iron ore, alloys, scrap, oxygen, natural gas, electricity and other inputs. The price and availability of such raw materials and inputs are subject to market forces and, in some cases, government regulations and accordingly, are subject to change. The Company's results of operations could be adversely affected by supply interruptions. There can be no assurance that adequate supplies of oxygen, electricity, natural gas, coal, iron ore, alloys and scrap will be available in the future or that future increases in the cost of such materials will not adversely affect the Company's results from operations.

Any increases in annual funding obligations resulting from the Company's under-funded pension plans could have a material adverse effect on us.

We have an under-funded defined benefit pension liability which could increase due to changes to the Company's collective bargaining agreements, a decline in interest rates, investment returns at less than the actuarial assumptions, or changes to the governmental regulations governing funding and other factors. Although the Province of Ontario has amended regulations relating to Company's defined benefit pension plans which set out a maximum annual contribution amount in respect of special payments as disclosed in Note 22 to the March 31, 2021 audited consolidated financial statements, the Company could be adversely affected by increases in annual funding obligations.

Post-employment benefits owed to the Company's retirees could increase and obligate us to make greater payments.

We provide certain post-employment benefits to the Company's retirees. These benefits include drug, life insurance and hospitalization coverage. The Company does not pre-fund these obligations. the Company's obligation for these benefits could increase in the future due to a number of factors including changes in interest rates, changes to the collective bargaining agreements, increasing costs for these benefits, particularly drugs, and any transfer of costs currently borne by the Canadian government to us.

Currency fluctuations, including a significant increase in the value of the Canadian dollar, could have a materially adverse effect on the Company's results of operations and financial condition.

Increases in the value of the Canadian dollar relative to the US dollar make Canadian steel products and Canadian customers less competitive in US markets and also encourage imports from the US. The increase in the value of the Canadian dollar relative to the US dollar will also have a negative impact on expenditures in Canadian dollars. Therefore, a significant increase in the value of the Canadian dollar could adversely affect the Company's results of operations and financial condition.

Environmental compliance and remediation could result in substantially increased costs and could materially adversely affect the Company's competitive position.

The Company is required to comply with an evolving body of federal, provincial and local environmental laws concerned with, among other things, emissions into the air, discharges to surface and ground water, the investigation and remediation of contaminated property, noise control, waste management and disposal, mine closure and rehabilitation, and the generation, handling, storage, transportation, presence and disposal of, or exposure to hazardous substances. Significant expenditures could be required for compliance with any future laws or regulations relating to environmental compliance and remediation.

In the United States and Canada, certain environmental laws and regulations impose joint and several liabilities on certain classes of persons for the costs of investigation and remediation of contaminated properties. Liability may attach regardless of fault or the legality of the original management or disposal of the substance or waste. Some of the Company's present and former facilities have been in operation for many years and, over such time, have used substances and disposed of wastes that may require investigation and remediation. The Company could be liable for the costs of such investigations and remediation. Costs for any remediation of contamination, on or off site, whether known or not yet discovered, or to address other issues relating to waste disposal, emissions into the air or water, or the storage of materials, could be substantial and could have an adverse effect on the Company's results of operations.

Our Environmental Department regularly reviews and audits the Company's operating practices to monitor compliance with the Company's environmental policies and legal requirements. The Company's environmental management system is ISO 14001-2015 registered.

No assurance can be given that unforeseen changes, such as new laws or stricter enforcement policies, or a crisis at one of the Company's properties or operations, will not have a material adverse effect on the Company's business, estimated capital or operating costs, financial condition, or results of operations. The Company's operations are required to have governmental permits and approvals. Any of these permits or approvals may be subject to denial, revocation or modification under various circumstances. Failure to obtain or comply with the conditions of permits or approvals may adversely affect the Company's operations and may subject us to penalties. In addition, if environmental laws are amended or are interpreted or enforced differently, or if new environmental legislation is enacted, the Company may be required to obtain additional operating permits or approvals and incur additional costs. There can be no assurance that the Company will be able to meet all applicable regulatory requirements. In addition, the Company may be subject to fines, penalties or other liabilities arising from the Company's actions imposed under environmental laws, including as a result of actions or other proceedings commenced by third parties, such as neighbors or government regulators.

Pending or threatened litigation or claims could negatively affect our profitability and cash flow in a particular period.

From time to time, in the ordinary course of business, the Company is a defendant or party to a number of pending or threatened legal actions and proceedings. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims and litigation, to the extent not covered by the Company's insurance policies or otherwise provided for, not to have a material adverse effect on these consolidated financial statements. In addition, the Company is involved in and potentially subject to regular audits from federal and provincial tax authorities relating to income, capital and commodity taxes and, as a result of these audits, may receive assessments and reassessments.

Failure to maintain the Company's current senior management or inability to attract additional senior management could have an adverse effect on the Company's operations.

Our operations and prospects depend, in large part, on the performance of the Company's senior management team. The Company cannot assure that such individuals will remain as employees. In addition, the Company can make no assurance that it would be able to find qualified replacements for any of these individuals if their services were no longer available. The loss of the services of one or more members of senior management or difficulty in attracting, retaining and maintaining additional senior management personnel could have a material adverse effect on the Company's business, financial condition and results of operations.

A failure to maintain adequate insurance could have a materially adverse effect on the Company's operations.

To date, the Company has been able to obtain liability insurance for the operation of the Company's business. However, there can be no assurance that the Company's existing liability insurance will be adequate, or that it will be able to be maintained, or that all possible claims that may be asserted against us will be covered by insurance.

Our income tax filing positions may be subject to challenge by tax authorities which could subject us to increased tax liabilities.

The Company will file tax returns that may contain interpretations of tax law and estimates. Positions taken and estimates utilized by the Company may be challenged by the CRA. Rulings that alter tax returns filed may have an adverse impact on income.

Technology and Competition

There is ongoing research and technological developments with respect to the various processes associated with steel production which have the potential to reduce costs and improve quality. It is possible that certain developments could substantially impair the Company's competitive position if other companies implement new technology and the Company does not or cannot.

Competition of Products with Other Materials

In the case of certain product applications, steel competes with a number of other materials such as plastic, aluminum, and composite materials. Improvements in the technology, production, pricing or acceptance of these competitive materials relative to steel or other changes in the industries for these competitive materials could cause net sales to decline.

Cyber Security Threats

The Company relies on information technology in all areas of operations. These information systems are subject to the threat of sophisticated cyber-attacks. Although the Company has controls in place to detect and prevent these attacks, the cyber threats are continually evolving and there can be no assurance that a future attack won't negatively impact the Company's operations, financial position and/or brand.

Supplementary Data

SELECTED QUARTERLY AND ANNUAL INFORMATION

As disclosed in Note 1 of the March 31, 2021 audited consolidated financial statements, on November 30, 2018, the Company purchased substantially all of the operating assets and liabilities of Old Steelco Inc. This table contains financial information for the Company for the month of December 31, 2018, and for the subsequent three month periods, combined with historical financial information for Old Steelco Inc.

For the three month period ended	Sales	EBITDA i	Income (loss) from operations	Income (loss) before income taxes	Net income (loss)
June 30, 2021	**$ 789.1**	**$ 280.9**	**$ 260.7**	**$ 232.7**	**$ 214.2**
March 31, 2021	638.5	166.9	144.1	114.2	114.2
December 31, 2020	430.0	11.8	(17.7)	(73.5)	(73.5)
September 30, 2020	377.0	0.0	(24.7)	(60.0)	(60.0)
June 30, 2020	349.4	20.5	(2.8)	(42.7)	(42.7)
YTD March 31, 2021	**$ 1,794.9**	**$ 199.2**	**$ 98.9**	**$ (62.0)**	**$ (62.0)**
March 31, 2020	502.2	11.8	(10.8)	18.9	19.4
December 31, 2019	453.3	(36.6)	(71.9)	(104.0)	(124.1)
September 30, 2019	505.8	22.6	(14.5)	(26.2)	(19.5)
June 30, 2019	495.6	-	(39.8)	(68.9)	(51.7)
YTD March 31, 2020	**$ 1,956.9**	**$ (2.2)**	**$ (137.0)**	**$ (180.2)**	**$ (175.9)**
March 31, 2019	649.5	51.6	20.6	(9.4)	(7.1)
December 31, 2018 (ii)	709.3	99.7	71.6	30.4	8.0
September 30, 2018	735.9	126.3	107.9	40.0	48.1
June 30, 2018	603.5	118.1	103.6	53.5	63.1
YTD March 31, 2019	**$ 2,698.2**	**$ 395.7**	**$ 303.7**	**$ 114.5**	**$ 112.1**
March 31, 2018	509.3	48.1	34.2	(1.5)	(7.5)
December 31, 2017	444.4	30.8	18.8	(38.1)	(39.2)
September 30, 2017	502.1	85.8	74.3	(6.9)	4.0
June 30, 2017	551.3	111.9	99.0	17.4	18.5
YTD March 31, 2018	**$ 2,007.1**	**$ 276.6**	**$ 226.3**	**$ (29.1)**	**$ (24.2)**

(i) EBITDA is a non-IFRS measure and is defined on page 1 of this report. EBITDA excludes exceptional items.

(ii) Financial information for the three month period ended December 31, 2018, are comprised of the Company's financial information for the one month period ended December 31, 2018, and Old Steelco Inc.'s financial information for the two month period ended November 30, 2018.

	Sales	EBITDA i	Income from operations	Income before income taxes	Net income (loss)
One month ended December 31, 2018	$ 220.2	$ 28.3	$ 11.7	$ 16.2	$ 9.8
Two months ended November 30, 2018	489.1	71.4	59.9	14.2	(1.8)
	$ 709.3	$ 99.7	$ 71.6	$ 30.4	$ 8.0

Supplementary Data

SELECTED QUARTERLY AND ANNUAL SALES INFORMATION
(in thousands of tons)

As disclosed in Note 1 of the March 31, 2021 audited consolidated financial statements, on November 30, 2018, the Company purchased substantially all of the operating assets and liabilities of Old Steelco Inc. This table contains shipment information for the Company for the month of December 31, 2018, and for the subsequent three month periods, combined with historical financial information for Old Steelco Inc.

For the three month period ended	Sheet	Plate	Total
June 30, 2021	**541**	**69**	**610**
March 31, 2021	543	79	622
December 31, 2020	469	78	547
September 30, 2020	444	72	516
June 30, 2020	336	80	416
YTD March 31, 2021	**1,792**	**309**	**2,101**
March 31, 2020	529	91	620
December 31, 2019	524	75	599
September 30, 2019	518	76	594
June 30, 2019	417	75	492
YTD March 31, 2020	**1,988**	**317**	**2,305**
March 31, 2019	512	95	607
December 31, 2018 (i)	546	86	632
September 30, 2018	532	88	620
June 30, 2018	487	89	576
YTD March 31, 2019	**2,077**	**358**	**2,435**
March 31, 2018	506	74	580
December 31, 2017	460	70	530
September 30, 2017	509	74	583
June 30, 2017	526	86	612
YTD March 31, 2018	**2,001**	**304**	**2,305**

(i) Shipments for the three month period ended December 31, 2018 are comprised of the Company's shipments for the one month period ended December 31, 2018, and Old Steelco Inc.'s shipments for the two month period ended November 30, 2018.

	Sheet	Plate	Total
One month ended December 31, 2018	173	26	199
Two months ended November 30, 2018	373	60	433
	546	86	632