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

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of July 2025

Commission File Number 001-40924

ALGOMA STEEL GROUP INC.
(Exact name of Registrant as specified in its charter)

N/A
(Translation of Registrant's name into English)

105 West Street
Sault Ste. Marie, Ontario
P6A 7B4, Canada
(705) 945-2351
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

INCORPORATION BY REFERENCE

Exhibits 99.2 and 99.3 of this Form 6-K are incorporated by reference into the Registration Statement on Form S-8 (Commission File No. 333-264063) and the Registration Statement on Form F-10 (Commission File No. 333-288748) of the Registrant, Algoma Steel Group Inc.

EXHIBIT INDEX

Exhibit Number	Description
99.1	<u>Press release dated July 29, 2025.</u>
99.2	<u>Management's discussion and analysis for the three and six months ended June 30, 2025.</u>
99.3	<u>Condensed interim consolidated financial statements for the three and six months ended June 30, 2025.</u>

SIGNATURES

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

Algoma Steel Group Inc.

Date: July 29, 2025

By: /s/ John Naccarato

Name: John Naccarato

Title: Vice President Strategy and Chief Legal Officer



**Building Better Lives
and a Greener Future**

MEDIA RELEASE
July 29, 2025

Algoma Steel Group Inc. Reports Financial Results for the Second Quarter 2025

Consolidated Revenue of \$589.7 Million

Net Loss of \$110.6 Million and Adjusted EBITDA Loss of \$32.4 Million

Achieved First Arc and First Steel Production from Transformative Electric Arc Furnace (EAF) Project

SAULT STE. MARIE, ONTARIO (July 29, 2025) – Algoma Steel Group Inc. (NASDAQ: ASTL; TSX: ASTL) (“Algoma” or “the Company”), a leading Canadian producer of hot and cold rolled steel sheet and plate products, today announced results for its second quarter ended June 30, 2025.

Unless otherwise specified, all amounts are in Canadian dollars.

Business Highlights and Second Quarter 2025 to Second Quarter 2024 Comparisons

- Consolidated revenue of \$589.7 million, compared to \$650.5 million in the prior-year quarter.
- Consolidated loss from operations of \$85.1 million, compared to a loss from operations of \$12.5 million in the prior-year quarter.
- Net loss of \$110.6 million, compared to net income of \$6.1 million in the prior-year quarter.
- Adjusted EBITDA loss of \$32.4 million and Adjusted EBITDA margin of (5.5%), compared to Adjusted EBITDA of \$37.7 million and 5.8% in the prior-year quarter (see “Non-GAAP Measures” below).
- Cash used in operating activities of \$37.9 million, compared to cash generated by operating activities of \$12.5 million in the prior-year quarter.
- Shipments of 472,056 tons, compared to 503,152 tons in the prior-year quarter.
- Tariffs paid in the quarter totaled \$64.1M vs nil in the prior-year quarter.

Michael Garcia, the Company’s Chief Executive Officer, commented, “The second quarter of 2025 was a pivotal period for Algoma, during which we completed the preparations for our first production of Volta™—Algoma’s trademarked green steel. This milestone was realized in early July with the successful production of our inaugural steel in the first of our two state-of-the-art EAFs. While we delivered operational results for the quarter that were in line with our expectations, our financial performance continued to be impacted by ongoing tariff uncertainty and persistent weak steel market demand and pricing pressures. The uncertain market environment has created headwinds for shipments and pricing across the industry, but we remain focused on executing our strategic transformation.”



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Mr. Garcia continued, “Achieving first arc and producing our first steel from the EAF in early July represents a historic accomplishment that marks the true beginning of our transition from a legacy higher-cost traditional steelmaker to one of the lowest-cost green steel producers in North America. While we can’t control market volatility and macro or geopolitical uncertainties, we are focused on what we can control: the safe operation of our assets and the completion of the EAF project, which provides us with a structural cost advantage that will serve us well through market cycles, creating lasting value for all stakeholders.”

Second Quarter 2025 Financial Results

Second quarter revenue totaled \$589.7 million, compared to \$650.5 million in the prior-year quarter. As compared with the prior-year quarter, steel revenue was \$534.4 million, compared to \$597.4 million, and revenue per ton of steel sold was \$1,249, compared to \$1,293. Lower pricing was due to weakening market conditions, particularly due to the Section 232 Tariffs, which impacted the Company’s export sales and resulted in over-supply of the Canadian market at lower prices.

Loss from operations was \$85.1 million, compared to a loss from operations of \$12.5 million in the prior-year quarter. The year-over-year decrease was primarily due to the lower revenues associated with lower prices and volumes, as well as higher cost of sales from tariffs. For the second quarter of 2025, tariff costs were \$64.1 million.

Net loss in the second quarter was \$110.6 million, compared to net income of \$6.1 million in the prior-year quarter. The decrease was driven primarily by lower steel shipment volumes, lower realized pricing, and tariff-related costs as detailed above.

Adjusted EBITDA in the second quarter was a loss of \$32.4 million, compared with Adjusted EBITDA of \$37.7 million for the prior-year quarter. This resulted in an Adjusted EBITDA margin of (5.5%). The average realized price of steel net of freight and non-steel revenue was \$1,132 per ton, compared to \$1,187 per ton in the prior-year quarter. Cost per ton of steel products sold was \$1,144 compared to \$1,069 in the prior-year quarter. Shipments for the second quarter were 472,056 tons, compared to 503,152 tons in the prior-year quarter.

See “Non-GAAP Measures” below for an explanation of Adjusted EBITDA and Adjusted EBITDA margin and a reconciliation of net (loss) income to Adjusted EBITDA.

Electric Arc Furnace

In November 2021, the Company’s Board of Directors (the “Board”) authorized the Company to construct two new state of the art EAFs to replace the Company’s existing blast furnace and basic oxygen steelmaking operations. Record days of snowfall at the site in late November and early December 2024 impacted project work, but due to the hard work of the entire team to mitigate these impacts, the Company achieved first arc and first steel production in early July.



As of June 30, 2025, the cumulative investment was \$881 million and the Company continues to expect the completion of the EAF project will be funded with cash-on-hand, cash generated through operations, and available borrowings under the Company's existing credit facility.

Following the transformation to EAF steelmaking, Algoma's facility is anticipated to have an annual raw steel production capacity of approximately 3.7 million tons, matching its downstream finishing capacity, which is expected to reduce the Company's annual carbon emissions by approximately 70%.

Tariffs

On March 4, 2025, the United States imposed tariffs on Canadian imports, including a 25% duty under the International Emergency Economic Powers Act (IEEPA) and a 25% tariff on steel and aluminum products under Section 232 of the Trade Expansion Act. These tariffs were briefly paused on March 6, reinstated on March 12, and further expanded on April 2, when a minimum 10% "Reciprocal Tariff" was announced on all U.S. imports, excluding Canada. As of June 4, 2025, the Section 232 tariff on steel and aluminum imports was increased to 50%.

While Canada remains exempt from the Reciprocal Tariff and overlapping duties do not apply to USMCA-compliant goods, the Company is currently subject to the 50% Section 232 tariff on steel exports to the United States. These measures have caused significant market disruption, with Canadian spot pricing falling below U.S. contract pricing due to increased supply, U.S. imports, and offshore offers. For the three months ended June 30, 2025, Canadian net sales realizations were up to 40% lower than U.S. levels, contributing to an estimated \$30 million revenue impact.

Tariff-related costs totaled \$64.1 million in the second quarter and \$74.6 million for the first half of 2025. U.S. shipments represented 54% and 53% of total volumes during those periods, respectively. Given the ongoing uncertainty caused by the U.S. tariffs resulting in a structural imbalance in the Canadian market, the Company is exploring liquidity tools and funding programs that could support its current operations and enable strategic diversification. This includes an application to the federal Large Enterprise Tariff Loan (LETL) program for \$500 million, ongoing discussion of potential terms of LETL support and an evaluation of capital investments that align with long-term domestic demand in sectors such as defense and construction, while reinforcing Canada's industrial resilience and low carbon transformation.

Liquidity

At quarter end, the Company had cash of \$82.5 million and unused availability under its Revolving Credit Facility of \$329.1 million.

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Quarterly Dividend

In light of ongoing macroeconomic uncertainty, including increased volatility in steel markets and uncertainty surrounding trade policy and tariffs, the Board of Directors has decided to suspend the regular quarterly dividend on the Company's common shares, totaling approximately US\$5.2 million. This decision reflects the Board's prudent approach to capital allocation and its commitment to preserving liquidity and financial flexibility in the face of evolving market conditions. The Board will continue to evaluate future dividend declarations in the context of capital requirements, strategic priorities, and overall financial performance.

Conference Call and Webcast Details

A webcast and conference call will be held on Wednesday, July 30, 2025 at 11:00 a.m. EDT to review the Company's results for the three months ended June 30, 2025, discuss recent events, and conduct a question-and-answer session.

The live webcast and archived replay of the conference call can be accessed on the Investors section of the Company's website at www.ir.algoma.com. For those unable to access the webcast, the conference call will be accessible domestically or internationally by dialing 877-425-9470 or 201-389-0878, respectively. Upon dialing in, please request to join the Algoma Steel Second Quarter Conference Call. To access the replay of the call, dial 844-512-2921 (domestic) or 412-317-6671 (international) with passcode 13754580.

Consolidated Financial Statements and Management's Discussion and Analysis

The Company's unaudited condensed interim financial statements for the three and six month periods ended June 30, 2025 and 2024 and Management's Discussion & Analysis thereon are available under the Company's profile on the U.S. Securities and Exchange Commission's ("SEC") EDGAR website at www.sec.gov and under the Company's profile on SEDAR+ at www.sedarplus.com. These documents are also available on the Company's website, www.algoma.com, and shareholders may receive hard copies of such documents free of charge upon request by contacting IR@algoma.com.

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Cautionary Statement Regarding Forward-Looking Statements

This news release contains “forward-looking information” under applicable Canadian securities legislation and “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”), including statements regarding imposed and threatened tariffs, including the impact, timing and resolution thereof, trends in the pricing of steel, Algoma’s transition to EAF steelmaking, including the progress, costs and timing of completion of the Company’s EAF project, the Company’s expected annual raw steel production capacity and reduction in carbon emissions following completion of the EAF project, Algoma’s future as a leading producer of green steel, the potential impacts of inflationary pressures, the Company’s ability to access liquidity tools and funding programs, such as the LETL, labor availability, global supply chain disruptions on costs, Algoma’s modernization of its plate mill facilities (including annual plate capacity going forward), transformation journey, ability to deliver greater and long-term value, ability to offer North America a secure steel supply and a sustainable future, and investment in its people, and processes, and statements regarding potential borrowings under the Company’s credit facilities, and the Company’s strategy, plans or future financial or operating performance. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “hope,” “strategy,” “future,” “opportunity,” “plan,” “design,” “pipeline,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions. Many factors could cause actual future events to differ materially from the forward-looking statements in this document. Readers should also consider the other risks and uncertainties set forth in the section entitled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Information” in Algoma’s Annual Information Form, filed by Algoma with applicable Canadian securities regulatory authorities (available under the Company’s SEDAR+ profile at www.sedarplus.com) and with the SEC, as part of Algoma’s Annual Report on Form 40-F (available at www.sec.gov), as well as in Algoma’s current reports with the Canadian securities regulatory authorities and SEC. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and Algoma assumes no obligation and does not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

Non-GAAP Financial Measures

To supplement our financial statements, which are prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board (“IASB”) (“IFRS Accounting Standards”), we use certain non-GAAP measures to evaluate the performance of Algoma. These terms do not have any standardized meaning prescribed within IFRS Accounting Standards 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 Accounting Standards 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 Accounting Standards.

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Adjusted EBITDA, as we define it, refers to net income (loss) before amortization of property, plant, equipment and amortization of intangible assets, finance costs, interest on pension and other post-employment benefit obligations, income taxes, foreign exchange loss (gain), finance income, carbon tax, changes in fair value of warrant, earnout and share-based compensation liabilities, share-based compensation related to the Company's Omnibus Long Term Incentive Plan, certain inventory write-downs and legal settlement. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue for the corresponding period. Adjusted EBITDA is not intended to represent cash flow from operations, as defined by IFRS Accounting Standards, and should not be considered as alternatives to net profit (loss) from operations, or any other measure of performance prescribed by IFRS Accounting Standards. Adjusted EBITDA, as we define and use it, may not be comparable to Adjusted EBITDA as defined and used by other companies. We consider Adjusted EBITDA to be a meaningful measure to assess our operating performance in addition to IFRS Accounting Standards. It is included because we believe it 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. In addition, we consider Adjusted EBITDA margin to be a useful measure of our operating performance and profitability across different time periods that enhance the comparability of our results. However, these measures 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 Accounting Standards. Because of these limitations, such measures 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 Accounting Standards results using such measures only as supplements to such results. See the financial tables below for a reconciliation of net income (loss) to Adjusted EBITDA.

About Algoma Steel Group Inc.

Based in Sault Ste. Marie, Ontario, Canada, Algoma is a fully integrated producer of hot and cold rolled steel products including sheet and plate. Driven by a purpose to build better lives and a greener future, Algoma is positioned to deliver responsive, customer-driven product solutions to applications in the automotive, construction, energy, defense, and manufacturing sectors. Algoma is a key supplier of steel products to customers in North America and is the only producer of discrete plate products in Canada. Its state-of-the-art Direct Strip Production Complex ("DSPC") is one of the lowest-cost producers of hot rolled sheet steel (HRC) in North America.

Algoma is on a transformation journey, modernizing its plate mill and adopting electric arc technology that builds on the strong principles of recycling and environmental stewardship to significantly lower carbon emissions. Today Algoma is investing in its people and processes, working safely, as a team to become one of North America's leading producers of green steel.

As a founding industry in their community, Algoma is drawing on the best of its rich steelmaking tradition to deliver greater value, offering North America the comfort of a secure steel supply and a sustainable future.

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Algoma Steel Group Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

<u>As at</u>	<u>June 30,</u>	<u>December 31,</u>
<i>expressed in millions of Canadian dollars</i>	<u>2025</u>	<u>2024</u>
Assets		
Current		
Cash	\$ 82.5	\$ 266.9
Restricted cash	0.1	0.1
Taxes receivable	116.0	84.3
Accounts receivable, net	253.6	227.6
Inventories	736.3	879.2
Prepaid expenses and deposits	30.3	42.8
Other assets	5.0	5.5
Total current assets	<u>\$1,223.8</u>	<u>\$ 1,506.4</u>
Non-current		
Property, plant and equipment, net	\$1,705.8	\$ 1,662.7
Intangible assets, net	0.4	0.5
Other assets	15.6	16.6
Total non-current assets	<u>\$1,721.8</u>	<u>\$ 1,679.8</u>
Total assets	<u>\$2,945.6</u>	<u>\$ 3,186.2</u>
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness	\$ 16.4	\$ 0.4
Accounts payable and accrued liabilities	348.4	319.1
Taxes payable and accrued taxes	54.5	41.6
Current portion of other long-term liabilities	3.5	3.2
Current portion of governmental loans	25.0	25.0
Current portion of environmental liabilities	3.7	4.2
Warrant liability	16.8	52.2
Earnout liability	6.2	10.1
Share-based payment compensation liability	23.4	34.5
Total current liabilities	<u>\$ 497.9</u>	<u>\$ 490.3</u>
Non-current		
Senior secured lien notes	\$ 473.5	\$ 498.4
Long-term governmental loans	133.1	133.6
Accrued pension liability	178.3	178.3
Accrued other post-employment benefit obligation	203.5	206.2
Other long-term liabilities	26.9	26.7
Environmental liabilities	35.5	33.3
Deferred income tax liabilities	103.8	110.9
Total non-current liabilities	<u>\$1,154.6</u>	<u>\$ 1,187.4</u>
Total liabilities	<u>\$1,652.5</u>	<u>\$ 1,677.7</u>
Shareholders' equity		
Capital stock	\$ 975.5	\$ 974.8
Accumulated other comprehensive income	366.5	439.6
(Deficit) retained earnings	(48.1)	102.0
Contributed deficit	(0.8)	(7.9)
Total shareholders' equity	<u>\$1,293.1</u>	<u>\$ 1,508.5</u>
Total liabilities and shareholders' equity	<u>\$2,945.6</u>	<u>\$ 3,186.2</u>



Algoma Steel Group Inc.
Condensed Interim Consolidated Statements of Net (Loss) Income
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>expressed in millions of Canadian dollars, except for per share amounts</i>				
Revenue	\$ 589.7	\$ 650.5	\$ 1,106.8	\$ 1,271.1
Operating expenses				
Cost of sales	\$ 643.8	\$ 633.8	\$ 1,269.9	\$ 1,219.2
Administrative and selling expenses	31.0	29.2	61.9	61.3
Loss from operations	(\$ 85.1)	(\$ 12.5)	(\$ 225.0)	(\$ 9.4)
Other (income) and expenses				
Finance income	(\$ 2.5)	(\$ 5.4)	(\$ 5.3)	(\$ 6.6)
Finance costs	18.5	16.4	36.3	26.1
Interest on pension and other post-employment benefit obligations	3.9	5.4	7.9	10.3
Foreign exchange loss (gain)	31.5	(6.8)	32.4	(22.6)
Other income	—	—	(50.0)	—
Change in fair value of warrant liability	4.6	(15.6)	(34.5)	(30.9)
Change in fair value of earnout liability	1.3	(2.5)	(3.1)	(5.9)
Change in fair value of share-based compensation liability	5.1	(5.8)	(10.3)	(10.6)
	\$ 62.4	(\$ 14.3)	(\$ 26.6)	(\$ 40.2)
(Loss) income before income taxes	(\$147.5)	\$ 1.8	(\$ 198.4)	\$ 30.8
Income tax recovery	(36.9)	(4.3)	(63.3)	(3.3)
Net (loss) income	(\$110.6)	\$ 6.1	(\$ 135.1)	\$ 34.1
Net (loss) income per common share				
Basic	(\$ 1.02)	\$ 0.06	(\$ 1.24)	\$ 0.31
Diluted	(\$ 1.02)	(\$ 0.07)	(\$ 1.28)	\$ 0.02


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Algoma Steel Group Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>expressed in millions of Canadian dollars</i>				
Operating activities				
Net (loss) income	(\$ 110.6)	\$ 6.1	(\$ 135.1)	\$ 34.1
Items not affecting cash:				
Depreciation of property, plant and equipment and intangible assets	38.2	33.2	73.2	68.0
Deferred income tax expense (recovery)	0.5	(5.3)	(1.5)	(10.5)
Pension funding in excess of expense	(3.3)	(1.9)	(5.1)	(3.1)
Post-employment benefit funding in excess of expense	(1.7)	(1.7)	(3.4)	(3.8)
Unrealized foreign exchange loss (gain) on:				
accrued pension liability	9.1	(2.4)	9.3	(8.1)
post-employment benefit obligations	10.8	(2.3)	11.0	(8.1)
Finance costs	18.5	16.4	36.3	26.1
Loss on disposal of property, plant and equipment	—	1.1	—	1.6
Interest on pension and other post-employment benefit obligations	3.9	5.4	7.9	10.3
Other income	—	—	(50.0)	—
Accretion of governmental loans and environmental liabilities	5.1	3.9	9.1	11.7
Unrealized foreign exchange loss (gain) on government loan facilities	8.1	(1.3)	8.3	(4.7)
Increase (decrease) in fair value of warrant liability	4.6	(15.6)	(34.5)	(30.9)
Increase (decrease) in fair value of earnout liability	1.3	(2.5)	(3.1)	(5.9)
Increase (decrease) in fair value of share-based compensation liability	5.1	(5.8)	(10.3)	(10.6)
Other	7.7	1.2	12.3	0.2
	(\$ 2.7)	\$ 28.5	(\$ 75.6)	\$ 66.3
Net change in non-cash operating working capital	(70.1)	(15.8)	95.3	68.3
Environmental liabilities paid	(0.1)	(0.2)	(0.5)	(0.9)
Insurance proceeds for operating expenses	35.0	—	35.0	—
Cash (used in) generated by operating activities	(\$ 37.9)	\$ 12.5	\$ 54.2	\$ 133.7
Investing activities				
Acquisition of property, plant and equipment	(\$ 97.4)	(\$ 98.3)	(\$ 224.4)	(\$ 218.7)
Insurance proceeds for property damage	15.0	—	15.0	—
Cash used in investing activities	(\$ 82.4)	(\$ 98.3)	(\$ 209.4)	(\$ 218.7)
Financing activities				
Bank indebtedness advanced (repaid), net	\$ 16.1	\$ 0.0	\$ 16.0	(\$ 5.1)
Senior secured lien notes issued, net of underwriter fees	—	472.6	—	472.6
Transaction costs on senior secured lien notes	—	(4.1)	—	(4.1)
Governmental loans received	16.3	14.5	16.3	30.0
Repayment of governmental loans	(6.2)	(2.5)	(12.5)	(5.0)
Interest paid	(23.4)	(0.1)	(24.5)	(0.2)
Dividends paid	(14.8)	—	(14.8)	(7.1)
Other	(0.7)	(0.5)	1.5	(0.9)
Cash (used in) generated by financing activities	(\$ 12.7)	\$ 479.9	(\$ 18.0)	\$ 480.2
Effect of exchange rate changes on cash	(\$ 11.0)	\$ 1.4	(\$ 11.2)	\$ 3.5
Cash				
(Decrease) increase in cash	(144.0)	395.5	(184.4)	398.7
Opening balance	226.5	97.9	266.9	94.7
Ending balance	\$ 82.5	\$ 493.4	\$ 82.5	\$ 493.4



**Algoma Steel Group Inc.
Reconciliation of Net (Loss) Income to Adjusted EBITDA**

<i>millions of dollars</i>	Three months ended		Six months ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Net (loss) income	(\$110.6)	\$ 6.1	(\$135.1)	\$ 34.1
Depreciation of property, plant and equipment and amortization of intangible assets	38.2	33.2	73.2	68.0
Finance costs	18.5	16.4	36.3	26.1
Interest on pension and other post-employment benefit obligations	3.9	5.4	7.9	10.3
Income tax recovery	(36.9)	(4.3)	(63.3)	(3.3)
Foreign exchange loss (gain)	31.5	(6.8)	32.4	(22.6)
Finance income	(2.5)	(5.4)	(5.3)	(6.6)
Inventory adjustments <i>(depreciation on property, plant and equipment in inventory)</i>	0.5	6.4	1.5	2.5
Carbon tax	10.4	9.5	13.9	15.9
Increase (decrease) in fair value of warrant liability	4.6	(15.6)	(34.5)	(30.9)
Increase (decrease) in fair value of earnout liability	1.3	(2.5)	(3.1)	(5.9)
Increase (decrease) in fair value of share-based payment compensation liability	5.1	(5.8)	(10.3)	(10.6)
Share-based compensation	3.6	1.1	7.4	2.3
Adjusted EBITDA (i)	(\$ 32.4)	\$ 37.7	(\$ 79.0)	\$ 79.3
Net (loss) income Margin	(18.8%)	0.9%	(12.2%)	2.7%
Net (loss) income / ton	(\$234.3)	\$ 12.1	(\$143.5)	\$ 35.7
Adjusted EBITDA Margin (ii)	(5.5%)	5.8%	(7.1%)	6.2%
Adjusted EBITDA / ton	(\$ 68.6)	\$ 74.9	(\$ 83.9)	\$ 83.1

(i) See “Non-IFRS Financial Measures” in this Press Release for information regarding the limitations of using Adjusted EBITDA.

(ii) Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of revenue.

For more information, please contact:

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

We publish our condensed interim consolidated financial statements in Canadian dollars. In this MD&A, unless otherwise specified, all monetary amounts are in Canadian dollars, all references to "C\$," mean Canadian dollars and all references to "\$" or "US\$" and mean U.S. dollars.

The following MD&A provides the Company's management perspective on the financial position and financial performance of the Company and its consolidated subsidiaries for the three and six month periods ended June 30, 2025 and June 30, 2024. This MD&A provides information to assist readers of, and should be read in conjunction with, the Company's June 30, 2025 condensed interim consolidated financial statements and the accompanying notes thereto and the December 31, 2024 audited consolidated financial statements and the accompanying notes thereto. The condensed interim consolidated financial statements have been prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board ("IASB") ("IFRS Accounting Standards") and the financial information included in this MD&A is derived from the condensed interim consolidated financial statements, except as otherwise noted.

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. See "Cautionary Note Regarding Forward-Looking Information" below. Readers are directed to carefully review the sections entitled "Non-GAAP Financial Measures" included elsewhere in this MD&A. For a discussion of risks and uncertainties that may affect the Company and its financial position and results, refer to "Risk Factors" in the annual information form for the nine month period ended December 31, 2024 (the "Annual Information Form") filed by the Company with the applicable Canadian securities regulatory authorities (available under the Company's System for Electronic Document Analysis and Retrieval ("SEDAR+") profile at www.sedarplus.ca) and filed by the Company with the U.S. Securities and Exchange Commission (the "SEC") as part of the Company's annual report on Form 40-F (available on the SEC's EDGAR website at www.sec.gov), as well as in the other documents Algoma has filed with the OSC and the SEC.

This MD&A is dated as of July 28, 2025. This document has been approved and authorized for issue by the Board of Directors on July 28, 2025. Events occurring after this date could render the information contained herein inaccurate or misleading in a material respect.

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 Accounting Standards, 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 reflected in other comprehensive income or loss.

The currency exchange rates for the six month periods ended June 30, 2025 and June 30, 2024 are provided below:

	Average Rate		Period End Rate	
	Six months ended June 30, 2025	Six months ended June 30, 2024	Six months ended June 30, 2025	Six months ended June 30, 2024
January 1 to March 31	1.4350	1.3488	1.4376	1.3550
April 1 to June 30	1.3841	1.3684	1.3643	1.3687

Cautionary Note Regarding Forward-Looking Information

This MD&A contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and “forward-looking information” under applicable Canadian securities legislation (collectively, “forward-looking statements”), that are subject to risks and uncertainties. These forward-looking statements include information about imposed and threatened tariffs, including the impact, timing and resolution thereof, trends in the pricing of steel, the Company’s transition to EAF steelmaking, including the progress, costs and timing of completion of the Company’s EAF project, the Company’s expected annual raw steel production capacity and reduction in carbon emissions following completion of the EAF project, the Company’s future as a leading producer of green steel, the potential impacts of inflationary pressures, the Company’s ability to access liquidity tools and funding programs, such as the federal Large Enterprise Tariff Loan, labor availability, global supply chain disruptions on costs, the Company’s modernization of its plate mill facilities (including annual plate capacity going forward), transformation journey, ability to deliver greater and long-term value, ability to offer North America a secure steel supply and a sustainable future, and investment in its people, and processes, and statements regarding potential borrowings under the Company’s credit facilities, and the Company’s strategy, plans or future financial or operating performance. In some cases, you can identify forward-looking statements by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “pipeline,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result” or the negative of these terms or other similar expressions. 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. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial position, financial performance and cash flows. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties and should not be regarded as a representation by the Company or any other person that the anticipated results will be achieved. The Company cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Our forward-looking statements are not guarantees of future performance, and actual events, results and outcomes may differ materially from our expectations suggested in any forward-looking statements due to a variety of factors, including, among others, those set forth in the section entitled “Risk factors” in the Annual Information Form. Although it is not possible to identify all of these factors, they include, among others, the following:

- future financial performance;
- future cash flow and liquidity;
- future capital investment;
- low-priced steel imports, decreased trade regulation, and other trade barriers including tariffs and/or trade wars;
- our ability to operate our business, remain in compliance with debt covenants and make payments on our indebtedness, with a substantial amount of indebtedness;
- restrictive covenants in debt agreements limit our discretion to operate our business;
- significant domestic and international competition;
- macroeconomic pressures such as inflation and interest rates in the markets in which we operate;
- increased use of competitive products;
- a protracted fall in steel prices resulting in reduced revenue and/or impairment of assets;
- excess capacity, resulting in part from expanded production in China and other developing economies;
- protracted declines in steel consumption caused by poor economic conditions in North America or by the deterioration of the financial position of our key customers;
- increases in annual funding obligations resulting from our under-funded Pension Plans and Wrap Plan (each as defined in the Annual Information Form);

- supply and cost of raw materials and energy;
- impact of a downgrade in credit rating, including on access to sources of liquidity;
- currency fluctuations, including an increase in the value of the Canadian dollar against the U.S. dollar;
- environmental compliance and remediation;
- unexpected equipment failures and other business interruptions;
- a protracted global recession or depression;
- changes in or interpretation of royalty, tax, environmental, greenhouse gas (“GHG”), carbon, accounting and other laws or regulations, including potential environmental liabilities that are not covered by an effective indemnity or insurance;
- risks associated with existing and potential lawsuits and regulatory actions against the Company;
- impact of disputes arising with our partners;
- our ability to implement and realize our business plans, including our ability to complete our transition to electric arc furnace (“EAF”) steelmaking on time and at its anticipated cost;
- our ability to operate the EAF;
- expected increases in liquid steel capacity as a result of the transformation to EAF steelmaking;
- expected cost savings associated with the transformation to EAF steelmaking;
- expected reduction in carbon dioxide (“CO₂”) emissions associated with the transformation to EAF steelmaking, including with respect to the impact of such reduction on the Federal SIF EAF Loan (as defined herein) and carbon taxes payable;
- the risks that higher cost of internally generated power and market pricing for electricity sourced from our current grid in Northern Ontario could have an adverse impact on our production and financial performance;
- the risks that indigenous groups’ claims and rights to consultation and accommodation may affect our ability to complete the EAF Transformation Project (as defined herein);
- access to an adequate supply of the various grades of steel scrap at competitive prices;
- the risks associated with the steel industry generally;
- economic, social and political conditions in North America and certain international markets;
- changes in general economic conditions, including ongoing market uncertainty and global geopolitical instability;
- risks associated with inflation rates;
- risks inherent in the Company’s corporate guidance;
- failure to achieve cost and efficiency initiatives;
- risks inherent in marketing operations;
- risks associated with technology, including electronic, cyber and physical security breaches;
- construction risks, including delays and cost overruns;
- our ability to enter into contracts to source steel scrap and the availability of steel scrap;
- the availability of alternative metallic supply;
- the Company’s expectation to declare and pay a quarterly dividend;
- business interruption or unexpected technical difficulties, including impact of weather;
- counterparty and credit risk;
- labour interruptions and difficulties; and
- changes in our credit ratings or the debt markets.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the risks provided under “Risk Factors” in the Annual Information Form.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying assumptions will prove to be correct. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this MD&A, to conform these statements to actual results or to changes in our expectations.

Overview of the Business

Algoma Steel Group Inc., formerly known as 1295908 B.C. Ltd. (the “Company”), was incorporated on March 23, 2021 under the Business Corporations Act of British Columbia solely for the purpose of purchasing Algoma Steel Holdings Inc. The Company’s common shares and warrants under the symbol ‘ASTL’ and ASTLW’, respectively, are listed on the Toronto Stock Exchange (TSX) and the Nasdaq Stock Market (“Nasdaq”). Algoma Steel Group Inc. is the ultimate parent holding company of Algoma Steel Inc. and does not conduct any business operations.

Algoma Steel Inc. (“ASI”), the operating company and a wholly-owned subsidiary of Algoma Steel Holdings Inc., was incorporated on May 19, 2016 under the Business Corporations Act of British Columbia. ASI is an integrated steel producer with its active operations located entirely in Sault Ste. Marie, Ontario, Canada. ASI produces sheet and plate products that are sold primarily in Canada and the United States.

Strategic Initiatives

Electric Arc Furnace (“EAF”) Transformation Project

On November 10, 2021, the Company’s Board of Directors authorized the Company’s transformation to electric arc steelmaking (the “EAF Transformation Project”), including the construction of two state-of-the-art electric-arc-furnaces to replace its existing No. 7 blast furnace and steelmaking operations (“BF7 Steelmaking”). The transformation to EAF steelmaking is expected to decrease our annual carbon emissions by 70% compared to equivalent production from BF7 Steelmaking. Through our transition to EAF steelmaking we expect to contribute to the transition to a low carbon economy and support Canada in achieving its commitments under the Paris Agreement.

EAF steelmaking is a method of producing steel by melting scrap metal and other metallic inputs using an electric arc. This process is widely used in modern steel production. The EAF steelmaking facility is being built on vacant land adjacent to the current steelmaking facility to mitigate disruption to current operations and will be integrated into existing downstream equipment and facilities, thereby reducing capital expenditure requirements.

The EAF Transformation Project is expected to improve product mix, reduce fixed costs, provide significant carbon tax savings, increase production capacity and decrease the Company’s environmental footprint. The Company has approval from the electricity regulators to connect the EAFs to the current 115kV electricity grid with the internal power generation asset known as Lake Superior Power (the “LSP Plant”). As the EAF steel production is ramped-up after commissioning, Algoma anticipates reduced dependency on its legacy BF7 Steelmaking operations as we transition to 100% EAF steel production.

The following paragraphs outline key elements and milestones of the EAF Transformation Project:

Technology

On December 2, 2021, the Company announced that it had selected Danieli & C. Officine Meccaniche S.p.A. (“Danieli”) as the sole technology provider for the EAF steelmaking facility. In connection with this agreement, Danieli will supply its latest technology solutions including AC-Digimelter technology powered by Q-One digital power systems and Q-SYM automated scrap yard. All EAF and power components have been received on the Company’s site and installation is proceeding as construction progresses.

Construction and Environmental Permitting

The contract for the structural building integrating the EAF Transformation Project was awarded on April 25, 2022, to Hamilton, Ontario-based Walters Group Inc. (“Walters”). Walters has been responsible for fabricating and erecting the main building envelope and structure in addition to the necessary emissions collection hoods. Pursuant to the fixed-price contract, Walters used Algoma’s steel plate products in the fabrication of heavy structural components, and has worked with local industrial contractor, SIS Manufacturing Inc., for the fabrication of these key elements. All EAF building structural steel has been erected, and the Company has since been installing exterior roofing and cladding. Equipment installation is underway including power systems, cranes, reline station and the fume extraction systems.

On March 13, 2023, the Company announced the appointment of EllisDon Corporation as Construction Manager for completion of the EAF Transformation Project. The Construction Manager role is central to the successful planning, execution, and completion of the various construction projects. Their responsibilities encompass various aspects of project management and oversight to ensure that construction projects are completed safely, on time, within budget, and to the required quality standards.

The Company received ECA 5691-CJGK54 (as amended) for industrial sewage works for the disposal of process effluent and non-contact cooling water. On April 17, 2025, the Company received ECA 1920-DDDQCS authorizing the operation of the electric arc steelmaking facility, comprising two furnaces, water treatment plant, fume treatment plant, vacuum degasser and ancillary equipment. The Company expects to consolidate the various air and noise related ECAs into a single site-wide ECA within the next two years. On May 16, 2025, the Company received approval of its amended abatement plan for current air emissions submitted in accordance with ECA Reg. 419/95.

To facilitate the transition to EAF steelmaking, in early June 2025, the Company has begun the process of shutting down the No. 7 Coke Battery. A third party contract to purchase coke has been secured to cover the expected volumes required to complete the transition from blast furnace to EAF steelmaking.

Budget and Project Financing

The Company previously secured an agreement with the Government of Canada through the Ministry of Innovation, Science and Economic Development Canada (ISED), whereby the Company will receive up to C\$200.0 million in the form of a loan to support the EAF Transformation Project. The loan is provided through the Net Zero Accelerator Initiative of the Federal Strategic Innovation Fund (the “Federal SIF” and such loan, the “Federal SIF EAF Loan”). The repayment period will commence upon the earlier of the Company having access to full power from the provincial electricity grid to operate the EAF independently, or January 1, 2030. The annual repayment is further dependent on the Company’s performance in reducing its GHG emissions. As of June 30, 2025, the Federal SIF EAF Loan totaled C\$200.0 million. As of June 30, 2025, the cumulative investment for the EAF Transformation Project was C\$880.5 million.

Algoma’s EAF project is eligible under the Ontario’s Ministry of the Environment, Conservation and Parks Emissions Performance Program (EPP). The EPP allows large emitters to apply for funding to support greenhouse gas reduction projects at eligible industrial facilities whose primary industrial activity is not electricity generation. The Company entered into an agreement with the Ministry of the Environment, Conservation and Parks on July 14, 2025 in respect of the EPP for maximum funding of C\$56.9 million towards reimbursement of eligible expenditures incurred in construction of the EAF, with an approved initial advance of C\$21.3 million. This funding is anticipated to reduce the project’s net cash cost, and along with cash-on-hand, operating cash flow, and available borrowings from the Company’s existing undrawn credit facility, provide ample liquidity to fund the balance of the project.

Access to Electricity

The Company upgraded its LSP Plant with two LM6000PC aeroderivative gas turbines, multiple control systems, and a full rewind of the No. 2 generator to provide 110-115 MW of generation. These assets were commissioned in 2023 and when combined with our available grid power, the Company has enough electrical supply to operate both EAF furnaces in alternating mode and supplying our current steel capacity. As of March 31, 2024, the Company has approval from the Independent Electricity System Operator (“IESO”, through CAA ID: 2021-694 and 2021-695) to connect the EAFs to the current 115kV electricity grid with the LSP Plant.

The Company is progressing its discussions with the IESO, Ontario independent electricity regulator, as well as with the Ministry of Energy in respect of securing more grid power to realize the full potential of the EAF Transformation Project. On September 28, 2023, the Company received conditional approval of the next phase of the Company's EAF Connection Proposal (CAA ID: 2021-704), providing for connecting the EAF load facility with electricity supplied from the proposed local 230kV transmission line to be constructed and operated by PUC Transmission LP. Further, on June 12, 2024, the IESO approved CAA ID: 2023-768 permitting the simultaneous operation of the EAF furnaces drawing power from the 230kV Transmission Line (as defined below) and with the LSP Plant operating at 110MW.

Significant progress has continued on long term regional power access for Northeast and Eastern Ontario. On October 23, 2023, the Ontario provincial government announced that it has issued an Order-in-Council declaring three regional transmission line projects as priorities, which includes one new line in eastern Ontario and two new lines in northeastern Ontario. These lines are expected to enable economic growth activities including among other things the production of clean steel at Algoma. The Order-in-Council will streamline the Ontario Energy Board's (OEB) regulatory approval process for these lines. The government has also directed the OEB to amend Hydro One Network Inc. (Hydro One)'s transmission license to designate it as the transmitter responsible for the development of the three lines.

On August 27, 2024, the Ontario Energy Board (OEB) issued its Decision and Order granting PUC LP (PUC Transmission), and Hydro One Sault Ste. Marie LP (HOSSM) leave to construct high-voltage transmission facilities (230kV Transmission Line) in Sault Ste. Marie that will service Sault Ste. Marie's west end and support Algoma's transition to EAF steelmaking. The OEB further declared the 230kV Transmission Line a network asset without any required capital contribution from Algoma.

Commissioning and Implementation

Cold commissioning activities began in the fourth calendar quarter of 2024 and continued into the first quarter of 2025 as part of the broader commissioning and implementation phase. These activities included the systematic installation, testing, and validation of critical equipment and systems to ensure operational readiness, including the EAF charging cranes, Fume Treatment Plant, and Water Treatment Plant.

Progress in the first quarter of 2025 was impacted by unusually harsh winter conditions, which caused some delays. During this period, the Company advanced additional EAF project work not on the critical path and commissioned several critical systems, including the Fume Treatment Plant, the Water Treatment Plant, the furnace, and the substation. This progress supported the transition to hot commissioning in the second quarter of 2025.

In early July 2025, the Company achieved its first steel production at Unit One of the EAF following ten days of successful electric arc testing and tuning, including individual and tandem tests of all nine Q-One transformer modules. This is a major operational and strategic milestone that marks the start of a new era for Algoma, positioning the Company to produce Volta™, our proprietary green steel, at scale. It reflects the successful execution of a key phase in our EAF transition and demonstrates the performance of the technology platform that underpins our decarbonization strategy. With EAF production now underway, Algoma is advancing toward a more flexible, cost-effective, and environmentally responsible steelmaking model that supports long-term shareholder value.

Key Leadership and Governance Announcements

On June 24, 2025, Melinda J. Newman was newly elected to the Company's Board of Directors.

Environmental Matters

Steel producers such as Algoma are subject to numerous environmental laws and regulations (“Environmental Law”), including federal and provincial, relating to the protection of the environment. The Company can incur regulatory liability as well as civil liability for contamination on-site (soil, groundwater, indoor air), contaminant migration and impacts off-site including in respect of groundwater, rivers, lakes, other waterways, and air emissions.

On June 9, 2022, the Company experienced an incident where an oil-based lubricant was released from our hot mill in Sault Ste. Marie. The oil entered our water treatment facility and a quantity of the oil was discharged into the St. Mary’s River. The provincial and federal regulators each investigated this incident. The Company was recently served with one charge under the provincial Environment Protection Act and one charge under the provincial Ontario Water Resources Act in connection with the incident, which as of the date of this MD&A have not been resolved. The Company remains focused on maintaining compliance with environmental regulations and is dedicated to upholding our commitment to sustainable practices.

Fatal Incident Involving an Employee of a Contractor

On June 16, 2023, the Company reported a fatal incident involving an employee of a contractor who was retained to perform specialized maintenance work cleaning an out-of-service gas line. The Company investigated the fatal accident internally and worked with provincial authorities as they investigated. On May 2, 2024, the Company was served with three charges under the provincial Occupational Health & Safety Act in connection with the fatality. The Company is responding accordingly.

Sustainability Report

On June 4, 2025, Algoma published its 2024 Sustainability Report, covering the nine month period ended December 31, 2024, to align with the Company’s change in fiscal year end. This alignment streamlines our reporting processes, enhances comparability with industry peers, and ensures stakeholders receive timely updates on our sustainability performance. The full report is available at www.algoma.com.

At Algoma, we firmly acknowledge that sustainability factors encompass a broad spectrum of risks and opportunities, impacting our business and our stakeholders—including investors, customers, suppliers, employees, governments, and the communities where we operate. Our commitment is to conduct our operations with careful and conscientious consideration of these factors, which help drive performance, reduce risk, and foster organizational excellence.

Our sustainability vision goes beyond corporate responsibility. We aspire to help shape a more sustainable and environmentally responsible future for Canadian steel production. We are actively transitioning away from coal and mined ore as primary inputs by adopting Electric Arc Furnace (EAF) steelmaking technology, which is expected to reduce our carbon emissions by approximately 70%—equivalent to 3 million tonnes annually. We remain committed to innovation and the integration of eco-efficient practices throughout our production processes. We also continue to prioritize the health and safety of our workforce, invest in the prosperity of our surrounding communities, and foster a diverse, inclusive, and equitable workplace.

In 2022, we conducted a formal Environment, Social and Governance (ESG) Materiality Assessment to identify and prioritize the sustainability factors most likely to impact our company’s long-term value and relevance to stakeholders. This assessment is reviewed annually and updated as necessary, forming the foundation of our overall sustainability strategy.

Our reporting continues to align with the Sustainability Accounting Standards Board (SASB) Standards and adheres to the Task Force on Climate-related Financial Disclosures (TCFD) recommendations to the greatest extent feasible. We remain engaged in efforts to further align our practices with these frameworks. We are also closely monitoring the evolving disclosure landscape, including the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB) and the Canadian Sustainability Disclosure Standards (CSDS) released by the Canadian Sustainability Standards Board (CSSB), and will adapt accordingly.

Oversight of sustainability matters is embedded in our governance structure. Our Board of Directors holds ultimate accountability for sustainability-related risks and opportunities, including those related to climate. The Nominating and Governance Committee supports the Board in overseeing these matters, in coordination with other Board committees, and regularly reports to the full Board.

Impact on Operations

On January 20, 2024, a structural corridor carrying various utilities crucial for the Company's coke oven battery and blast furnace operations suffered an unexpected collapse. An independent investigation revealed an unforeseen escalating overload condition, resulting in a failure of a structural support member of the utility corridor, thereby causing the subsequent cascading collapse of other support structures. The collapse disrupted the flow of coke oven gas from the batteries to the rest of the steelworks, as well as a portion of the natural gas and oxygen flow to specific facilities, most critically the blast furnace. The unforeseen structural collapse did not result in any injuries, but for safety reasons, various areas near the collapse were evacuated and blast furnace operations were suspended at the time of the incident. Due to the unexpected shutdown and delayed restart, the blast furnace experienced operational challenges culminating in a chilled hearth, which suspended production for a period of three weeks, during which roughly 150,000 tons of hot metal production was lost.

The Company has standard insurance coverage that is intended to address events such as these, including business interruption and property damage insurance. The Company has engaged its insurers and has submitted claims under its insurance policies for covered losses.

The Company and its insurers continue to review the impact of the structural collapse and subsequent lost production as it relates to the insurance claim. During the six month period ended June 30, 2025, the Company received insurance proceeds totalling C\$50.0 million which have been presented in other income in the condensed interim consolidated statements of net (loss) income.

Tariffs

The President of the United States issued various executive orders imposing tariffs on products imported from Canada; including tariffs under the International Emergency Economic Powers Act (IEEPA Tariffs), applying a 25% duty on most imports from Canada, with a reduced 10% rate on energy products; and tariffs under Section 232 of the Trade Expansion Act of 1962 (S232 Tariffs), imposing a 25% ad valorem tariff on all steel and aluminum articles and their derivatives, without exclusions. The tariffs were effective March 4, 2025, paused on March 6, 2025, and then reinstated March 12, 2025. On April 2, 2025, the President announced a minimum 10% tariff (Reciprocal Tariffs) on all US imports, effective April 5, 2025 and higher tariffs on imports from 57 countries. Canada was excluded from the application of Reciprocal Tariffs, and the order further clarified that the IEEPA Tariffs and S232 Tariffs would not aggregate on Canadian goods compliant with the United States-Mexico-Canada Agreement ("USMCA"). On June 4, 2025, the tariffs under S232 Tariffs were increased to 50% for all steel and aluminum imports to the United States. At present, the Company is only subject to the S232 Tariffs that imposes a 50% tariff on steel the Company imports into the United States.

The ongoing tariffs and trade uncertainty has contributed to volatility in steel demand and pricing in both the U.S. and Canadian markets, with concerns over supply chain disruptions leading to fluctuations in purchasing patterns. Additionally, the uncertainty surrounding trade policies has affected the U.S. dollar exchange rate, which in turn impacts the Company's sales and cost structure by influencing raw material costs, pricing competitiveness, and cross-border trade dynamics. In most cases, it is not feasible for the Company to pass on the tariff cost to its customers. Unlike the U.S. market which is predominantly contract-based, the Canadian steel market is more focused on spot transactions. Over the past few months the Company has been experiencing an increasing demand and pricing imbalance between the U.S. and Canadian markets, resulting in Canadian transactional pricing below U.S. pricing, which we expect is due to the increased supply of the Canadian market from domestic producers, the continuance of steel shipped into Canada by U.S. steel manufacturers and increased import offers from other countries priced at less-than-fair-value. During the three month period ended June 30, 2025 the Company's NSR for Canadian sales was up to 40% lower than its U.S. results across many product categories. This is a significantly greater discrepancy than historical averages and resulted in approximately C\$30 million lower revenue on Canadian sales during the three month period ended June 30, 2025.

To the extent such U.S. tariffs may impact the Company's export sales, result in over-supply of the Canadian market at reduced transactional pricing, and potential for retaliatory tariffs on imports of U.S. products into Canada, or otherwise cause an increase in the prices of the inputs the Company uses in its operations or diminished availability in Canada of such inputs, the Company's ability to maintain its current cost structure or level of operations may be materially and adversely affected. This may result in, among other things, the Company experiencing reduced production levels, higher costs and lower operating margins, any of which could have a material and adverse effect on the Company's financial position, results of operations and liquidity. During the three and six month periods ended June 30, 2025, the Company incurred tariff costs of C\$64.1 million and C\$74.6 million, respectively. During the three and six month periods ended June 30, 2025, steel shipments to the United States represented 54% and 53% of total steel shipments, respectively.

Given the ongoing uncertainty caused by the U.S. tariffs resulting in a structural imbalance in the Canadian market, the Company is exploring liquidity tools and funding programs that could support its current operations and enable strategic diversification. This includes an application to the federal Large Enterprise Tariff Loan (LETL) program for C\$500 million, ongoing discussion of potential terms of LETL support and an evaluation of capital investments that align with long-term domestic demand in sectors such as defense and construction, while reinforcing Canada's industrial resilience and low carbon transformation.

Quarterly Dividend

The Board of Directors has made the decision to suspend the regular quarterly dividend on the Corporation's common shares. This decision reflects the Board's prudent approach to capital allocation and its commitment to preserving liquidity and financial flexibility in the face of evolving market conditions. The Board will continue to evaluate future dividend declarations in the context of capital requirements, strategic priorities, and overall financial performance.

Subsequent Event

The Company entered into an agreement with the Ministry of the Environment, Conservation and Parks on July 14, 2025 under Ontario's Ministry of Environment, Conservation and Parks Emissions Performance Program for maximum funding of C\$56.9 million for reimbursement of eligible expenditures incurred in construction of the EAF, with an approved initial advance of C\$21.3 million.

Factors Affecting Financial Performance

The Company's costs are primarily driven by commodity prices, including the price of iron ore, coal, coke, electricity and natural gas, and inflation or other fluctuations in the prices of key raw materials and other inputs essential to our operations can have a substantial impact on our profitability and overall financial performance. Inflationary pressures on commodity raw material inputs can arise from various factors, including global supply and demand dynamics, geopolitical events, natural disasters, trade policies, and currency exchange rate fluctuations. These factors are often beyond our control and can lead to substantial price increases in raw materials, as well as challenges in managing our supply chain and inventory affecting our ability to secure adequate raw material supplies in a timely and cost-effective manner. Increased costs of raw materials can directly erode our profit margins, making it challenging to maintain competitive pricing in the market.

North American steel pricing is largely dependent on global supply and demand, international trade policies and practices, the level of steel imports into North America, economic conditions in North America, global steelmaking overcapacity, and increased raw material prices. North American steel producers compete with many foreign producers, including those in Europe, China and other Asian countries. Competition from foreign producers is periodically intensified by weakening regional economies of their surrounding countries, and resultant decisions by these foreign producers with respect to export volumes and pricing possibly more influenced by political and economic policy considerations than by prevailing market conditions. Trade policies and practices between Canada and other countries including the United States have a material impact on demand and selling prices of steel in the market.

World crude steel production for the 70 countries reporting to the World Steel Association (worldsteel) was 158.8 million tonnes (Mt) in May 2025, a 3.8% decrease compared to May 2024. China represents approximately 55% of global crude steel production. (source: Worldsteel Association “May 2025 crude steel production and 2025 global crude steel production total” June 24, 2025). According to the Organization for Economic Cooperation and Development global steel market conditions remain challenging, with ongoing excess capacity suppressing the potential for demand growth. According to the latest available information, global steelmaking capacity remains high at 2,472 million metric tonnes, a level that will exceed demand by slightly more than 721 million metric tonnes, by 2027. The excess demand of 721 million metric tonnes is the equivalent to over 48 times the size of the Canadian steel industry. Information on announced investment projects indicates that 63.5 mmt of gross capacity additions are currently underway worldwide and are therefore expected to come on stream during the next three-year period (2025-27).

Overall Results

Net (Loss) Income

The Company’s net loss for the three month period ended June 30, 2025 was C\$110.6 million compared to net income of C\$6.1 million for the three month period ended June 30, 2024, resulting in a C\$116.7 million increase of net loss. The increase is primarily due to the increase in loss from operations (C\$72.6 million), for reasons described below in (Loss) Income from Operations, foreign exchange loss (C\$38.3 million), change in fair value of warrant liability (C\$20.2 million), and change in fair value of share-based compensation liability (C\$10.9 million). This was offset, in part, by an increase in income tax recovery (C\$32.6 million).

The Company’s net loss for the six month period ended June 30, 2025 was C\$135.1 million compared to net income of C\$34.1 million for the six month period ended June 30, 2024, resulting in a C\$169.2 million increase of net loss. The increase is primarily due to the increase in loss from operations (C\$215.6 million), for reasons described below in (Loss) Income from Operations, foreign exchange loss (C\$55.0 million), and finance costs (C\$10.2 million). This was offset, in part, by an increase in income tax recovery (C\$60.0 million), and other income (C\$50.0 million).

(Loss) Income from Operations

The Company’s loss from operations for the three month period ended June 30, 2025 was C\$85.1 million compared to C\$12.5 million for the three month period ended June 30, 2024, resulting in a C\$72.6 million increase of loss from operations. The increase is primarily due to decreased revenue (C\$60.8 million), which is due to lower pricing and steel shipments, resulting from weakening market conditions, and increased cost of sales (C\$10.0 million), due primarily to increased tariff costs, which was offset, in part, by the Company’s cost controlling measures.

The Company’s loss from operations for the six month period ended June 30, 2025 was C\$225.0 million compared to C\$9.4 million for the six month period ended June 30, 2024, resulting in a C\$215.6 million increase of loss from operations. The increase is primarily due to decreased revenue (C\$164.3 million), which is due to lower pricing and steel shipments, resulting from weakening market conditions, and increased cost of sales (C\$50.7 million), due primarily to increased tariff costs, which was offset, in part, by the Company’s cost controlling measures.

Non-GAAP Financial Measures

In this MD&A, we use certain non-GAAP measures to evaluate the performance of the Company. These terms do not have any standardized meaning prescribed under IFRS Accounting Standards 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 Accounting Standards 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 in accordance with IFRS Accounting Standards. As described below, the terms “EBITDA,” “Adjusted EBITDA,” “Adjusted EBITDA margin,” “Adjusted EBITDA per ton,” “Average Net Sales Realization” (“NSR”) and “Cost Per Ton of Steel Products Sold” are financial measures utilized by the Company in evaluating its financial results that are not defined by IFRS Accounting Standards. EBITDA refers to net income or loss before depreciation of property, plant, equipment and amortization of intangible assets, finance costs, interest on pension and other post-employment benefit obligations and income taxes. Adjusted EBITDA refers to EBITDA before foreign exchange loss (gain), finance income, carbon tax, changes in fair value of warrants, earnout and share-based compensation liabilities, share-based compensation related to the Company’s Omnibus Long Term Incentive Plan and certain inventory adjustments. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue for the corresponding period. Adjusted EBITDA per ton is calculated by dividing Adjusted EBITDA by tons of steel products sold for the corresponding period. EBITDA and Adjusted EBITDA are not intended to represent cash flow from operations, as defined by IFRS Accounting Standards, and should not be considered as alternatives to income from operations or any other measure of performance prescribed by IFRS Accounting Standards. EBITDA and Adjusted EBITDA, as defined and used by the Company, may not be comparable to EBITDA and Adjusted EBITDA as defined and used by other companies.

We consider EBITDA and Adjusted EBITDA to be meaningful measures to assess our operating performance in addition to IFRS Accounting Standards measures. These measures 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. EBITDA and Adjusted EBITDA are also used by analysts and our lenders as measures of our financial performance. In addition, we consider Adjusted EBITDA margin and Adjusted EBITDA per ton, to be useful measures of our operating performance and profitability across different time periods that enhance the comparability of our results. For a reconciliation of Adjusted EBITDA to its most comparable IFRS Accounting Standards financial measure, see “Adjusted EBITDA” presented in this MD&A. Average Net Sales Realization refers to steel revenue less freight revenue per steel tons shipped. Average Net Sales Realization is included because it allows management and investors to evaluate our selling prices per ton of steel products sold, excluding the geographic impact of freight charges, in order to enhance comparability when comparing our sales performance to that of our competitors. Cost Per Ton of Steel Products Sold refers to cost of steel revenue less freight, depreciation and carbon tax (included in cost of steel revenue) per steel tons shipped. Cost Per Ton of Steel Products Sold allows management and investors to evaluate our cost of steel products sold on a per ton basis, excluding certain of the items that we exclude when calculating Adjusted EBITDA, to evaluate our operating performance and to enhance the comparability of our costs over different time periods. We consider each of Average Net Sales Realization and Cost Per Ton of Steel Products Sold to be meaningful measures to assess our operating performance in addition to IFRS Accounting Standards measures.

EBITDA, Adjusted EBITDA, Average Net Sales Realization, Cost Per Ton of Steel Products Sold, Adjusted EBITDA margin and Adjusted EBITDA per ton 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 Accounting Standards. 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 interest on pension and other post-employment benefit obligations;
- they do not reflect income tax expense or the cash necessary to pay income taxes; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements.

In addition, in the case of Adjusted EBITDA, Adjusted EBITDA margin and Adjusted EBITDA per ton:

- they do not reflect certain non-cash items, including share-based compensation charges and the accounting for warrant, earnout and share-based payment liabilities;
- they do not reflect the impact of changes resulting from foreign exchange;
- they do not reflect the impact of carbon tax;

- they do not reflect the impact of certain inventory adjustments;
- they exclude certain non-recurring items, such as transaction costs;
- they do not reflect the impact of past service costs related to pension benefits and post-employment benefits; and
- they do not reflect the impact of other earnings or charges resulting from matters we believe not to be indicative of our ongoing operations.

Because of these limitations EBITDA, 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. In addition, other companies, including other companies in our industry, may calculate these measures differently than we do, limiting their usefulness as comparative measures. We compensate for these limitations by relying primarily on our IFRS Accounting Standards results using such measures only as a supplement.

Steel Revenue and Cost of Sales

		Three months ended June 30,			Six months ended June 30,	
		2025	2024		2025	2024
<i>tons</i>						
Steel Shipments	i 6.2%	472,056	503,152	i 1.3%	941,787	954,118
<i>millions of dollars</i>						
Revenue	i 9.3%	C\$ 589.7	C\$ 650.5	i 12.9%	C\$ 1,106.8	C\$ 1,271.1
Less:						
Freight included in revenue		(44.7)	(45.9)		(95.8)	(93.5)
Non-steel revenue		(10.6)	(7.2)		(13.4)	(12.1)
Steel revenue	i 10.5%	\$ 534.4	\$ 597.4	i 14.4%	C\$ 997.6	C\$ 1,165.5
Cost of steel revenue (i)	h 1.3%	C\$ 588.5	C\$ 580.7	h 4.2%	C\$ 1,160.7	C\$ 1,113.6
Depreciation included in cost of steel revenue		(38.0)	(33.1)		(72.8)	(67.7)
Carbon tax included in cost of steel revenue		(10.4)	(9.5)		(13.9)	(15.9)
Cost of steel products sold	h 0.4%	C\$ 540.1	C\$ 538.1	h 4.3%	C\$ 1,074.0	C\$ 1,030.0
<i>dollars per ton</i>						
Revenue per ton of steel sold	i 3.3%	C\$ 1,249	C\$ 1,293	i 11.8%	C\$ 1,175	C\$ 1,332
Cost of steel revenue per ton of steel sold	h 8.0%	C\$ 1,247	C\$ 1,154	h 5.6%	C\$ 1,232	C\$ 1,167
Average net sales realization on steel sales (ii), (iii)	i 4.6%	C\$ 1,132	C\$ 1,187	i 13.3%	C\$ 1,059	C\$ 1,222
Cost per ton of steel products sold	h 7.0%	C\$ 1,144	C\$ 1,069	h 5.6%	C\$ 1,140	C\$ 1,080

(i) Cost of steel revenue includes the cost of steel tariffs. See “Tariffs” for further discussion.

(ii) See “Non-GAAP Measures” for information regarding the limitations of using Average net sales realization on steel sales.

(iii) Represents Steel revenue (being Revenue less (a) Freight included in revenue and (b) Non-steel revenue) divided by the number of tons of Steel Shipments during the applicable period.

Revenue and steel revenue decreased by 9.3% and 10.5%, respectively, due to lower steel shipments and pricing during the three month period ended June 30, 2025 as compared to the three month period ended June 30, 2024. The Company’s average NSR on steel sales per ton shipped was C\$1,132 for the three month period ended June 30, 2025 (June 30, 2024 - C\$1,187), a decrease of 4.6%. Steel shipment volumes decreased by 6.2% during the three month period ended June 30, 2025 as compared to the three month period ended June 30, 2024. Lower steel shipments and pricing were resultant from weakening market conditions, particularly due to the S232 Tariffs which impacted the Company’s export sales and resulted in over-supply of the Canadian market at reduced transactional pricing. During the three month period ended June 30, 2025 the Company’s NSR for Canadian sales was up to 40% lower than its U.S. results across many product categories. This is a significantly greater discrepancy than historical averages and resulted in approximately C\$30 million lower revenue on Canadian sales during the three month period ended June 30, 2025.

Revenue and steel revenue decreased by 12.9% and 14.4%, respectively, due to lower pricing and steel shipments during the six month period ended June 30, 2025 as compared to the six month period ended June 30, 2024. The Company's average NSR on steel sales per ton shipped was C\$1,059 for the six month period ended June 30, 2025 (June 30, 2024 - C\$1,222), a decrease of 13.3%. Steel shipment volumes decreased by 1.3% during the six month period ended June 30, 2025 as compared to the six month period ended June 30, 2024. The six month period ended June 30, 2025 was also negatively impacted by the S232 Tariffs, as discussed above.

For the three month period ended June 30, 2025, the Company's cost of steel revenue increased by 1.3% to C\$588.5 million (June 30, 2024 - C\$580.7 million) and the cost of steel products sold increased by 0.4% to C\$540.1 million (June 30, 2024 - C\$538.1 million). Cost per ton of steel products sold was C\$1,144 for the three month period ended June 30, 2025 (June 30, 2024 - C\$1,069). The increase is primarily due to tariff costs, offset, in part, by cost controlling measures.

For the six month period ended June 30, 2025, the Company's cost of steel revenue increased by 4.2% to C\$1,160.7 million (June 30, 2024 - C\$1,113.6 million) and the cost of steel products sold increased by 4.3% to C\$1,074.0 million (June 30, 2024 - C\$1,030.0 million). Cost per ton of steel products sold was C\$1,140 for the six month period ended June 30, 2025 (June 30, 2024 - C\$1,080). The increase is primarily due to tariff costs, offset, in part, by cost controlling measures.

As discussed above in Tariffs, the Company was subject to 25% tariffs on outbound steel shipments to the United States, effective March 4, 2025, paused on March 6, 2025, and then reinstated March 12, 2025. Starting June 4, 2025, the tariffs on outbound steel shipments to the United States was increased to 50%. For the three and six month periods ended June 30, 2025, tariff costs of C\$64.1 million and C\$74.6 million were included in Cost of Sales (June 30, 2024 – nil).

The Company's costs associated to tariffs on inbound purchases from the United States were negligible for the three and six month periods ended June 30, 2025 (June 30, 2024 – nil).

Non-steel Revenue

The Company's non-steel revenue for the three month period ended June 30, 2025 was C\$10.6 million (June 30, 2024 – C\$7.2 million). The increase of C\$3.4 million was primarily due to increased revenue on braize and tar which was offset, in part, by decreased revenue on kish products and ore and pellet fines.

The Company's non-steel revenue for the six month period ended June 30, 2025 was C\$13.4 million (June 30, 2024 – C\$12.1 million). The increase of C\$1.3 million was primarily due to increased revenue on braize and tar which was offset, in part, by decreased revenue on kish products, scrap, and ore and pellet fines.

Administrative and Selling Expenses

<i>millions of dollars</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Personnel expenses	C\$10.8	C\$10.7	C\$19.7	C\$23.2
Share-based compensation expense	3.6	1.2	7.3	2.1
Professional, consulting, legal and other fees	3.8	4.9	7.2	9.2
Insurance	8.9	6.5	17.7	12.9
Software licenses	1.6	1.8	3.5	3.9
Allowance for doubtful accounts	(0.5)	0.1	0.2	2.6
Amortization of intangible assets and non-production assets	0.2	0.1	0.4	0.2
Other administrative and selling	2.6	3.9	5.9	7.2
	<u>C\$31.0</u>	<u>C\$29.2</u>	<u>C\$61.9</u>	<u>C\$61.3</u>

As illustrated in the table above, the Company's administrative and selling expenses for the three month period ended June 30, 2025, were C\$31.0 million (June 30, 2024 - C\$29.2 million). The increase in administrative and selling expenses of C\$1.8 million is primarily due to an increase in share-based compensation expense (C\$2.4 million) and insurance (C\$2.4 million). This was offset, in part, by a decrease in other administrative and selling (C\$1.3 million), professional, consulting, legal and other fees (C\$1.1 million), and allowance for doubtful accounts (C\$0.6 million).

For the six month period ended June 30, 2025, the Company's administrative and selling expenses were C\$61.9 million (June 30, 2024 - C\$61.3 million). The increase in administrative and selling expenses of C\$0.6 million is primarily due to an increase in share-based compensation expense (C\$5.2 million) and insurance (C\$4.8 million). This was offset, in part, by a decrease in personnel expenses (C\$3.5 million), allowance for doubtful accounts (C\$2.4 million), professional, consulting, legal and other fees (C\$2.0 million), and other administrative and selling (C\$1.3 million).

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

The Company's finance costs represent interest cost on the Company's Revolving Credit Facility, Senior Secured Lien Notes (the "2029 Notes") and interest cost on the financing arrangement described in the section entitled "Capital Resources - Financial Position and Liquidity" included elsewhere in this MD&A. Finance costs also include 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 and changes in the discount rate on the Company's environmental liabilities.

<i>millions of dollars</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Interest on the following facilities</i>				
Interest on Senior Secured Lien Notes	C\$10.7	C\$10.3	C\$21.7	C\$10.3
Interest on financing arrangement	0.2	0.2	0.4	0.4
Revaluation of discount rate for environmental liabilities	1.1	—	1.1	3.8
Revolving Credit Facility fees	0.7	0.6	1.5	1.6
Interest on the Revolving Credit Facility	0.1	—	0.1	—
Unwinding of issuance costs of debt facilities and discounts on environmental liabilities, and accretion of governmental loan benefits	4.5	4.5	9.1	8.6
Other interest expense	1.2	0.8	2.4	1.4
	<u>C\$18.5</u>	<u>C\$16.4</u>	<u>C\$36.3</u>	<u>C\$26.1</u>

As illustrated in the table above, the Company's finance costs for the three month period ended June 30, 2025 were C\$18.5 million (June 30, 2024 - C\$16.4 million). The increase of C\$2.1 million in finance costs is primarily due to the revaluation of discount rate for environmental liabilities (C\$1.1 million), interest on the 2029 Notes (C\$0.4 million) and other interest expense (C\$0.4 million).

For the six month period ended June 30, 2025, the Company's finance costs were C\$36.3 million (June 30, 2024 - C\$26.1 million). The increase of C\$10.2 million in finance costs is primarily due to interest on the 2029 Notes (C\$11.4 million), other interest expense (C\$1.0 million), and accretion of issuance costs of debt facilities (C\$0.5 million). This was offset, in part, by the revaluation of discount rate for environmental liabilities (C\$2.7 million).

The Company's finance income for the three month period ended June 30, 2025, was C\$2.5 million (June 30, 2024 - C\$5.4 million). The decrease of C\$2.9 million in finance income is primarily due to a decrease in interest income as result of a lower cash balance.

The Company's finance income for the six month period ended June 30, 2025, was C\$5.3 million (June 30, 2024 - C\$6.6 million). The decrease of C\$1.3 million in finance income is primarily due to a decrease in interest income as result of a lower cash balance.

The Company's interest on pension and other post-employment benefit obligations for the three and six month periods ended June 30, 2025 was C\$3.9 million and C\$7.9 million, respectively (June 30, 2024 - C\$5.4 million and C\$10.3 million, respectively). The decrease is primarily due to a decrease in discount rates as at December 31, 2024 that is used to determine the expense for the period of January 1, 2025 to December 31, 2025.

The Company's foreign exchange loss for the three month period ended June 30, 2025 was C\$31.5 million (June 30, 2024 - gain of C\$6.8 million). The foreign exchange loss for the six month period ended June 30, 2025 was C\$32.4 million (June 30, 2024 - gain of C\$22.6 million). These foreign exchange movements reflect the effect of US dollar exchange rate fluctuations on the Company's Canadian dollar denominated monetary assets and liabilities.

The Company's other income for the three and six month periods ended June 30, 2025 was nil and C\$50.0 million, respectively (June 30, 2024 - nil) and represents insurance proceeds received.

Pension and Post-Employment Benefits

<i>millions of dollars</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Recognized in (loss) income before income taxes:</i>				
Pension benefits expense	C\$ 5.7	C\$ 6.6	C\$ 11.4	C\$ 13.1
Post-employment benefits expense	3.0	3.5	6.0	6.9
	<u>C\$ 8.7</u>	<u>C\$ 10.1</u>	<u>C\$ 17.4</u>	<u>C\$ 20.0</u>
<i>Recognized in other comprehensive (loss) income (pre-tax):</i>				
Pension benefits loss (gain)	C\$ 5.6	C\$(21.4)	C\$ 1.5	C\$(17.0)
Post-employment benefits gain	(3.9)	(4.1)	(3.7)	(12.9)
	<u>C\$ 1.7</u>	<u>C\$(25.5)</u>	<u>C\$ (2.2)</u>	<u>C\$(29.9)</u>
	<u>C\$10.4</u>	<u>C\$(15.4)</u>	<u>C\$15.2</u>	<u>C\$ (9.9)</u>

As illustrated in the table above, the Company's pension expense for the three month period ended June 30, 2025 and June 30, 2024 were C\$5.7 million and C\$6.6 million, respectively, representing a decrease of C\$0.9 million. The Company's post-employment benefit expense for the three month period ended June 30, 2025 and June 30, 2024 were C\$3.0 million and C\$3.5 million, respectively, representing a decrease of C\$0.5 million. The decreases in pension and post-employment benefit expense are as a result of a decrease in discount rates used to determine the expense beginning January 1, 2025. The expense decrease is also a result of reflecting experience gains from the statutory pension actuarial funding valuation and the post-employment benefit expense actuarial valuation.

For the six month period ended June 30, 2025 and June 30, 2024, the Company's pension expense were C\$11.4 million and C\$13.1 million, respectively, representing a decrease of C\$1.7 million. The Company's post-employment benefit expense for the six month period ended June 30, 2025 and June 30, 2024 were C\$6.0 million and C\$6.9 million, respectively, representing a decrease of C\$0.9 million. The decreases in pension and post-employment benefit expense are as a result of a decrease in discount rates used to determine the expense beginning January 1, 2025. The expense decrease is also a result of reflecting experience gains from the statutory pension actuarial funding valuation and the post-employment benefit expense actuarial valuation.

As disclosed in Note 4 to the December 31, 2024 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).

For the three month period ended June 30, 2025, the Company recorded an actuarially determined loss to the accrued defined pension liability and accrued other post-employment benefit obligation in other comprehensive income (loss) of C\$1.7 million (June 30, 2024 – gain of C\$25.5 million), a difference of C\$27.2 million, primarily due to a decrease in discount rates as at June 30, 2024 combined with positive defined pension asset return. The June 30, 2024 adjustments to other comprehensive income (loss) as compared to June 30, 2025 adjustments experienced an increase in discount rates offset by an asset return of -0.74%.

For the six month period ended June 30, 2025, the Company recorded an actuarially determined gain to the accrued defined pension liability and accrued other post-employment benefit obligation in other comprehensive income (loss) of C\$2.2 million (June 30, 2024 - C\$29.9 million), a difference of C\$27.7 million, primarily due to an increase in discount rates. The June 30, 2024 adjustments to other comprehensive income (loss) as compared to June 30, 2025 adjustments experienced an increase in discount rates as at June 30, 2025.

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 Adjusted EBITDA to facilitate comparison with the results of its competitors in jurisdictions not subject to the Carbon Tax Act. Since the introduction of the Carbon Tax Act, Ontario’s Emissions Performance Standards (EPS) program was developed to regulate GHG emissions from large industrial facilities by setting emissions limits that are the basis for the compliance obligations of those facilities. The program was developed as an alternative to the federal output-based pricing system (OBPS). The EPS program came into full effect on January 1, 2022 and Algoma is now subject to compliance under the EPS.

For the three month period ended June 30, 2025, total Carbon Tax recognized in cost of sales was C\$10.4 million (June 30, 2024 - C\$9.5 million). The change is primarily due to a true-up of the estimated cost pertaining to the twelve month period ended December 31, 2024 and an increase in carbon tax per ton. This was offset, in part, by a decrease in carbon dioxide equivalent emissions.

For the six month period ended June 30, 2025, total Carbon Tax recognized in cost of sales was C\$13.9 million (June 30, 2024 - C\$15.9 million). The change is primarily due to a decrease in carbon dioxide equivalent emissions, offset, in part by an increase in carbon tax per ton.

Income Taxes

For the three month period ended June 30, 2025, the Company’s deferred income tax expense and current income tax recovery were C\$0.5 million and C\$37.4 million, respectively, compared to deferred income tax recovery and current income tax expense of C\$5.3 million and C\$1.0 million, respectively, for the three month period ended June 30, 2024 due to loss before tax of C\$147.5 million for the three month period ended June 30, 2025, compared to income before tax of C\$1.8 million for the three month period ended June 30, 2024.

For the six month period ended June 30, 2025, the Company’s deferred income tax recovery and current income tax recovery were C\$1.5 million and C\$61.8 million, respectively, compared to deferred income tax recovery and current income tax expense of C\$10.5 million and C\$7.2 million, respectively, for the six month period ended June 30, 2024 due to loss before tax of C\$198.4 million for the six month period ended June 30, 2025, compared to income before tax of C\$30.8 million for the six month period ended June 30, 2024.

Share Capital

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value issuable in series.

As at June 30, 2025, there were 104,933,802 common shares issued and outstanding, and no preferred shares issued and outstanding.

Warrants

As at June 30, 2025, 24,178,999 Warrants remain outstanding with an estimated fair value of \$0.51 per Warrant based on the market price of the Warrants, for which the Company recognized a liability of C\$16.8 million (\$12.3 million) (December 31, 2024 - C\$52.2 million; \$36.3 million) in warrant liability on the condensed interim consolidated statements of financial position. For the three and six month periods ended June 30, 2025, a loss of C\$4.6 million and a gain of C\$34.5 million, respectively, on change in the fair value of the warrant liability is presented in the condensed interim consolidated statements of net (loss) income (June 30, 2024 - gain of C\$15.6 million and C\$30.9 million, respectively). The Warrants will expire on October 19, 2026.

The Warrants, with a strike price of \$11.50, are currently out of the money. Should Algoma’s share price increase, these Warrants contain a call feature enabling the Company to redeem them on a cashless basis before expiration, thus limiting potential dilution. Requirements include that the closing price of the Company’s common shares reaches or exceeds \$18.00 for at least 20 out of any 30 consecutive trading days, the Company may exercise the option to redeem the Warrants at a nominal price of \$0.01 per warrant. For more information please see Algoma’s warrant agreement which is available on SEDAR+ and on EDGAR.

Earnout

As at June 30, 2025, 655,454 earnout rights remain outstanding with an estimated fair value of \$6.89 per unit based on the market price of the Company's common shares, for which an earnout liability of C\$6.2 million (\$4.5 million) (December 31, 2024 - C\$10.1 million; \$7.0 million) was recognized on the condensed interim consolidated statements of financial position. During the six month period ended June 30, 2025, earnout rights were settled for 75,000 common shares. During the nine month period ended December 31, 2024, 320,000 earnout rights were settled for common shares and 172,786 earnout rights were cancelled. For the three and six month periods ended June 30, 2025 a loss of C\$1.3 million and a gain of C\$3.1 million, respectively, on change in the fair value of the earnout liability are presented in the condensed interim consolidated statements of net (loss) income (June 30, 2024 - gain of C\$2.5 million and C\$5.9 million, respectively).

Continuity of earnout rights are as follows:

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	719,547	1,196,157
Dividend equivalents and other adjustments	10,907	16,176
Vested and settled	(75,000)	(320,000)
Cancellations	—	(172,786)
Ending balance	<u>655,454</u>	<u>719,547</u>

Replacement Long Term Incentive Plan ("LTIP")

As at June 30, 2025, 2,492,815 Replacement LTIP Awards remain outstanding with an estimated fair value of \$6.89 per unit based on the market price of the Company's common shares, for which the Company recognized a liability of C\$23.4 million (\$17.2 million) (December 31, 2024 - C\$34.5 million; \$24.0 million) in share-based payment compensation liability on the condensed interim consolidated statements of financial position. During the six month period ended June 30, 2025, no units were settled. During the nine month period ended December 31, 2024, 297,953 units were settled for common shares and 47,620 units were cancelled. A portion of the common shares issued to settle these units were sold by the Company for cash of C\$2.1 million used to settle withholding taxes. For the three and six month periods ended June 30, 2025 a loss of C\$5.1 million and a gain of C\$10.3 million, respectively, on change in the fair value of the share-based payment compensation liability is presented in the condensed interim consolidated statements of net (loss) income (June 30, 2024 - gain of C\$5.8 million and C\$10.6 million, respectively).

Continuity of Replacement LTIP units are as follows:

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	2,451,970	2,776,868
Dividend equivalents and other adjustments	40,845	20,675
Vested and settled	—	(297,953)
Cancellations	—	(47,620)
Ending balance	<u>2,492,815</u>	<u>2,451,970</u>

Omnibus Long Term Incentive Plan (“LTIP”)*Deferred share units (“DSUs”)*

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	480,481	344,768
Granted	68,432	130,772
Dividend equivalents and other adjustments	10,270	4,941
Ending balance	<u>559,183</u>	<u>480,481</u>

For the three and six month periods ended June 30, 2025, the Company recorded a share-based payment compensation expense of C\$0.4 million and C\$0.7 million, respectively, in administrative and selling expense on the condensed interim consolidated statements of net (loss) income and contributed deficit on the condensed interim consolidated statements of financial position (June 30, 2024 – C\$0.5 million and C\$1.1 million, respectively).

Restricted share units (“RSU”) FY2023, FY2024 and FY2025 Plans

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	1,045,306	607,252
Granted	1,206	569,536
Dividend equivalents and other adjustments, net of cancellations	17,020	(67,202)
Vested and settled	—	(64,280)
Ending balance	<u>1,063,532</u>	<u>1,045,306</u>

Performance share units (“PSU”) FY2023, FY2024 and FY2025 Plans

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	1,049,039	231,898
Granted	3,618	953,783
Dividend equivalents and other adjustments, net of cancellations	17,196	(63,146)
Vested and settled	—	(73,496)
Ending balance	<u>1,069,853</u>	<u>1,049,039</u>

For the three and six month periods ended June 30, 2025, the Company recorded share-based payment compensation expense of C\$3.1 million and C\$6.4 million, respectively, in administrative and selling expenses on the condensed interim consolidated statements of net (loss) income and contributed deficit on the condensed interim consolidated statements of financial position (June 30, 2024 - C\$0.7 million and C\$0.9 million, respectively).

Adjusted EBITDA

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

<i>millions of dollars</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Net (loss) income	C\$ (110.6)	C\$ 6.1	C\$ (135.1)	C\$ 34.1
Depreciation of property, plant and equipment and amortization of intangible assets	38.2	33.2	73.2	68.0
Finance costs	18.5	16.4	36.3	26.1
Interest on pension and other post-employment benefit obligations	3.9	5.4	7.9	10.3
Income tax recovery	(36.9)	(4.3)	(63.3)	(3.3)
Foreign exchange loss (gain)	31.5	(6.8)	32.4	(22.6)
Finance income	(2.5)	(5.4)	(5.3)	(6.6)
Inventory adjustments (<i>depreciation on property, plant and equipment in inventory</i>)	0.5	6.4	1.5	2.5
Carbon tax	10.4	9.5	13.9	15.9
Increase (decrease) in fair value of warrant liability	4.6	(15.6)	(34.5)	(30.9)
Increase (decrease) in fair value of earnout liability	1.3	(2.5)	(3.1)	(5.9)
Increase (decrease) in fair value of share-based payment compensation liability	5.1	(5.8)	(10.3)	(10.6)
Share-based compensation	3.6	1.1	7.4	2.3
Adjusted EBITDA (i)	C\$ (32.4)	C\$ 37.7	C\$ (79.0)	C\$ 79.3
Net (Loss) Income Margin	(18.8%)	0.9%	(12.2%)	2.7%
Net (Loss) Income / ton	C\$ (234.3)	C\$ 12.1	C\$ (143.5)	C\$ 35.7
Adjusted EBITDA Margin (ii)	(5.5%)	5.8%	(7.1%)	6.2%
Adjusted EBITDA / ton	C\$ (68.6)	C\$ 74.9	C\$ (83.9)	C\$ 83.1

(i) See “Non-GAAP Measures” for information regarding the limitations of using Adjusted EBITDA.

(ii) Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of revenue.

Adjusted EBITDA for the three month period ended June 30, 2025 decreased by C\$70.1 million and Adjusted EBITDA per ton decreased by C\$143.5 per ton compared to the three month period ended June 30, 2024. The variance was driven mainly by lower steel shipments and the impact of S232 Tariffs. The Company’s NSR for Canadian sales was up to 40% lower than its U.S. results across many product categories. This is a significantly greater discrepancy than historical averages and resulted in approximately C\$30 million lower revenue on Canadian sales during the three month period ended June 30, 2025. In addition, the cost per ton of steel products sold increased by C\$74.7 per ton or 7.0%, primarily due to increased tariff costs (C\$64.1 million), which was offset, in part, by the Company’s cost controlling measures.

Adjusted EBITDA for the six month period ended June 30, 2025 decreased by C\$158.3 million and Adjusted EBITDA per ton decreased by C\$167.0 per ton compared to the six month period ended June 30, 2024. The decrease was driven mainly by lower average NSR on steel sales of C\$162.3 per ton or 13.3%, due to lower pricing resulting from weakening market conditions including the impact of S232 Tariffs discussed above and a decrease in steel shipments. The cost per ton of steel products sold increased by C\$60.9 per ton or 5.6%, primarily due to increased tariff costs (C\$74.6 million), which was offset, in part, by the Company’s cost controlling measures. The decrease was partially offset by insurance proceeds receivable of C\$50.0 million, as described above in Impact on Operations, for the six month period ended June 30, 2025.

Financial Resources and Liquidity

Summary of Cash Flows

<i>millions of dollars</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Cash, beginning of period	C\$ 226.5	C\$ 97.9	C\$ 266.9	C\$ 94.7
Cash generated by (used in):				
Operating activities	(37.9)	12.5	54.2	133.7
Investing activities	(82.4)	(98.3)	(209.4)	(218.7)
Financing activities	(12.7)	479.9	(18.0)	480.2
Effect of exchange rate changes on cash	(11.0)	1.4	(11.2)	3.5
(Decrease) increase in cash	C\$(144.0)	C\$395.5	C\$(184.4)	C\$ 398.7
Cash, end of period	C\$ 82.5	C\$493.4	C\$ 82.5	C\$ 493.4

Cash Flow Generated by Operating Activities

For the three month period ended June 30, 2025, cash used in operating activities was C\$37.9 million (June 30, 2024 – generation of C\$12.5 million). The increase in cash used in operating activities for the three month period ended June 30, 2025 was due primarily to the same reasons mentioned above in (Loss) Income from Operations and by the net effect from changes in non-cash working capital.

For the six month period ended June 30, 2025, generation of cash in operating activities was C\$54.2 million (June 30, 2024 - C\$133.7 million). The decrease in generation of cash in operating activities for the six month period ended June 30, 2025 was due primarily to the same reasons mentioned above in (Loss) Income from Operations, offset, in part by the net effect from changes in non-cash working capital.

Further impacting cash generated by operating activities is the net effect from changes in non-cash working capital as presented below:

<i>millions of dollars</i>	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Accounts receivable, net	C\$(50.5)	C\$(24.4)	C\$ (39.3)	C\$ 14.4
Inventories	(74.1)	18.2	110.9	118.0
Prepaid expenses, deposits and other current assets	(1.8)	29.7	11.1	1.1
Accounts payable and accrued liabilities	64.1	(55.9)	34.3	(91.1)
Taxes receivable	(21.9)	4.3	(37.0)	4.3
Taxes payable	14.1	12.3	15.3	21.6
Total	C\$(70.1)	C\$(15.8)	C\$ 95.3	C\$ 68.3

Cash Flow Used In Investing Activities

For the three and six month periods ended June 30, 2025, cash used in investing activities to acquire property, plant and equipment was C\$82.4 million and C\$209.4 million, respectively (June 30, 2024 - C\$98.3 million and C\$218.7 million, respectively).

Cash Flow Used In Financing Activities

For the three month period ended June 30, 2025, cash used in financing activities was C\$12.7 million (June 30, 2024 – generation of C\$479.9 million). The increase in cash used in financing activities of C\$492.6 million is primarily due to the 2029 Notes issued, net of transaction costs in the three month period ended June 30, 2024 (C\$468.5 million), an increase in interest paid (C\$23.3 million), dividends paid (C\$14.8 million), and repayment of governmental loans (C\$3.7 million). This was offset, in part, by a net bank indebtedness advanced (C\$16.1 million).

For the six month period ended June 30, 2025, cash used in financing activities was C\$18.0 million (June 30, 2024 – generation of C\$480.2 million). The increase in cash used in financing activities of C\$498.2 million is primarily due to the 2029 Notes issued, net of transaction costs in the six month period ended June 30, 2024 (C\$468.5 million), an increase in interest paid (C\$24.3 million), decreased governmental loans received (C\$13.7 million), repayment of governmental loans (C\$7.5 million), and an increase in dividends paid (C\$7.7 million). This was offset, in part, by a net bank indebtedness advanced (C\$21.1 million).

Capital Resources - Financial Position and Liquidity

The Company anticipates making approximately C\$120 million of capital expenditures annually in order to sustain existing production facilities. Furthermore, the Company has made significant capital investment relating to its modernization and expansion program including substantial investment in EAF steelmaking.

The below capital sources and future cash flows from operating activities are expected to avail the Company of substantial financial resources to continue re-investing in the Company's assets.

As at June 30, 2025, the Company had cash of C\$82.5 million (December 31, 2024 - C\$266.9 million), and had unused availability under its Revolving Credit Facility of C\$329.1 million (\$241.2 million) after taking into account C\$63.8 million (\$46.8 million) of outstanding letters of credit. At December 31, 2024, the Company had drawn C\$0.4 million (\$0.3 million), and there was C\$361.8 million (\$251.4 million) of unused availability after taking into account C\$69.5 million (\$48.3 million) of outstanding letters of credit.

The Revolving Credit Facility is governed by a conventional borrowing base calculation comprised of eligible accounts receivable plus eligible inventory plus cash. At June 30, 2025, there was C\$16.4 million (\$12.0 million) drawn on this facility. The Company is required to maintain a calculated borrowing base. 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. As at June 30, 2025 and December 31, 2024, the Company has complied with these requirements.

On November 30, 2018, the Company secured the following debt financing:

- \$250.0 million in the form of a traditional asset-based revolving credit facility, with a maturity date of November 30, 2023 subsequently increased to \$300.0 million in May 2023, with maturity date of May 2028 (the "Revolving Credit Facility"). The interest rate is based on Secured Overnight Financing Rate ("SOFR") plus a credit spread adjustment of 10 basis points plus an applicable margin, which will vary depending on usage;
- a C\$60.0 million interest free loan from the Federal Economic Development Agency of the Government of Canada, through the Advanced Manufacturing Fund (the "Federal AMF Loan"). The Company will repay the loan in equal monthly installments beginning on April 1, 2022 with the final installment payable on March 1, 2028; and
- a C\$60.0 million low interest loan from the Ministry of Energy, Northern Development and Mines of the Province of Ontario (the "Provincial MENDM Loan"). The Company will repay the loan in monthly blended payments of principal and interest beginning on December 31, 2024 and ending on November 30, 2028.

On March 29, 2019, the Company secured an agreement with the Minister of Industry of the Government of Canada, whereby the Company will receive C\$15.0 million in the form of a grant and C\$15.0 million in the form of an interest free loan through the Federal SIF. On March 25, 2024, the Company amended the agreement and will repay the interest free loan portion of this funding in equal annual payments beginning on April 30, 2027 and ending on April 30, 2034.

The Revolving Credit Facility, the Federal AMF Loan, the Provincial MENDM Loan and the Federal SIF EAF Loan are expected to service the Company's principal liquidity needs (to finance working capital, fund capital expenditures and for other general corporate purposes) until the maturity of these facilities.

On November 26, 2021, the Company, together with the Government of Canada, entered into an agreement in the form of a loan up to C\$200.0 million from the SIF. Under the terms of the Federal SIF EAF Loan, the Company will be reimbursed for certain defined capital expenditures incurred to transition from blast furnace steel production to EAF steel production between March 3, 2021 and June 30, 2025. Annual repayments of the Federal SIF EAF Loan will be scalable based on the Company's GHG emission performance.

On December 7, 2023, the Company completed a financing arrangement with the Bank of Montreal for total cash consideration of C\$11.7 million. The financing arrangement bears interest at 7.5% with monthly payments of C\$0.1 million. During the six month periods ended June 30, 2025, the Company made principal payments totalling C\$0.5 million (June 30, 2024 - C\$0.6 million). At June 30, 2025, current portion totalling C\$1.0 million is presented in current portion of other long-term liabilities on the condensed interim consolidated statements of financial position (June 30, 2024 - C\$0.9 million).

On August 8, 2024, the Company entered into an Installment Payment Contract (the "IPC") with the Bank of Montreal to provide financing to purchase equipment. Terms of the IPC require interest-only payments based on multiplying the aggregate interim funding payments outstanding by an annual interest rate equal to the Term SOFR Rate defined as the one-month forward-looking term rate based on the secured overnight financing rate published on such determination date by CME Group Benchmark Administration Limited. During the six month period ended June 30, 2025, the Company received C\$2.2 million under this financing arrangement.

On April 5, 2024, the Company's indirect wholly-owned subsidiary, ASI, issued an aggregate of \$350.0 million of 9.125% 2029 Notes due April 15, 2029. The 2029 Notes are guaranteed on a senior secured basis by ASI's immediate parent company and all of ASI's subsidiaries. Interest payments are due April 15 and October 15, having commenced on October 15, 2024. The principal balance of the 2029 Notes is due for repayment on April 15, 2029. Prior to the maturity date, the Company can exercise various rights to redeem the 2029 Notes in whole or in part at a specific redemption price. In some cases, the redemption of the 2029 Notes is only permitted upon the occurrence of a specific event. The intended use of net proceeds from the offering of the 2029 Notes is general corporate purposes, adding strength and flexibility to ASI's balance sheet.

During the three and six month periods ended June 30, 2025, the Company declared ordinary dividends to common shareholders in the aggregate amount of C\$7.3 million and C\$14.8 million, respectively (June 30, 2024 – C\$7.1 million and C\$14.2 million, respectively), which were recorded as a distribution through retained earnings.

Contractual Obligations and Off Balance Sheet Arrangements

The following table presents, at June 30, 2025, the Company's undiscounted obligations and commitments to make future payments under contracts and contingent commitments. The following figures assume that the June 30, 2025, Canadian/US dollar exchange rate of \$1.00 = C\$0.7330 remains constant throughout the periods indicated.

<i>millions of dollars</i>	Total	Less than 1 year	Year 2	Years 3-5	More than 5 years
Bank indebtedness	C\$ 16.4	C\$ 16.4	C\$ —	C\$ —	C\$ —
Governmental loans	293.0	25.0	26.9	33.6	207.5
Interest on governmental loans	9.9	2.1	2.7	5.1	—
Financing arrangement	10.2	1.0	1.1	8.1	—
Senior Secured Lien Notes	477.5	—	—	477.5	—
Interest on Senior Secured Lien Notes	174.3	43.6	43.6	87.1	—
Purchase obligations - non-capital	333.1	333.1	—	—	—
Purchase obligations - capital	75.3	75.3	—	—	—
Environmental liabilities	62.6	3.7	4.3	12.9	41.7
Lease obligations	7.3	2.1	2.1	3.1	—
Total	C\$1,459.6	C\$502.3	C\$80.7	C\$627.4	C\$249.2

Purchase obligations - non-capital are comprised of contracts to purchase the raw materials required to manufacture the Company's products and therefore contribute directly to the Company's ability to generate revenue. The Company enters into such contracts on an ongoing basis based on its production requirements to secure favorable raw material pricing and consistency of supply. Most of the Company's purchase obligations mature in less than one year and are contracted based on the Company's anticipated production, and the revenue generated from such production is applied to satisfy such purchase obligations. Purchase obligations – capital, represent the Company's contractual obligations across the periods indicated above for the Electric Arc Furnace and Plate Mill Modernization capital projects.

Off balance sheet arrangements include letters of credit, and operating lease obligations. At June 30, 2025, the Company had C\$63.8 million (\$46.8 million) (December 31, 2024 - C\$69.5 million; \$48.3 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, 2025, the Company's net obligation in respect of its defined benefit pension plans was C\$178.3 million (December 31, 2024 - C\$178.3 million) and the Company's obligation in respect of its other post-employment benefits plans was C\$203.5 million (December 31, 2024 – C\$206.2 million).

The Company's short-term and long-term obligations, commitments and future payments under contract are expected to be financed through cash flow from operations and funds from the Company's Revolving Credit Facility. Any default in the Company's ability to meet such commitments and future payments could have a material and adverse effect on the Company.

Related Party Transactions

As at June 30, 2025, there were no transactions, ongoing contractual or other commitments with related parties, except for remuneration of the Company's key management personnel.

Financial Instruments

The Company's financial assets and liabilities (financial instruments) include cash, restricted cash, accounts receivable, derivative asset included in other non-current assets, bank indebtedness, accounts payable and accrued liabilities, warrant liability, earnout liability, long-term governmental loans, senior secured lien notes and other financing arrangements.

Financial assets and financial liabilities 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, 2025 condensed interim consolidated financial statements.

Financial Risk Management

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market risk. The Company may use derivative financial instruments to hedge certain of these risk exposures. The use of derivatives is based on established practices and parameters, which are subject to the oversight of the Board of Directors. The Company does not utilize derivative financial instruments for trading or speculative purposes.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's receivables from customers. The Company has an established credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes a review of the potential customer's financial information, external credit ratings and bank and supplier references. Credit limits are established for each new customer and customers that fail to meet the Company's credit requirements may transact with the Company only on a prepayment basis.

The maximum credit exposure at June 30, 2025 is the carrying amount of accounts receivable of C\$253.6 million (December 31, 2024 - C\$227.6 million). At June 30, 2025, there were three customer accounts greater than 10% of the carrying amount of accounts receivable. At December 31, 2024, there were two customer accounts greater than 10% of the carrying amount of accounts receivable. As at June 30, 2025, C\$9.0 million, or 3.6% (December 31, 2024 - C\$9.8 million, or 4.3%), of accounts receivable were more than 90 days old.

The Company establishes an allowance for doubtful accounts that represents its estimate of losses in respect of accounts receivable. The main components of this allowance are a specific provision that relates to individual exposures and a provision for expected losses that have been incurred but not yet identified. The allowance for doubtful accounts at June 30, 2025 was C\$8.8 million (December 31, 2024 - C\$8.8 million), as disclosed in Note 9 to the June 30, 2025 condensed interim consolidated financial statements.

The Company may be exposed to certain losses in the event of non-performance by counterparties to derivative financial instruments such as commodity price contracts and foreign exchange contracts. The Company mitigates this risk by entering into transactions with highly rated major financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining adequate cash balances. The Company continuously monitors and reviews actual and forecasted cash flows to ensure adequate liquidity and anticipate liquidity requirements. The Company's objectives and processes for capital management, including the management of long-term debt, are described in Note 6 to the December 31, 2024 consolidated financial statements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Company was not a party to agreements to hedge the commodity price risk associated with the revenue on the sale of steel. When the Company is party to hedging agreements, these activities are carried out under the oversight of the Company's Board of Directors.

Currency risk

The Company is exposed to currency risk on purchases, labour costs and pension and other post retirement employment benefits liabilities that are denominated in Canadian dollars. The prices for steel products sold in Canada are derived mainly from price levels in the US market in US dollars converted into Canadian dollars at the prevailing exchange rates. As a result, a stronger US dollar relative to the Canadian dollar increases the Company's Canadian dollar selling prices for sales within Canada.

Interest rate risk

Interest rate risk is the risk that the value of the Company's assets and liabilities will be affected by a change in interest rates. The Company's interest rate risk mainly arises from the interest rate impact on its banking facilities and debt. The Company may manage interest rate risk through the periodic use of interest rate swaps.

For the three and six month periods ended June 30, 2025 and June 30, 2024, a one percent increase (or decrease) in interest rates would not have decreased (or increased) net (loss) income materially.

Commodity price risk

The Company is subject to price risk from fluctuations in the market prices of commodities, including natural gas, iron ore and coal. The Company enters into supply agreements for certain of these commodities as disclosed in Note 20 to the June 30, 2025 condensed interim consolidated financial statements. To manage risks associated with future variability in cash flows attributable to certain commodity purchases, the Company may use derivative instruments with maturities of 12 months or less to hedge the commodity price risk associated with the cost of natural gas and the revenue on the sale of steel. At June 30, 2025 and June 30, 2024, the Company had no commodity-based swap contracts.

Critical Accounting Estimates

As disclosed in Note 5 to the December 31, 2024 consolidated financial statements, the preparation of financial statements in conformity with IFRS Accounting Standards 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 or periods.

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. Further, Note 4 to the December 31, 2024 consolidated financial statements discloses the basis for determining the fair value of the warrant, earnout and share-based compensation liabilities. Actual results could differ from those estimates.

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 at the end of each annual reporting period, and whenever events or circumstances indicate a change in useful life. As a result of planned decommissioning of the Company's 106" wide strip line, the remaining useful lives of associated machinery and equipment have been adjusted to be fully depreciated by March 31, 2025.

Impairment of property, plant and equipment and Intangible assets

Determining whether property, plant and equipment and intangible assets are impaired requires the Company to determine the recoverable amount of the Cash Generating 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, forecasted steel selling prices, forecasted tons shipped, costs and volume of production, growth rate, and the estimated selling costs, using an appropriate discount rate.

During the six month period ended June 30, 2025, as a result of current economic conditions there were two indicators of impairment in regards to the Company's Cash Generating Unit. The carrying value of the net assets of the Company exceeded its market capitalization on June 30, 2025 and Section 232 tariffs imposed by the United States pertaining to the steel manufacturing industry were the two indicators identified. Management conducted an impairment test and concluded that there was no impairment. The impairment test showed that the recoverable amount exceeds the carrying value of the net assets of the Company.

Defined Benefit Retirement Plans

The Company's 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 and recognizes 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, net income will 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 result in adjustments to tax returns filed will be recorded in the period where the ruling is made known to the Company.

Material Accounting Policies

The Company's condensed interim consolidated financial statements have been prepared using consistent accounting policies described in Note 4 to the Company's annual consolidated financial statements for the nine month period ended December 31, 2024 and the year ended March 31, 2024.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

In compliance with the provisions of National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, we have filed certificates signed by our Chief Executive Officer ("CEO") and by our Chief Financial Officer ("CFO") that, among other things, report on (i) their responsibility for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") for the Company; and (ii) the design of DC&P and the design of ICFR.

Management, including our CEO and CFO, does not expect that the disclosure controls or internal controls over financial reporting of the Company will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control systems objectives will be met.

Further, the design of a control system must reflect that there are resource constraints, and the benefits of controls must be considered relative to their costs. Inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of some persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The design of any control system is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclosure Controls and Procedures

The CEO and the CFO have designed DC&P, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to Algoma is made known to the CEO and CFO by others, particularly during the period in which the interim and annual filings are being prepared; and
- information required to be disclosed by Algoma in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Controls Over Financial Reporting

The CEO and CFO have also designed ICFR, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used to design our ICFR is based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 framework).

Changes in Internal Controls Over Financial Reporting

No changes were made to our ICFR during six month period ended June 30, 2025 that have materially affected, or are reasonably likely to materially affect, our ICFR.

Selected Quarterly Information

(millions of dollars, except where otherwise noted)

As at and for the three months ended¹

	Fiscal year ended December 31, 2025 ("2025")		Nine months ended December 31, 2024			Fiscal year ended March 31, 2024 ("2024")			
	Q2	Q1	Q3	Q2	Q1	Q4	Q3	Q2	
Financial results									
Total revenue	C\$ 589.7	C\$ 517.1	C\$ 590.3	C\$ 600.3	C\$ 650.5	C\$ 620.6	C\$ 615.4	C\$ 732.6	
Steel products	534.4	463.2	535.7	539.0	597.4	568.1	556.9	665.8	
Non-steel products	10.6	2.8	4.4	14.7	7.2	4.9	10.4	16.4	
Freight	44.7	51.1	50.2	46.6	45.9	47.6	48.1	50.4	
Cost of sales	643.8	626.1	677.4	647.2	633.8	585.4	623.8	664.8	
Administrative and selling expenses	31.0	30.9	37.7	36.7	29.2	32.1	28.5	31.0	
Income (loss) from operations	(85.1)	(139.9)	(124.8)	(83.6)	(12.5)	3.1	(36.9)	36.8	
Net income (loss)	(110.6)	(24.5)	(66.5)	(106.6)	6.1	28.0	(84.8)	31.1	
Adjusted EBITDA	C\$ (32.4)	C\$ (46.7)	C\$ (60.3)	C\$ 3.5	C\$ 37.7	C\$ 41.6	C\$ (1.0)	C\$ 81.0	
Per common share (diluted)³									
Net income (loss)	C\$ (1.02)	C\$ (0.48)	C\$ (0.61)	C\$ (0.98)	C\$ (0.07)	C\$ 0.10	C\$ (0.78)	C\$ 0.24	
Financial position									
Total assets	C\$2,945.6	C\$ 3,090.1	C\$3,186.2	C\$3,095.9	C\$3,123.2	C\$2,676.0	C\$2,651.6	C\$2,713.1	
Total non-current liabilities	1,154.6	1,181.1	1,187.4	1,201.3	1,187.2	745.1	744.3	660.1	
Operating results									
Average NSR	C\$ 1,132	C\$ 986	C\$ 976	C\$ 1,036	C\$ 1,187	C\$ 1,260	C\$ 1,079	C\$ 1,213	
Adjusted EBITDA per nt ²	(68.6)	(99.4)	(109.9)	6.7	74.9	92.0	(1.9)	147.5	
Shipping volume (in thousands of nt)									
Sheet	369	377	466	446	442	381	453	485	
Plate	103	91	82	73	61	69	59	64	
Slab	—	2	1	1	—	—	4	—	

1 - For fiscal year ended December 31, 2025 and onwards, period end date refers to the following: "Q1" - March 31, "Q2" - June 30, "Q3" - September 30, and "Q4" - December 31. Effective for fiscal year ended December 31, 2024, the Company changed its year end from March 31 to December 31. Therefore, for fiscal years prior to December 31, 2025, period end date refers to the following: "Q1" - June 30, "Q2" - September 30, "Q3" - December 31, and "Q4" - March 31.

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

3 - Pursuant to the Merger with Legato, on October 19, 2021, the Company effected a reverse stock split retroactively, such that each outstanding common share became such number of common shares, each valued at \$10.00 per share, as determined by the conversion factor of 71.76775% (as defined in the Merger Agreement), with such common shares subsequently distributed to the equity holders of the Company's former ultimate parent company.

Further, on February 9, 2022, the Company issued 35,883,692 common shares in connection with the earnout rights granted to non-management shareholders that existed prior to the Merger.

4 - On March 3, 2022, the Company commenced a normal course issuer bid for which the Company purchased and cancelled 3,364,262 common shares as at March 31, 2023.

5 - On June 21, 2022, the Company commenced a substantial issuer bid in Canada and a Tender Offer (the "Offer") in the United States. On July 27, 2022, the Offer was completed and 41,025,641 common shares were purchased for cancellation.

6 - During the year ended March 31, 2024, the Company converted 70,920 deferred share units to common shares and issued 464,268 common shares upon exercise of earnout rights, Replacement LTIP units and Omnibus Plan LTIP units.

7 - During the nine month period ended December 31, 2024, the Company issued 755,730 common shares upon exercise of earnout rights, Replacement LTIP units and Omnibus Plan LTIP units.

8 - During the three month period ended March 31, 2025, the Company issued 75,000 common shares upon exercise of earnout rights.

As at June 30, 2025, 104,933,802 common shares were outstanding.

Trend Analysis

The Company's financial performance for Q2 2025 decreased from Q1 2025, primarily due to a decrease in Adjusted EBITDA per net ton ("nt"). The following discussion reflects the Company's trend analysis in chronological order:

Revenue:

- decreased C\$117.2 million or 16% from C\$732.6 million in Q2 2024 to C\$615.4 million in Q3 2024, a result of decreased steel revenue primarily due to lower selling prices of steel and lower shipment volumes.
- increased C\$5.2 million or 1% from C\$615.4 million in Q3 2024 to C\$620.6 million in Q4 2024, a result of increased steel revenue primarily due to higher selling prices of steel, offset, in part, by lower shipment volumes.
- increased C\$29.9 million or 5% from C\$620.6 million in Q4 2024 to C\$650.5 million in Q1 (nine months ended December 31, 2024) a result of increased steel revenue primarily due to higher shipment volumes, offset, in part, by lower selling prices of steel.

- decreased C\$50.2 million or 8% from C\$650.5 million in Q1 (nine months ended December 31, 2024) to C\$600.3 million in Q2 (nine months ended December 31, 2024), a result of lower selling prices of steel. This was offset, in part, by higher shipment volumes.
- decreased C\$10.0 million or 2% from C\$600.3 million in Q2 (nine months ended December 31, 2024) to C\$590.3 million in Q3 (nine months ended December 31, 2024), a result of lower selling prices of steel. This was offset, in part, by higher shipment volumes.
- decreased C\$73.2 million or 12% from C\$590.3 million in Q3 (nine months ended December 31, 2024) to C\$517.1 million in Q1 2025, a result of lower selling prices of steel and shipment volumes.
- increased C\$72.6 million or 14% from C\$517.1 million in Q1 2025 to C\$589.7 million in Q2 2025, a result of higher selling prices of steel.

Net (loss) income:

- of (C\$84.8) million in Q3 2024 decreased compared to C\$31.1 million in Q2 2024 mostly due to decreased revenue (C\$117.2 million), a result of lower selling prices of steel and shipment volumes, the changes in fair value of the warrant liability (C\$20.1 million), the fair value of the share-based payment compensation liability (C\$12.6 million) and the fair value of earnout liability (C\$6.9 million). This was offset, in part, by lower cost of sales (C\$41.0 million) primarily due to lower shipment volumes.
- of C\$28.0 million in Q4 2024 increased compared to (C\$84.8) million in Q3 2024 mostly due to decreased cost of sales (C\$38.4 million), a result of lower shipment volumes, foreign exchange gain (C\$30.5 million), the changes in fair value of the warrant liability (C\$35.7 million), the fair value of the share-based payment compensation liability (C\$16.1 million) and the fair value of earnout liability (C\$9.6 million). This was offset, in part, by increased income tax expense (C\$13.5 million).
- of C\$6.1 million in Q1 (nine months ended December 31, 2024) decreased compared to C\$28.0 million in Q4 2024 mostly due to increased cost of sales (C\$48.4 million), a result of higher shipment volumes, and increased finance costs (C\$6.7 million). This was offset, in part, by increased revenue (C\$29.9 million) and decreased administrative and selling expenses (C\$2.9 million).
- of (C\$106.6) million in Q2 (nine months ended December 31, 2024) decreased compared to C\$6.1 million in Q1 (nine months ended December 31, 2024) mostly due to decreased revenue (C\$50.2 million), the change in fair value of warrant liability (C\$42.9 million), the change in fair value of share-based compensation liability (C\$18.3 million), foreign exchange loss (C\$16.4 million), and increased cost of sales (C\$13.4 million). This was offset, in part, by an increase in other income (C\$32.1 million).
- of (C\$66.5) million in Q3 (nine months ended December 31, 2024) decreased compared to (C\$106.6) million in Q2 (nine months ended December 31, 2024) mostly due to foreign exchange gain (C\$53.0 million), the change in fair value of warrant liability (C\$35.0 million), the change in fair value of share-based compensation liability (C\$13.9 million), and the change in fair value of earnout liability (C\$5.9 million). This was offset, in part, by a decrease in other income (C\$31.5 million), increased cost of sales (C\$30.2 million), and decreased revenue (C\$10.0 million).
- of (C\$24.5) million in Q1 2025 decreased compared to (C\$66.5) million in Q3 (nine months ended December 31, 2024) mostly due to other income (C\$49.4 million), the change in fair value of warrant liability (C\$31.4 million), the change in fair value of share-based compensation liability (C\$14.0 million), and the change in fair value of earnout liability (C\$3.9 million). This was offset, in part, by an increase in foreign exchange loss (C\$44.2 million) and loss from operations (C\$15.1 million).
- of (C\$110.6) million in Q2 2025 increased compared to (C\$24.5) million in Q1 2025 mostly due to a decrease in other income (C\$50.0 million), the change in fair value of warrant liability (C\$43.7 million), foreign exchange loss (C\$30.6 million), the change in fair value of share-based compensation liability (C\$20.4 million), and the change in fair value of earnout liability (C\$5.7 million). This was offset, in part, by a decrease in loss from operations (C\$54.8 million) and an increase in income tax recovery (C\$10.5 million).

Condensed Interim Consolidated Financial Statements

ALGOMA STEEL GROUP INC.

(Unaudited)

**As at June 30, 2025 and December 31, 2024
and for the three and six month periods ended
June 30, 2025 and 2024**

Algoma Steel Group Inc.
Condensed Interim Consolidated Statements of Net (Loss) Income
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2025	2024	2025	2024
<i>expressed in millions of Canadian dollars, except for per share amounts</i>				
Revenue (Note 3)	\$ 589.7	\$ 650.5	\$1,106.8	\$1,271.1
Operating expenses				
Cost of sales (Note 4)	\$ 643.8	\$ 633.8	\$1,269.9	\$1,219.2
Administrative and selling expenses (Note 5)	31.0	29.2	61.9	61.3
Loss from operations	\$ (85.1)	\$ (12.5)	\$ (225.0)	\$ (9.4)
Other (income) and expenses				
Finance income	\$ (2.5)	\$ (5.4)	\$ (5.3)	\$ (6.6)
Finance costs (Note 6)	18.5	16.4	36.3	26.1
Interest on pension and other post-employment benefit obligations	3.9	5.4	7.9	10.3
Foreign exchange loss (gain)	31.5	(6.8)	32.4	(22.6)
Other income (Note 25)	—	—	(50.0)	—
Change in fair value of warrant liability (Note 26)	4.6	(15.6)	(34.5)	(30.9)
Change in fair value of earnout liability (Note 27)	1.3	(2.5)	(3.1)	(5.9)
Change in fair value of share-based compensation liability (Note 28)	5.1	(5.8)	(10.3)	(10.6)
	\$ 62.4	\$ (14.3)	\$ (26.6)	\$ (40.2)
(Loss) income before income taxes	\$ (147.5)	\$ 1.8	\$ (198.4)	\$ 30.8
Income tax recovery (Note 19)	(36.9)	(4.3)	(63.3)	(3.3)
Net (loss) income	\$ (110.6)	\$ 6.1	\$ (135.1)	\$ 34.1
Net (loss) income per common share				
Basic (Note 22)	\$ (1.02)	\$ 0.06	\$ (1.24)	\$ 0.31
Diluted (Note 22)	\$ (1.02)	\$ (0.07)	\$ (1.28)	\$ 0.02

See accompanying notes to the consolidated financial statements

Algora Steel Group Inc.
Condensed Interim Consolidated Statements of Comprehensive (Loss) Income
(Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
<i>expressed in millions of Canadian dollars</i>				
Net (loss) income	\$ (110.6)	\$ 6.1	\$ (135.1)	\$ 34.1
Other comprehensive (loss) income, net of income tax, that will not be reclassified subsequently to profit or loss				
Foreign exchange (loss) gain on translation to presentation currency	\$ (73.8)	\$ 15.1	\$ (75.3)	\$ 50.6
Remeasurement of pension and other post-employment benefit obligations, net of tax nil, for the three and six months ended June 30, 2025 and for the three and six months ended June 30, 2024 (Notes 17, 18)	\$ (1.7)	\$ 25.5	\$ 2.2	\$ 29.9
	\$ (75.5)	\$ 40.6	\$ (73.1)	\$ 80.5
Total comprehensive (loss) income	\$ (186.1)	\$ 46.7	\$ (208.2)	\$ 114.6

See accompanying notes to the consolidated financial statements

Algoma Steel Group Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

As at, expressed in millions of Canadian dollars	June 30, 2025	December 31, 2024
Assets		
Current		
Cash (Note 7)	\$ 82.5	\$ 266.9
Restricted cash (Note 7)	0.1	0.1
Taxes receivable (Note 8)	116.0	84.3
Accounts receivable, net (Note 9)	253.6	227.6
Inventories (Note 10)	736.3	879.2
Prepaid expenses and deposits	30.3	42.8
Other assets	5.0	5.5
Total current assets	\$1,223.8	\$ 1,506.4
Non-current		
Property, plant and equipment, net (Note 11)	\$1,705.8	\$ 1,662.7
Intangible assets, net	0.4	0.5
Other assets	15.6	16.6
Total non-current assets	\$1,721.8	\$ 1,679.8
Total assets	\$2,945.6	\$ 3,186.2
Liabilities and Shareholders' Equity		
Current		
Bank indebtedness (Note 12)	\$ 16.4	\$ 0.4
Accounts payable and accrued liabilities (Note 13)	348.4	319.1
Taxes payable and accrued taxes (Note 14)	54.5	41.6
Current portion of other long-term liabilities	3.5	3.2
Current portion of governmental loans (Note 16)	25.0	25.0
Current portion of environmental liabilities	3.7	4.2
Warrant liability (Note 26)	16.8	52.2
Earnout liability (Note 27)	6.2	10.1
Share-based payment compensation liability (Note 28)	23.4	34.5
Total current liabilities	\$ 497.9	\$ 490.3
Non-current		
Senior secured lien notes (Note 15)	\$ 473.5	\$ 498.4
Long-term governmental loans (Note 16)	133.1	133.6
Accrued pension liability (Note 17)	178.3	178.3
Accrued other post-employment benefit obligation (Note 18)	203.5	206.2
Other long-term liabilities	26.9	26.7
Environmental liabilities	35.5	33.3
Deferred income tax liabilities	103.8	110.9
Total non-current liabilities	\$1,154.6	\$ 1,187.4
Total liabilities	\$1,652.5	\$ 1,677.7
Shareholders' equity		
Capital stock (Note 21)	\$ 975.5	\$ 974.8
Accumulated other comprehensive income	366.5	439.6
(Deficit) retained earnings	(48.1)	102.0
Contributed deficit	(0.8)	(7.9)
Total shareholders' equity	\$1,293.1	\$ 1,508.5
Total liabilities and shareholders' equity	\$2,945.6	\$ 3,186.2

See accompanying notes to the consolidated financial statements

Algoma Steel Group Inc.
Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
(Unaudited)

<i>expressed in millions of Canadian dollars</i>	Capital stock	Contributed deficit	Foreign exchange gain (loss) on translation to presentation currency	Actuarial gain on pension and other post-employment benefit obligation	Accumulated other comprehensive income	(Deficit) retained earnings	Total Shareholders' equity
Balance at December 31, 2024	\$974.8	\$ (7.9)	\$ 197.5	\$ 242.1	\$ 439.6	\$ 102.0	\$ 1,508.5
Net loss	—	—	—	—	—	(135.1)	(135.1)
Other comprehensive (loss) income	—	—	(75.3)	2.2	(73.1)	—	(73.1)
Issuance of performance and restricted share units (Note 30)	—	6.4	—	—	—	—	6.4
Issuance of deferred share units (Note 30)	—	0.7	—	—	—	—	0.7
Issuance of capital stock (Notes 21, 27)	0.7	—	—	—	—	—	0.7
Dividend equivalent on earnout rights	—	—	—	—	—	(0.2)	(0.2)
Dividends paid (Note 31)	—	—	—	—	—	(14.8)	(14.8)
Balance at June 30, 2025	\$975.5	\$ (0.8)	\$ 122.2	\$ 244.3	\$ 366.5	\$ (48.1)	\$ 1,293.1
Balance at December 31, 2023	963.2	(17.4)	74.3	152.9	227.2	267.7	1,440.7
Net income	—	—	—	—	—	34.1	34.1
Other comprehensive income	—	—	50.6	29.9	80.5	—	80.5
Issuance of performance and restricted share units (Note 30)	—	0.9	—	—	—	—	0.9
Issuance of deferred share units (Note 30)	—	1.0	—	—	—	—	1.0
Issuance of capital stock (Notes 27, 28)	0.9	(0.3)	—	—	—	—	0.6
Dividend equivalent on earnout rights	—	—	—	—	—	(0.2)	(0.2)
Dividends paid (Note 31)	—	—	—	—	—	(14.2)	(14.2)
Balance at June 30, 2024	<u>\$964.1</u>	<u>\$ (15.8)</u>	<u>\$ 124.9</u>	<u>\$ 182.8</u>	<u>\$ 307.7</u>	<u>\$ 287.4</u>	<u>\$ 1,543.4</u>

See accompanying notes to the consolidated financial statements

Algora Steel Group Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
<i>expressed in millions of Canadian dollars</i>				
Operating activities				
Net (loss) income	\$ (110.6)	\$ 6.1	\$ (135.1)	\$ 34.1
Items not affecting cash:				
Depreciation of property, plant and equipment and intangible assets	38.2	33.2	73.2	68.0
Deferred income tax expense (recovery) (Note 19)	0.5	(5.3)	(1.5)	(10.5)
Pension funding in excess of expense	(3.3)	(1.9)	(5.1)	(3.1)
Post-employment benefit funding in excess of expense	(1.7)	(1.7)	(3.4)	(3.8)
Unrealized foreign exchange loss (gain) on:				
accrued pension liability	9.1	(2.4)	9.3	(8.1)
post-employment benefit obligations	10.8	(2.3)	11.0	(8.1)
Finance costs	18.5	16.4	36.3	26.1
Loss on disposal of property, plant and equipment	—	1.1	—	1.6
Interest on pension and other post-employment benefit obligations	3.9	5.4	7.9	10.3
Other income	—	—	(50.0)	—
Accretion of governmental loans and environmental liabilities	5.1	3.9	9.1	11.7
Unrealized foreign exchange loss (gain) on government loan facilities	8.1	(1.3)	8.3	(4.7)
Increase (decrease) in fair value of warrant liability (Note 26)	4.6	(15.6)	(34.5)	(30.9)
Increase (decrease) in fair value of earnout liability (Note 27)	1.3	(2.5)	(3.1)	(5.9)
Increase (decrease) in fair value of share-based payment compensation liability (Note 28)	5.1	(5.8)	(10.3)	(10.6)
Other	7.7	1.2	12.3	0.2
	<u>\$ (2.7)</u>	<u>\$ 28.5</u>	<u>\$ (75.6)</u>	<u>\$ 66.3</u>
Net change in non-cash operating working capital (Note 23)	(70.1)	(15.8)	95.3	68.3
Environmental liabilities paid	(0.1)	(0.2)	(0.5)	(0.9)
Insurance proceeds for operating expenses (Note 25)	35.0	—	35.0	—
Cash (used in) generated by operating activities	<u>\$ (37.9)</u>	<u>\$ 12.5</u>	<u>\$ 54.2</u>	<u>\$ 133.7</u>
Investing activities				
Acquisition of property, plant and equipment (Note 11)	\$ (97.4)	\$ (98.3)	\$ (224.4)	\$ (218.7)
Insurance proceeds for property damage (Note 25)	15.0	—	15.0	—
Cash used in investing activities	<u>\$ (82.4)</u>	<u>\$ (98.3)</u>	<u>\$ (209.4)</u>	<u>\$ (218.7)</u>
Financing activities				
Bank indebtedness advanced (repaid), net (Note 12)	\$ 16.1	\$ —	\$ 16.0	\$ (5.1)
Senior secured lien notes issued, net of underwriter fees (Note 15)	—	472.6	—	472.6
Transaction costs on senior secured lien notes (Note 15)	—	(4.1)	—	(4.1)
Governmental loans received (Note 16)	16.3	14.5	16.3	30.0
Repayment of governmental loans (Note 16)	(6.2)	(2.5)	(12.5)	(5.0)
Interest paid	(23.4)	(0.1)	(24.5)	(0.2)
Dividends paid (Note 31)	(14.8)	—	(14.8)	(7.1)
Other	(0.7)	(0.5)	1.5	(0.9)
Cash (used in) generated by financing activities	<u>\$ (12.7)</u>	<u>\$ 479.9</u>	<u>\$ (18.0)</u>	<u>\$ 480.2</u>
Effect of exchange rate changes on cash	<u>\$ (11.0)</u>	<u>\$ 1.4</u>	<u>\$ (11.2)</u>	<u>\$ 3.5</u>
Cash				
(Decrease) increase in cash	(144.0)	395.5	(184.4)	398.7
Opening balance	226.5	97.9	266.9	94.7
Ending balance (Note 7)	<u>\$ 82.5</u>	<u>\$ 493.4</u>	<u>\$ 82.5</u>	<u>\$ 493.4</u>

See accompanying notes to the consolidated financial statements

ALGOMA STEEL GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

1. GENERAL INFORMATION

Algoma Steel Group Inc., formerly known as 1295908 B.C. Ltd. (the “Company”), was incorporated on March 23, 2021 under the Business Corporations Act of British Columbia solely for the purpose of purchasing Algoma Steel Holdings Inc. The Company’s common shares and warrants under the symbol ‘ASTL’ and ASTLW’, respectively, are listed on the Toronto Stock Exchange (TSX) and the Nasdaq Stock Market (Nasdaq). Algoma Steel Group Inc. is the ultimate parent holding company of Algoma Steel Inc. and does not conduct any business operations.

Algoma Steel Inc. (“ASI”), the operating company and a wholly-owned subsidiary of Algoma Steel Holdings Inc. was incorporated on May 19, 2016 under the Business Corporations Act of British Columbia. ASI is an integrated steel producer with its active operations located entirely in Sault Ste. Marie, Ontario, Canada. ASI produces sheet and plate products that are sold primarily in Canada and the United States.

The registered address of the Company is 1055 West Hastings Street, Vancouver, British Columbia, Canada. The head office of the Company is located at 105 West Street, Sault Ste. Marie, Ontario, Canada.

The condensed interim consolidated financial statements of the Company as at June 30, 2025 and December 31, 2024 and for the three and six month periods ended June 30, 2025 and 2024 are comprised of the Company and its wholly-owned subsidiaries as follows:

- Algoma Steel Holdings Inc.
- Algoma Steel Intermediate Holdings Inc.
- Algoma Steel Inc.
- Algoma Steel Inc. USA
- Algoma Docks GP Inc.
- Algoma Docks Limited Partnership

Algoma Steel Holdings Inc., Algoma Steel Intermediate Holdings Inc. and Algoma Docks GP Inc. are holding companies and do not conduct any business operations.

2. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”).

Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS[®] Accounting Standards (“IFRS Accounting Standards”), as issued by the IASB, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in Note 5 of the Company’s annual consolidated financial statements for the nine month period ended December 31, 2024 and the year ended March 31, 2024. The accounting policies and accounting judgements used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the Company’s annual consolidated financial statements.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

2. BASIS OF PRESENTATION *(continued)*

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the nine month period ended December 31, 2024 and the year ended March 31, 2024.

These condensed interim consolidated financial statements have been approved by the Board of Directors, and authorized for issuance on July 28, 2025.

The condensed interim consolidated financial statements have been prepared on a going concern assumption using historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies disclosed in Note 4 to the Company's annual consolidated financial statements for the nine month period ended December 31, 2024 and year ended March 31, 2024. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The going concern assumption assumes the realization of assets and the discharge of liabilities in the normal course of business.

Functional and presentation currency

The Company and its subsidiaries' functional currency is the United States dollar ("US dollar"). The US dollar is the currency of the primary economic environment in which the Company and its subsidiaries operate.

For reporting purposes, the condensed interim consolidated financial statements are presented in millions of Canadian dollars ("C\$"). The assets and liabilities are translated into the reporting currency using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at average exchange rates for the reporting period. Exchange differences arising are recognized in other comprehensive (loss) income and accumulated in equity under the heading 'Foreign exchange on translation to presentation currency'.

Equity transactions, as disclosed in Note 21, are translated at the historical exchange rates. The resulting net translation adjustment has been recorded in other comprehensive (loss) income for the year.

Standards and Interpretations issued and not yet adopted

Presentation and Disclosure in Financial Statements

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

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

2. BASIS OF PRESENTATION (continued)

Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7). These amendments updated classification and measurement requirements in IFRS 9 Financial Instruments and related disclosure requirements in IFRS 7 Financial Instruments: Disclosures. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system. It also clarified how to assess the contractual cash flow characteristics of financial assets in determining whether they meet the solely payments of principal and interest criterion, including financial assets that have environmental, social and corporate governance (ESG)-linked features and other similar contingent features. The IASB added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs, and amended disclosures relating to equity instruments designated at fair value through other comprehensive (loss) income. The amendments apply to annual reporting periods beginning on or after January 1, 2026 with early application permitted. The Company is currently assessing the impact on the condensed interim consolidated financial statements.

3. REVENUE

The Company is viewed as a single reportable segment involving steel production for purposes of internal performance measurement and resource allocation. The Chief Executive Officer is the Chief Operating Decision Maker.

	Three months ended		Six months ended	
	June 30,		June 30,	
	2025	2024	2025	2024
<i>Total revenue is comprised of:</i>				
Sheet & Strip	\$ 378.7	\$ 492.9	\$ 720.0	\$ 942.8
Plate	155.7	104.3	276.8	222.5
Slabs	—	0.2	0.8	0.2
Freight	44.7	45.9	95.8	93.5
Non-steel revenue	10.6	7.2	13.4	12.1
	<u>\$ 589.7</u>	<u>\$ 650.5</u>	<u>\$1,106.8</u>	<u>\$1,271.1</u>
<i>The geographical distribution of total revenue is as follows:</i>				
Sales to customers in Canada	\$ 249.5	\$ 210.2	\$ 473.0	\$ 416.4
Sales to customers in the United States	334.6	434.6	621.8	838.9
Sales to customers in the rest of the world	5.6	5.7	12.0	15.8
	<u>\$ 589.7</u>	<u>\$ 650.5</u>	<u>\$1,106.8</u>	<u>\$1,271.1</u>

For the three and six month period ended June 30, 2025, sales to any one customer did not represent greater than 10% of total revenue. For the three month period ended June 30, 2024, sales totalling \$78.9 million and \$61.5 million related to two customers represented greater than 10% of total revenue. For the six month period ended June 30, 2024, sales of \$154.7 million to one customer represented greater than 10% of total revenue.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

4. COST OF SALES

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Total cost of sales is comprised of:</i>				
Cost of steel revenue	\$ 524.4	\$ 580.7	\$1,086.1	\$1,113.6
Cost of steel tariffs	64.1	—	74.6	—
Cost of freight revenue	44.7	45.9	95.8	93.5
Cost of non-steel revenue	10.6	7.2	13.4	12.1
	<u>\$ 643.8</u>	<u>\$ 633.8</u>	<u>\$1,269.9</u>	<u>\$1,219.2</u>
<i>Inventories recognized as cost of sales:</i>	<u>\$ 599.1</u>	<u>\$ 587.9</u>	<u>\$1,174.1</u>	<u>\$1,125.7</u>
<i>Net inventory write-downs as a result of net realizable value lower than cost included in cost of sales:</i>	<u>\$ —</u>	<u>\$ 10.3</u>	<u>\$ —</u>	<u>\$ 10.3</u>

Depreciation included in cost of steel revenue for the three and six month periods ended June 30, 2025 was \$38.0 million and \$72.8 million, respectively. Depreciation included in cost of steel revenue for the three and six month periods ended June 30, 2024 was \$33.1 million and \$67.7 million, respectively. Wages and benefits included in cost of steel revenue for the three and six month periods ended June 30, 2025 was \$86.9 million and \$173.4 million, respectively. Wages and benefits included in cost of steel revenue for the three and six month periods ended June 30, 2024 was \$91.2 million and \$180.3 million, respectively.

Federal Greenhouse Gas Pollution Pricing Act

During the three and six month periods ended June 30, 2025, total Carbon Tax recognized in cost of sales was \$10.4 million and \$13.9 million, respectively. During the three and six month periods ended June 30, 2024, total Carbon Tax recognized in cost of sales was \$9.5 million and \$15.9 million, respectively.

United States Steel Tariffs

Pursuant to Section 232 of the Trade Expansion Act of 1962, the United States imposed 25% ad valorem tariffs for steel articles, aluminum articles, and steel and aluminum derivative (i.e. “downstream” articles), without exclusions. The tariffs were effective March 4, 2025, paused on March 6, 2025, and then reinstated March 12, 2025. Further, on June 4, 2025, the tariffs were increased to 50% for all steel and aluminum imports to the United States. Tariff costs of \$64.1 million and \$74.6 million were included in Cost of Sales for the three and six month periods ended June 30, 2025, respectively (nil for the three and six month periods ended June 30, 2024).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

5. ADMINISTRATIVE AND SELLING EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Administrative and selling expense is comprised of:</i>				
Personnel expenses	\$ 10.8	\$ 10.7	\$ 19.7	\$ 23.2
Share-based compensation expense	3.6	1.2	7.3	2.1
Professional, consulting, legal and other fees	3.8	4.9	7.2	9.2
Insurance	8.9	6.5	17.7	12.9
Software licenses	1.6	1.8	3.5	3.9
Allowance for doubtful accounts	(0.5)	0.1	0.2	2.6
Amortization of intangible assets and non-producing assets	0.2	0.1	0.4	0.2
Other administrative and selling	2.6	3.9	5.9	7.2
	<u>\$ 31.0</u>	<u>\$ 29.2</u>	<u>\$ 61.9</u>	<u>\$ 61.3</u>

6. FINANCE COSTS

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Finance costs are comprised of:</i>				
Interest on senior secured lien notes (Note 15)	\$ 10.7	\$ 10.3	\$ 21.7	\$ 10.3
Interest on financing arrangement	0.2	0.2	0.4	0.4
Revaluation of discount rate for environmental liabilities	1.1	—	1.1	3.8
Other interest expense	1.2	0.8	2.4	1.4
Revolving Credit Facility fees	0.7	0.6	1.5	1.6
Interest on the Revolving Credit Facility (Note 12)	0.1	—	0.1	—
Unwinding of issuance costs of debt facilities (Note 12, 15, 16) and accretion of governmental loan benefits and discounts on environmental liabilities	4.5	4.5	9.1	8.6
	<u>\$ 18.5</u>	<u>\$ 16.4</u>	<u>\$ 36.3</u>	<u>\$ 26.1</u>

7. CASH AND RESTRICTED CASH

At June 30, 2025, the Company had \$82.5 million of cash (December 31, 2024 – \$266.9 million) and restricted cash of \$0.1 million (December 31, 2024 – \$0.1 million). Restricted cash was held to provide collateral for letters of credit and other obligations of the Company at both June 30, 2025 and December 31, 2024.

ALGOMA STEEL GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

8. TAXES RECEIVABLE

<u>As at,</u>	<u>June 30,</u>	<u>December 31,</u>
	<u>2025</u>	<u>2024</u>
<i>The carrying amount of:</i>		
Sales taxes receivable	\$ 2.2	\$ 27.7
Income taxes receivable	113.8	56.6
	<u>\$ 116.0</u>	<u>\$ 84.3</u>

9. ACCOUNTS RECEIVABLE, NET

<u>As at,</u>	<u>June 30,</u>	<u>December 31,</u>
	<u>2025</u>	<u>2024</u>
<i>The carrying amount of:</i>		
Trade accounts receivable	\$ 236.8	\$ 222.5
Allowance for doubtful accounts	(8.8)	(8.8)
Governmental loan claims receivable		
Federal Ministry of Industry, Strategic Innovation Fund (“Federal SIF”) Agreement	20.0	6.7
Northern Industrial Electricity Rate program rebate receivable	2.2	2.6
Other accounts receivable	3.4	4.6
	<u>\$ 253.6</u>	<u>\$ 227.6</u>

Allowance for doubtful accounts

Balance at March 31, 2024	\$ (3.1)
Adjustment to expected credit loss	<u>(5.7)</u>
Balance at December 31, 2024	\$ (8.8)
Adjustment to expected credit loss	<u>—</u>
Balance at June 30, 2025	<u>\$ (8.8)</u>

10. INVENTORIES

<u>As at,</u>	<u>June 30,</u>	<u>December 31,</u>
	<u>2025</u>	<u>2024</u>
<i>The carrying amount of:</i>		
Raw materials and consumables	\$ 479.4	\$ 637.8
Work in progress	174.0	147.0
Finished goods	82.9	94.4
	<u>\$ 736.3</u>	<u>\$ 879.2</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

11. PROPERTY, PLANT AND EQUIPMENT, NET

<u>As at,</u>	<u>June 30,</u>	<u>December 31,</u>
<u>The carrying amount of:</u>	<u>2025</u>	<u>2024</u>
Freehold land	\$ 6.7	\$ 7.1
Buildings	48.9	53.6
Machinery and equipment	809.7	765.2
Computer hardware	6.4	5.8
Right-of-use assets	5.6	6.4
Property under construction	828.5	824.6
	<u>\$1,705.8</u>	<u>\$ 1,662.7</u>

Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, and whenever events or circumstances indicate a change in useful life. As a result of decommissioning of the Company's 106" wide strip line, the remaining useful lives of associated machinery and equipment have been adjusted to be fully depreciated by March 31, 2025.

Depreciation of property, plant and equipment

Depreciation of property, plant and equipment for the three and six month periods ended June 30, 2025 was \$42.7 million and \$78.9 million, respectively. Depreciation of property, plant and equipment for the three and six month periods ended June 30, 2024 was \$35.1 million and \$69.9 million, respectively. Depreciation included in inventories at June 30, 2025, amounted to \$20.1 million (June 30, 2024—\$15.9 million).

Acquisitions and disposals

During the three month period ended June 30, 2025, property, plant and equipment were acquired at an aggregate net cost of \$86.5 million; comprised of property, plant and equipment acquired with a total cost of \$97.3 million, against which the Company recognized benefits totalling \$10.8 million in respect of the governmental loans. During the three month period ended June 30, 2024, property, plant and equipment were acquired at an aggregate net cost of \$88.4 million; comprised of property, plant and equipment acquired with a total cost of \$98.3 million, against which the Company recognized benefits totalling \$9.9 million in respect of the governmental loans.

During the six month period ended June 30, 2025, property, plant and equipment were acquired at an aggregate net cost of \$213.6 million; comprised of property, plant and equipment acquired with a total cost of \$224.4 million, against which the Company recognized benefits totalling \$10.8 million in respect of the governmental loans. During the six month period ended June 30, 2024, property, plant and equipment were acquired at an aggregate net cost of \$196.7 million; comprised of property, plant and equipment acquired with a total cost of \$219.4 million, against which the Company recognized benefits totalling \$22.7 million in respect of the governmental loans.

During the three and six month periods ended June 30, 2025, the Company had additions to property under construction for the electric arc furnace ("EAF") for an aggregate net cost of \$74.3 million and \$157.7 million, respectively, including benefits in respect of the governmental loans totalling \$10.8 million for each period. During the three and six month periods ended June 30, 2024, the Company had additions to property under construction for the EAF for an aggregate net cost of \$38.5 million and \$80.1 million, respectively, including benefits in respect of the governmental loans totalling \$9.9 million and \$21.2 million, respectively.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

11. PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

At June 30, 2025, property under construction includes prepaid progress payments of \$9.4 million for the transition from blast furnace steel production to EAF (December 31, 2024 – \$210.2 million).

Government Funding Agreements

On November 30, 2018, the Company, together with the governments of Canada and Ontario entered into agreements totalling up to \$120.0 million of modernization and expansion related capital expenditure support from the governments of Canada and Ontario. Additionally, on March 29, 2019, the Company, together with the government of Canada entered into an agreement totalling up to \$30.0 million of modernization and expansion related capital expenditure support from the government of Canada. On September 20, 2021, the Company, together with the government of Canada entered into an agreement to support the transition from blast furnace steel production to EAF which consists of a loan of up to \$200 million from the Innovation Science and Economic Development Canada's Strategic Innovation Fund ("SIF").

Impairment of tangible assets

During the three and six month periods ended June 30, 2025, as a result of current economic conditions there were two indicators of impairment in regards to the Company's Cash Generating Unit. The carrying value of the net assets of the Company exceeded its market capitalization on June 30, 2025 and Section 232 tariffs imposed by the United States pertaining to the steel manufacturing industry were the two indicators identified. Management conducted an impairment test and concluded that there was no impairment. The impairment test showed that the recoverable amount exceeds the carrying value of the net assets of the Company.

12. BANK INDEBTEDNESS

The Company secured a US \$300 million traditional asset-based revolving credit facility ("Revolving Credit Facility") maturing May, 2028. The Revolving Credit Facility is secured by substantially all of the Company's assets. Under the General Security Agreement, the Revolving Credit Facility has a priority claim on the accounts receivable and the inventories of the Company and a secondary claim on the rest of the Company's assets. The Revolving Credit Facility contains a customary fixed charge coverage ratio when availability falls below a certain ratio. The interest rate on the Revolving Credit Facility is based on Secured Overnight Financing Rate ("SOFR") plus a credit spread adjustment of 10 basis points plus an applicable margin, which varies depending on usage.

At June 30, 2025, the Company had drawn \$16.4 million (US \$12.0 million), and there was \$329.1 million (US \$241.2 million) of unused availability after taking into account \$63.8 million (US \$46.8 million) of outstanding letters of credit, and borrowing base reserves. At December 31, 2024, the Company had drawn \$0.4 million (US \$0.3 million), and there was \$361.8 million (US \$251.4 million) of unused availability after taking into account \$69.5 million (US \$48.3 million) of outstanding letters of credit and borrowing base reserves.

Transaction costs related to the Revolving Credit Facility amounted to \$8.7 million. Transaction costs are disclosed as other non-current assets in the condensed interim consolidated statements of financial position, and have been amortized on a straight-line basis over the life of this facility, which has a maturity date of May 31, 2028. At June 30, 2025, the unamortized transaction costs related to the Revolving Credit Facility were \$1.0 million (December 31, 2024 - \$1.1 million).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

12. BANK INDEBTEDNESS (continued)

Reconciliation of liabilities arising from financing activities

The changes in the Company's bank indebtedness for the six month period ended June 30, 2025 arising from financing activities are presented below:

Balance at December 31, 2024	\$ 0.4
Revolving Credit Facility drawn	17.9
Repayment of Revolving Credit Facility	(1.8)
Foreign exchange	(0.1)
Balance at June 30, 2025	<u>\$16.4</u>

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<u>As at,</u>	<u>June 30,</u>	<u>December 31,</u>
<u>The carrying amount of:</u>	<u>2025</u>	<u>2024</u>
Accounts payable	\$ 160.2	\$ 146.1
Accrued liabilities	143.0	121.1
Wages and accrued vacation payable	45.2	51.9
	<u>\$348.4</u>	<u>\$ 319.1</u>

14. TAXES PAYABLE AND ACCRUED TAXES

<u>As at,</u>	<u>June 30,</u>	<u>December 31,</u>
<u>The carrying amount of:</u>	<u>2025</u>	<u>2024</u>
Payroll taxes payable	\$ 4.4	\$ 7.0
Sales taxes payable	3.4	1.8
Carbon tax accrual	46.7	32.8
	<u>\$ 54.5</u>	<u>\$ 41.6</u>

15. SENIOR SECURED LIEN NOTES

On April 5, 2024, the Company's indirect wholly-owned subsidiary, ASI, issued an aggregate of US \$350.0 million of 9.125% Senior Secured Lien Notes (the "Notes") due April 15, 2029. The Notes are guaranteed on a senior secured basis by ASI's immediate parent company and all of ASI's subsidiaries. Interest payments are due April 15 and October 15, and commenced on October 15, 2024.

Prior to the maturity date, the Company can exercise various rights to redeem the Notes in whole or in part at a specific redemption price. In some cases, the redemption of the Notes is only permitted upon the occurrence of a specific event. Management has determined that these optional redemption features of the Notes represent an embedded derivative. At June 30, 2025, a derivative asset totalling \$5.9 million is presented in other long-term assets in the condensed interim consolidated statements of financial position (December 31, 2024 - \$5.9 million).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

15. SENIOR SECURED LIEN NOTES (continued)

Underwriter fees and other transaction costs related to the Notes amounted to \$10.1 million. Transaction costs are presented as an offset against the Notes in the condensed interim consolidated statements of financial position, and are being amortized using the effective interest rate method over the life of the facility.

<u>As at,</u>	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
<i>The carrying amount of:</i>		
Senior Secured Lien Notes, due April 15, 2029	\$481.5	\$ 507.8
Less: unamortized transaction costs	(8.0)	(9.4)
	<u>\$473.5</u>	<u>\$ 498.4</u>

16. GOVERNMENTAL LOANS

<u>As at,</u>	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
<i>The carrying amount of:</i>		
Long-term portion		
Federal AMF Loan, denominated in Canadian dollars, due March 1, 2028	\$ 13.0	\$ 16.6
Provincial MENDM Loan, denominated in Canadian dollars, due November 30, 2028	30.1	35.8
Federal SIF Agreement loan, denominated in Canadian dollars, due April 30, 2031	10.3	9.9
Federal SIF EAF Agreement loan, denominated in Canadian dollars, due January 1, 2030	79.7	71.3
	<u>\$133.1</u>	<u>\$ 133.6</u>
Current portion		
Federal AMF Loan, denominated in Canadian dollars	\$ 10.0	\$ 10.0
Provincial MENDM Loan, denominated in Canadian dollars	15.0	15.0
	<u>\$ 25.0</u>	<u>\$ 25.0</u>
	<u>\$158.1</u>	<u>\$ 158.6</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

16. GOVERNMENTAL LOANS (continued)

The changes in the Company's governmental loan facilities arising from financing activities are presented below:

	Governmental Loan Issued (Repaid)	Governmental loan benefit recognized immediately	Accretion of governmental loan benefit	Carrying value
Federal AMF Loan				
Balance at December 31, 2024	\$ 31.7	\$ (26.5)	\$ 21.2	\$ 26.6
Movement in the period	(5.0)	—	1.4	(3.6)
Balance at June 30, 2025	\$ 26.7	\$ (26.5)	\$ 22.6	\$ 23.0
Provincial MENDM Loan				
Balance at December 31, 2024	\$ 58.8	\$ (26.4)	\$ 18.5	\$ 50.8
Movement in the period	(7.5)	—	1.8	(5.7)
Balance at June 30, 2025	\$ 51.3	\$ (26.4)	\$ 20.3	\$ 45.1
Federal SIF Loan				
Balance at December 31, 2024	\$ 15.0	\$ (9.2)	\$ 4.1	\$ 9.9
Movement in the period	—	—	0.4	0.4
Balance at June 30, 2025	\$ 15.0	\$ (9.2)	\$ 4.5	\$ 10.3
Federal SIF EAF Loan				
Balance at December 31, 2024	\$ 183.7	\$ (120.3)	\$ 7.9	\$ 71.3
Movement in the period	16.3	(10.8)	2.9	8.4
Balance at June 30, 2025	\$ 200.0	\$ (131.1)	\$ 10.8	\$ 79.7
Total, Governmental Loans				
Balance at December 31, 2024	\$ 289.3	\$ (182.4)	\$ 51.7	\$ 158.6
Movement in the period	3.8	(10.8)	6.5	(0.5)
Balance at June 30, 2025	\$ 293.1	\$ (193.2)	\$ 58.2	\$ 158.1

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

17. PENSION BENEFITS

The components of amounts recognized in the condensed interim consolidated statements of net (loss) income in respect of the defined benefit plans are presented below:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Amounts recognized in net (loss) income were as follows:</i>				
Current service cost	\$ 3.9	\$ 3.9	\$ 7.8	\$ 8.1
Net interest cost	1.8	2.7	3.6	5.0
	<u>\$ 5.7</u>	<u>\$ 6.6</u>	<u>\$ 11.4</u>	<u>\$ 13.1</u>
<i>Defined benefit costs recognized in:</i>				
Cost of sales	\$ 3.5	\$ 3.5	\$ 7.0	\$ 7.3
Administrative and selling expense	0.4	0.4	0.8	0.8
Interest on pension liability	1.8	2.7	3.6	5.0
	<u>\$ 5.7</u>	<u>\$ 6.6</u>	<u>\$ 11.4</u>	<u>\$ 13.1</u>

The amounts recognized in the condensed interim consolidated statements of other comprehensive (loss) income in respect of the defined benefit plans are presented below:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Amounts recognized in other comprehensive (loss) income, were as follows:</i>				
Actuarial loss (gain) on accrued pension liability	\$ 5.6	\$ (21.4)	\$ 1.5	\$ (17.0)

Notesto the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

18. OTHER POST-EMPLOYMENT BENEFITS

The components of amounts recognized in the condensed interim consolidated statements of net (loss) income in respect of the other post-employment benefit plans are presented below:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Amounts recognized in net (loss) income were as follows:</i>				
Current service cost	\$ 0.8	\$ 0.8	\$ 1.6	\$ 1.6
Net interest cost	2.2	2.7	4.4	5.3
	<u>\$ 3.0</u>	<u>\$ 3.5</u>	<u>\$ 6.0</u>	<u>\$ 6.9</u>
<i>Post employment benefit costs recognized in:</i>				
Cost of sales	\$ 0.7	\$ 0.7	\$ 1.4	\$ 1.4
Administrative and selling expense	0.1	0.1	0.2	0.2
Interest on pension liability	2.2	2.7	4.4	5.3
	<u>\$ 3.0</u>	<u>\$ 3.5</u>	<u>\$ 6.0</u>	<u>\$ 6.9</u>

The amounts recognized in the condensed interim consolidated statements of other comprehensive (loss) income in respect of these other post-employment benefit plans are presented below:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Amounts recognized in other comprehensive (loss) income, were as follows:</i>				
Actuarial gain on accrued post-employment benefit liability	\$ (3.9)	\$ (4.1)	\$ (3.7)	\$ (12.9)

19. INCOME TAX RECOVERY

The components of income tax recovery for the three and six month periods ended June 30, 2025 and 2024 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>Income tax (recovery) expense recognized in net (loss) income:</i>				
Current tax (recovery) expense	\$ (37.4)	\$ 1.0	\$ (61.8)	\$ 7.2
Deferred income tax expense (recovery)	0.5	(5.3)	(1.5)	(10.5)
	<u>\$ (36.9)</u>	<u>\$ (4.3)</u>	<u>\$ (63.3)</u>	<u>\$ (3.3)</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

20. COMMITMENTS AND CONTINGENCIES*Property, plant and equipment*

In the normal course of business operations the Company has certain commitments for capital expenditures related to the maintenance and acquisition of property, plant and equipment.

Key inputs to production

The Company requires large quantities of iron ore, coal, oxygen, electricity and natural gas in order to satisfy the demands of the steel manufacturing operation. The Company makes most of its purchases of these principal raw materials at negotiated prices under annual and multi-year agreements. These agreements provide the Company with comfort that an adequate supply of these key raw materials will be available to the Company at a price acceptable to the Company.

Legal Matters

Additionally, 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 ordinary course 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 condensed interim 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.

21. CAPITAL STOCK

	Number of shares issued and outstanding	Stated capital value
Balance at December 31, 2024	104,858,802	\$ 974.8
Issuance of capital stock	75,000	0.7
Balance at June 30, 2025	104,933,802	\$ 975.5

During the six month period ended June 30, 2025, the Company issued 75,000 common shares upon exercise of earnout rights. See Note 27.

Normal Course Issuer Bid

On September 5, 2024, the Company renewed its normal course issuer bid (the "NCIB"). Pursuant to the NCIB, the Company was authorized to acquire up to a maximum of 5,206,153 of its shares, or 5% of its 104,123,072 issued and outstanding shares, as of August 26, 2024, subject to daily maximums of 12,066 shares (which is equal to 25% of 48,264 shares, being the average daily trading volume from February 1, 2024 to July 1, 2024). Further, the Company was authorized to acquire up to a maximum of 1,208,950 of its Warrants, or 5% of its 24,179,000 issued and outstanding Warrants, as of August 26, 2024, subject to daily maximums of 1,000 Warrants (as 25% of 1,059 Warrants, being the average daily trading volume from February 1, 2024 to July 1, 2024, is less than the 1,000 limit). The NCIB will terminate on the earlier of September 4, 2025, or such earlier time as the Company completes its purchases pursuant to the NCIB or provides notice of termination. The Company has not made any purchases under its renewed NCIB.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

22. NET (LOSS) INCOME PER COMMON SHARE

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

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
<i>(in millions)</i>				
Net (loss) income attributable to ordinary shareholders	\$(110.6)	\$ 6.1	\$(135.1)	\$ 34.1
Gain on change in fair value of warrants ⁽ⁱ⁾	—	(15.6)	(34.5)	(30.9)
Net (loss) income attributable to ordinary shareholders (diluted)	\$(110.6)	\$ (9.5)	\$(169.6)	\$ 3.2
<i>(in millions)</i>				
Weighted average common shares outstanding ⁽ⁱⁱ⁾	108.6	108.4	108.6	108.4
Dilutive effect of warrants, restricted share units and performance share units ^{(i) (ii)}	—	24.6	24.2	24.6
Dilutive weighted average common shares outstanding	108.6	133.0	132.8	133.0
Net (loss) income per common share:				
Basic	\$ (1.02)	\$ 0.06	\$ (1.24)	\$ 0.31
Diluted	\$ (1.02)	\$ (0.07)	\$ (1.28)	\$ 0.02

- (i) As at June 30, 2025, 24,178,999 warrants remain outstanding. For the purposes of determining diluted net (loss) income per common share, net loss for the three month period ended June 30, 2025 was not adjusted as the warrants were determined to be anti-dilutive. For the purposes of determining diluted net (loss) income per common share, net loss for the six month period ended June 30, 2025 was adjusted for the change in the fair value of the warrants in the amount of \$34.5 million (US \$23.9 million) as the warrants were determined to be dilutive. For the purposes of determining diluted net (loss) income per common share, net loss for the three and six month periods ended June 30, 2024 was adjusted for the change in the fair value of the warrants in the amount of \$15.6 million (US \$11.4 million) and \$30.9 million (US \$22.7 million), respectively, as the warrants were determined to be dilutive.
- (ii) On March 31, 2023 the Board of Directors granted 457,935 and 404,211 restricted share units (“RSUs”) and performance share units (“PSUs”), respectively, to various employees of the Company under the Omnibus Plan for the fiscal year ended March 31, 2024 (“FY2024 Plan”). On June 18, 2024 the Board of Directors granted 569,536 and 953,783 RSUs and PSUs, respectively, to various employees of the Company under the Omnibus Plan for the twelve month period ended March 31, 2025 (“FY2025 Plan”). For the purposes of determining diluted net (loss) income per share, the RSU and PSU units are considered contingently issuable potential ordinary shares. The treasury stock method is applied based on the number of units that vest based on achievement of various financial and non-financial targets. Based on the achievement of such targets and cancellation of awards, the RSUs and PSUs included in diluted net (loss) income per share for the three and six month periods ended June 30, 2025 is 365,441 common shares and 439,260 common shares, respectively (for the three and six month periods ended June 30, 2024 – 457,510 common shares and 475,116 common shares, respectively).

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

22. NET (LOSS) INCOME PER COMMON SHARE *(continued)*

For the three and six month periods ended June 30, 2025, the total weighted average common shares issued and outstanding is 104,933,802 and 104,915,846, respectively (June 30, 2024 – 104,120,874 and 104,111,973, respectively).

The Company issued earnout rights and Replacement LTIP awards in connection with the Company's merger transaction from fiscal 2022. For the three and six month periods ended June 30, 2025, 651,584 and 669,252 weighted average earnout rights, respectively, have been included in the calculation of basic and diluted net (loss) income per common share (June 30, 2024 – 1,178,354 and 1,185,883, respectively). Replacement LTIP awards are included within the weighted average common shares outstanding, as the Replacement LTIP Awards are fully vested and exercisable for a nominal price. For the three and six month periods ended June 30, 2025, 2,478,792 and 2,466,637 weighted average Replacement LTIP awards have been included in the calculation of basic and diluted net (loss) income per common share (June 30, 2024 – 2,776,867 and 2,773,163, respectively). See Notes 27 and 28.

The Company also routinely grants DSUs to Directors of the Company under its Omnibus Equity Incentive Plan ("Omnibus Plan"). DSUs as vested to various Directors of the Company in respect of their annual retainers. The DSUs recognized under the Omnibus Plan are included within the weighted average common shares outstanding, as the units are exercisable for no consideration. For the three and six month periods ended June 30, 2025, 522,070 and 501,863 weighted average DSUs have been included in the calculation of basic and diluted net (loss) income per common share (June 30, 2024 – 360,682 and 333,522, respectively). See Note 30.

23. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended		Six months ended	
	June 30,		June 30,	
	2025	2024	2025	2024
Accounts receivable	\$ (50.5)	\$ (24.4)	\$ (39.3)	\$ 14.4
Taxes receivable	(21.9)	4.3	(37.0)	4.3
Taxes payable	14.1	12.3	15.3	21.6
Inventories	(74.1)	18.2	110.9	118.0
Prepaid expenses and other current assets	(1.8)	29.7	11.1	1.1
Accounts payable and accrued liabilities	64.1	(55.9)	34.3	(91.1)
	<u>\$ (70.1)</u>	<u>\$ (15.8)</u>	<u>\$ 95.3</u>	<u>\$ 68.3</u>

24. FINANCIAL INSTRUMENTS**Fair value of financial instruments**

The fair value of cash, restricted cash, accounts receivable, accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these instruments. The fair value of the Revolving Credit Facility, disclosed in Note 12 approximates the respective carrying value due to variable interest rates.

The fair value of the financing arrangement included in other long-term liabilities approximates the carrying value due to prevailing interest rates and the risk characteristics of the instrument.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

24. FINANCIAL INSTRUMENTS *(continued)*

The fair value of the various government funding are estimated based on a discounted cash flow model applying current rates offered to the Company for financial instruments subject to similar risk and maturities. The carrying value of government funding generally approximate its fair value.

The fair value of the Notes at June 30, 2025 is \$444.0 million (December 31, 2024 - \$515.2 million).

The fair values of the warrant liability, earnout liability and the share-based payment compensation liability are classified as Level 1 and are calculated using the quoted market price of the Company's common shares at the end of each reporting period.

The fair value of the derivative asset included in other non-current assets is classified as Level 2 and is calculated using a binomial tree/lattice approach based on the Hull-White single factor interest rate term structure model.

Financial risk management

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk and market risk. The Company may use derivative financial instruments to hedge certain of these risk exposures. The use of derivatives is based on established practices and parameters, which are subject to the oversight of the Board of Directors. The Company does not utilize derivative financial instruments for trading or speculative purposes.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Company's receivables from customers. The Company has an established credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes a review of the potential customer's financial information, external credit ratings and bank and supplier references. Credit limits are established for each new customer and customers that fail to meet the Company's credit requirements may transact with the Company only on a prepayment basis.

The maximum credit exposure at June 30, 2025 is the carrying amount of accounts receivable of \$253.6 million (December 31, 2024 - \$227.6 million). At June 30, 2025, there were three customer accounts greater than 10% of the carrying amount of accounts receivable. At December 31, 2024, there were two customer accounts greater than 10% of the carrying amount of accounts receivable. As at June 30, 2025, \$9.0 million, or 3.6% (December 31, 2024 - \$9.8 million, or 4.3%), of accounts receivable were more than 90 days old.

The Company establishes an allowance for doubtful accounts that represents its estimate of losses in respect of accounts receivable. The main components of this allowance are a specific provision that relates to individual exposures and a provision for expected losses that have been incurred but not yet identified. The allowance for doubtful accounts at June 30, 2025 was \$8.8 million (December 31, 2024 - \$8.8 million), as disclosed in Note 9.

The Company may be exposed to certain losses in the event of non-performance by counterparties to derivative financial instruments such as commodity price contracts and foreign exchange contracts. The Company mitigates this risk by entering into transactions with highly rated major financial institutions.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

24. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining adequate cash balances. The Company continuously monitors and reviews actual and forecasted cash flows to ensure adequate liquidity and anticipate liquidity requirements. There have been no changes to the Company's objectives and processes for capital management as described in Note 5 to the December 31, 2024 consolidated financial statements.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. During the three and six month periods ended June 30, 2025 and 2024, the Company was not a party to agreements to hedge the commodity price risk associated with the revenue on the sale of steel. When the Company is party to hedging agreements, these activities are carried out under the oversight of the Company's Board of Directors.

Currency risk

The Company is exposed to currency risk on purchases, labour costs and pension and other post retirement employment benefits liabilities that are denominated in Canadian dollars. The prices for steel products sold in Canada are derived mainly from price levels in the US market in US dollars converted into Canadian dollars at the prevailing exchange rates. As a result, a stronger US dollar relative to the Canadian dollar increases the Company's Canadian dollar selling prices for sales within Canada.

The Company's Canadian dollar denominated financial instruments as at June 30, 2025 and at December 31, 2024, were as follows:

<u>As at,</u>	<u>June 30,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>
Cash	\$ 7.3	\$ 1.9
Restricted cash	0.1	0.1
Accounts receivable	130.8	107.0
Accounts payable and accrued liabilities	(145.3)	(139.4)
Governmental loans	(158.1)	(158.6)
Other long-term liabilities	(22.0)	(23.7)
Net Canadian dollar denominated financial instruments	<u>\$ (187.2)</u>	<u>\$ (212.7)</u>

A \$0.01 decrease (or increase) in the US dollar relative to the Canadian dollar for the three and six month periods ended June 30, 2025 would have decreased (or increased) income (loss) from operations by nil and \$0.3 million, respectively and would have decreased (or increased) income (loss) from operations for the nine month period ended December 31, 2024 by \$0.8 million.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

24. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the value of the Company's assets and liabilities will be affected by a change in interest rates. The Company's interest rate risk mainly arises from the interest rate impact on its banking facilities and debt. The Company may manage interest rate risk through the periodic use of interest rate swaps.

For the three and six month periods ended June 30, 2025 and 2024, a one percent increase (or decrease) in interest rates would not have decreased (or increased) net income (loss).

Commodity price risk

The Company is subject to price risk from fluctuations in the market prices of commodities, including natural gas, iron ore and coal. The Company enters into supply agreements for certain of these commodities as disclosed in Note 20. To manage risks associated with future variability in cash flows attributable to certain commodity purchases, the Company may use derivative instruments with maturities of 12 months or less to hedge the commodity price risk associated with the revenue on the sale of steel. At June 30, 2025 and 2024, the Company had no commodity-based swap contracts.

25. OTHER INCOME

During the six month period ended June 30, 2025, the Company recognized other income of \$50.0 million from insurance proceeds in the condensed interim consolidated statements of net (loss) income (June 30, 2024 – nil).

26. WARRANT LIABILITY

As at June 30, 2025, 24,178,999 Warrants remain outstanding with an estimated fair value of US \$0.51 per Warrant based on the market price of the Warrants, for which the Company recognized a liability of \$16.8 million (US \$12.3 million) (December 31, 2024 - \$52.2 million; US \$36.3 million). For the three and six month periods ended June 30, 2025, a loss of \$4.6 million and a gain of \$34.5 million, respectively, on change in the fair value of the warrant liability is presented in the condensed interim consolidated statements of net (loss) income. For the three and six month periods ended June 30, 2024, a gain of \$15.6 million and \$30.9 million, respectively, on change in the fair value of the warrant liability is presented in the condensed interim consolidated statements of net (loss) income. The Warrants will expire on October 19, 2026.

27. EARNOUT LIABILITY

As at June 30, 2025, 655,454 earnout rights remain outstanding with an estimated fair value of US \$6.89 per unit based on the market price of the Company's common shares, for which an earnout liability of \$6.2 million (US \$4.5 million) (December 31, 2024 - \$10.1 million; US \$7.0 million) was recognized in the condensed interim consolidated statements of financial position. During the six month period ended June 30, 2025, 75,000 earnout rights were settled for common shares. During the nine month period ended December 31, 2024, 320,000 earnout rights were settled for common shares and 172,786 earnout rights were cancelled. Loss on change in the fair value of the earnout liability for the three month period ended June 30, 2025 of \$1.3 million and gain of \$3.1 million for the six month period ended June 30, 2025, is presented in the condensed interim consolidated statements of net (loss) income. Gain on change in the fair value of the earnout liability for the three and six month periods ended June 30, 2024 of \$2.5 million and \$5.9 million, respectively, is presented in the condensed interim consolidated statements of net (loss) income.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

27. EARNOUT LIABILITY (continued)

Continuity of earnout rights are as follows:

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	719,547	1,196,157
Dividend equivalents and other adjustments	10,907	16,176
Vested and settled	(75,000)	(320,000)
Cancellations	—	(172,786)
Ending balance	<u>655,454</u>	<u>719,547</u>

28. SHARE-BASED PAYMENT COMPENSATION LIABILITY

Replacement Long Term Incentive Plan ("LTIP") Awards

As at June 30, 2025, 2,492,815 Replacement LTIP Awards remain outstanding with an estimated fair value of US \$6.89 per unit based on the market price of the Company's common shares, for which the Company recognized a liability of \$23.4 million (US \$17.2 million) (December 31, 2024 - \$34.5 million; US \$24.0 million) in share-based payment compensation liability in the condensed interim consolidated statements of financial position. During the three and six month periods ended June 30, 2025, no units were settled. During the nine month period ended December 31, 2024, 297,953 units were settled for common shares and 47,620 units were cancelled. A portion of the common shares issued to settle these units were sold by the Company for cash of \$2.1 million used to settle withholding taxes. Loss on change in the fair value of the share-based payment compensation liability for the three month period ended June 30, 2025 of \$5.1 million and gain of \$10.3 million for the six month period ended June 30, 2025, is presented in the condensed interim consolidated statements of net (loss) income. Gain on change in the fair value of the share-based payment compensation liability for the three and six month periods ended June 30, 2024 of \$5.8 million and \$10.6 million, respectively, is presented in the condensed interim consolidated statements of net (loss) income.

Continuity of Replacement LTIP units are as follows:

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	2,451,970	2,776,868
Dividend equivalents and other adjustments	40,845	20,675
Vested and settled	—	(297,953)
Cancellations	—	(47,620)
Ending balance	<u>2,492,815</u>	<u>2,451,970</u>

29. 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 executive leadership team (ELT) and the Board of Directors.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

29. KEY MANAGEMENT PERSONNEL (continued)

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

	Three months ended June 30,		Six months ended June 30,	
	2025	2024	2025	2024
Salaries and benefits	\$ 2.3	\$ 2.4	\$ 4.6	\$ 3.5
Director fees	0.4	0.4	0.8	0.8
Share-based compensation (Note 30)	0.6	0.5	1.1	1.4
	<u>\$ 3.3</u>	<u>\$ 3.3</u>	<u>\$ 6.5</u>	<u>\$ 5.7</u>

30. SHARE-BASED COMPENSATION

Long-term incentive plan

On October 19, 2021, the Company approved an Omnibus Equity Incentive Plan ("Omnibus Plan") that would allow the Company to grant various awards to its employees. Under the terms of the Omnibus Plan, the maximum number of common shares that may be awarded is 8.8 million common shares. The awards issuable under the Plan consists of RSUs, DSUs, PSUs and stock options.

Deferred share units

Under the terms of the Omnibus Plan, DSUs may be issued to members of the Board of Directors as may be designated by the Board of Directors from time-to-time in satisfaction of all or a portion of Director fees. The number of DSUs to be issued in satisfaction of a payment of Director fees shall be equal to the amount of the Director fees divided by the given day volume weighted average price of the Company's common shares preceding the grant date. DSUs are equity-settled share-based payments measured at fair value at the date of grant and expensed immediately as the underlying services have been rendered. The grant date fair value is approximated by the price of the Company's common shares on the date of grant. DSUs do not have an exercise price and become exercisable for one common share of the Company upon the retirement of the Director, or in the event of incapacity.

For the three and six month periods ended June 30, 2025, the Company recorded a share-based payment compensation expense of \$0.4 million and \$0.7 million, respectively, in administrative and selling expense on the condensed interim consolidated statements of net (loss) income and contributed deficit on the condensed interim consolidated statements of financial position. For the three and six month periods ended June 30, 2024, the Company recorded a share-based payment compensation expense of \$0.5 million and \$1.1 million, respectively, in administrative and selling expense on the condensed interim consolidated statements of net (loss) income and contributed deficit on the condensed interim consolidated statements of financial position.

Continuity of deferred share units are as follows:

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	480,481	344,768
Granted	68,432	130,772
Dividend equivalents and other adjustments	10,270	4,941
Ending balance	<u>559,183</u>	<u>480,481</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**Tabular amounts expressed in millions of Canadian dollars except for share and per share information****30. SHARE-BASED COMPENSATION** *(continued)**RSUs and PSUs*

Under the terms of the Omnibus Plan, RSUs and PSUs may be issued to employees of the Company as may be designed by the Board of Directors in order to retain and motivate employees. RSUs and PSUs are equity-settled share-based payments measured at fair value at the date of grant and expensed over the vesting period. The grant date fair value takes into account any non-vesting conditions. The subsequent recognition of the grant date fair value over the vesting period involves the Company's estimation of the RSUs and PSUs that will eventually vest and adjusts for the likelihood of achieving service conditions and performance conditions. RSUs and PSUs do not have an exercise price and become exercisable for one common share of the Company on the vesting date. Holders of RSUs and PSUs are also entitled to dividend equivalents when dividends are declared to common shareholders. The price of the Company's common shares on the grant date is used to approximate the grant date fair value of each unit of RSUs and PSUs.

FY2023 Plan

On May 17, 2022, 141,203 RSUs and 556,348 PSUs were granted to certain employees of the Company, with a grant date fair value of US \$9.40 per award based on the market price of the Company's common shares. The total grant date fair value determined was recognized on a straight-line basis over the vesting period and was subject to true-ups at each period end to reflect the likelihood of achieving certain performance conditions. The FY2023 plan fully vested on December 16, 2024, and as a result, 137,776 units were settled in common shares and 149,013 units were cancelled.

FY2024 Plan

On March 31, 2023 the Board of Directors approved a grant of 457,935 and 404,211 units of RSUs and PSUs, respectively, to various employees of the Company under the Omnibus Plan for the fiscal year ended March 31, 2024, with a grant date fair value of US \$7.62 per award based on the market price of the Company's common shares. The RSUs and PSUs vest on March 31, 2026 upon the achievement of service and performance conditions. The total grant date fair value determined is recognized on a straight-line basis over the vesting period and is subject to true-ups at each period end to reflect the likelihood of achieving certain performance conditions.

FY2025 Plan

On June 18, 2024, the Board of Directors approved a grant of 569,536 and 953,783 units of RSUs and PSUs, respectively, to various employees of the Company under the Omnibus Plan for the twelve month period ended March 31, 2025. The RSUs and PSUs will vest on March 31, 2027 (the "Vesting Date") upon the achievement of specific service conditions. Vesting of PSUs is further subject to satisfaction of a performance condition related to Total Shareholder Return ("TSR"). Under terms of the plan, upon the TSR reaching specified target thresholds of 25%, 50%, 75% as compared its peer group, eligible employees will receive PSUs in accordance with the Omnibus Plan. TSR is calculated as the sum of (a) 20-day volume weighted average price of the common shares as at March 31, 2027, less (b) 20-day volume weighted average price of the common shares as at April 1, 2024, plus (c) cumulative reinvested dividends from April 1, 2024 to March 31, 2027, divided by the 20-day volume weighted average price of the common shares converted to Canadian dollars as at April 1, 2024.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

30. SHARE-BASED COMPENSATION (continued)

The grant date fair value of RSUs of US \$10.21 per award is based on the market price of the Company's common shares. The grant date fair value of PSUs of US \$18.47 per award is estimated using a Monte-Carlo simulation which takes into account the market value of the shares of the Company and its peer group along with a wide range of possible share price outcomes. The Monte-Carlo simulation was performed on the grant date, September 4, 2024, and used the following to estimate the fair value of the PSUs:

Common share price	\$13.81
20-day VWAP as at April 1, 2024	\$10.72
Term (in years)	3.0
Common share expected volatility	41.03%
Expected risk-free interest rate	3.09%

The total grant date fair value determined for the RSUs and PSUs are recognized on a straight-line basis over the vesting period.

For the three and six month periods ended June 30, 2025, the Company recorded share-based payment compensation expense of \$3.1 million and \$6.4 million, respectively, in administrative and selling expenses on the condensed interim consolidated statements of net (loss) income and contributed deficit on the condensed interim consolidated statements of financial position. For the three and six month periods ended June 30, 2024, the Company recorded share-based payment compensation expense of \$0.6 million and \$0.9 million, respectively, in administrative and selling expenses on the condensed interim consolidated statements of net (loss) income and contributed deficit on the condensed interim consolidated statements of financial position

Continuity of RSUs are as follows:

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	1,045,306	607,252
Granted	1,206	569,536
Dividend equivalents and other adjustments, net of cancellations	17,020	(67,202)
Vested and settled	—	(64,280)
Ending balance	<u>1,063,532</u>	<u>1,045,306</u>

Continuity of PSUs are as follows:

	Six months ended June 30, 2025	Nine months ended December 31, 2024
Opening balance	1,049,039	231,898
Granted	3,618	953,783
Dividend equivalents and other adjustments, net of cancellations	17,196	(63,146)
Vested and settled	—	(73,496)
Ending balance	<u>1,069,853</u>	<u>1,049,039</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

Tabular amounts expressed in millions of Canadian dollars except for share and per share information

31. DIVIDENDS

During the three and six month periods ended June 30, 2025, the Company paid ordinary dividends to common shareholders at US \$0.05 per common share in the aggregate amount of \$14.8 million (US\$10.5 million), recorded as a distribution through (deficit) retained earnings. At June 30, 2024, a dividend payable of \$7.1 million (US \$5.2 million) was recorded as a distribution through retained earnings. During the six month period ended June 30, 2024, the Company paid ordinary dividends to common shareholders at US \$0.05 per common share in the aggregate amount of \$7.1 million (US \$5.2 million), respectively, recorded as a distribution through (deficit) retained earnings.

32. SUBSEQUENT EVENT

The Company entered into an agreement with the Ministry of the Environment, Conservation and Parks on July 14, 2025 under Ontario's Ministry of Environment, Conservation and Parks Emissions Performance Program for maximum funding of \$56.9 million for reimbursement of eligible expenditures incurred in construction of the EAF, with an approved initial advance of \$21.3 million.