

Consolidated Financial Statements

# **ALGOMA STEEL GROUP INC.**

**As at December 31, 2024 and March 31, 2024**  
and for the nine month period ended  
**December 31, 2024**  
and the year ended  
**March 31, 2024**

## MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Algoma Steel Group Inc. ("the Company"), including our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined under Rules 240.13a-15(f) or 240.15d-15(f) of the Securities Exchange Act of 1934, as amended. Internal control over financial reporting is a process designed by, or under the supervision of, the Chief Executive Officer and the Chief Financial Officer and effected by the Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2024 using criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2024.

The Company's internal control over financial reporting as of December 31, 2024 has been audited by Deloitte LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements as at December 31, 2024 and March 31, 2024 and for the nine month period ended December 31, 2024 and the year ended March 31, 2024. Deloitte LLP expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting, as stated in their attestation report which precedes our audited consolidated financial statements for the nine month period ended December 31, 2024.

*"Michael Garcia"*

Michael Garcia  
Chief Executive Officer

March 12, 2025  
Sault Ste. Marie, Canada

*"Rajat Marwah"*

Rajat Marwah  
Chief Financial Officer

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Algoma Steel Group Inc.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Algoma Steel Group Inc. and subsidiaries (the "Company") as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as at and for the nine month period ended December 31, 2024, of the Company and our report dated March 12, 2025, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally

accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation 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.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
March 12, 2025

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Algoma Steel Group Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Algoma Steel Group Inc. and subsidiaries (the "Company") as at December 31, 2024 and March 31, 2024, the related consolidated statements of net (loss) income, comprehensive income, changes in shareholders' equity, and cash flows, for the nine month period ended December 31, 2024 and the year ended March 31, 2024, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and March 31, 2024, and its financial performance and its cash flows for the nine month period ended December 31, 2024 and the year ended March 31, 2024, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 12, 2025, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we

are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

***Revenue Recognition – Refer to Notes 3 and 6 of the financial statements.***

*Critical Audit Matter Description*

The Company's revenue is generated primarily from contracts to produce, ship, and deliver steel products and to a lesser extent, to deliver non-steel by-products of the steelmaking processes and related freight revenue. Revenue from the Company's steel contracts is recognized once performance obligations are satisfied upon transfer of control of the products to the customer. This occurs once the products have been loaded for delivery, at which time the products are deemed to be transferred and the customer obtains title to, and control of, such products.

Revenue is a critical audit matter due to the significant audit effort required in performing audit procedures related to the Company's revenue recognition and the significance of the account balance.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to revenue recognition included the following, among others:

- Evaluated the operating effectiveness of the Company's controls over the revenue recognition process.
- On a sample basis:
  - Evaluated the recognition of revenue, by obtaining and inspecting invoices, bills of lading/ shipping documents and cash receipts;
  - Evaluated the recognition of revenue recorded for new customers in the year by obtaining and inspecting evidence of the validity of the new customer; and
  - Evaluated the validity of manual journal entries to revenue by assessing the rationale for the entry and by obtaining and inspecting supporting evidence.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Canada  
March 12, 2025

We have served as the Company's auditor since fiscal 2011.

# Algoma Steel Group Inc.

## Consolidated Statements of Net (Loss) Income

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>expressed in millions of Canadian dollars, except for per share amounts</i>		
<b>Revenue (Note 7)</b>	<b>\$ 1,841.1</b>	<b>\$ 2,795.8</b>
<b>Operating expenses</b>		
Cost of sales (Note 8)	\$ 1,958.4	\$ 2,513.5
Administrative and selling expenses (Note 9)	<u>103.6</u>	<u>115.0</u>
<b>(Loss) income from operations</b>	<b><u>\$ (220.9)</u></b>	<b><u>\$ 167.3</u></b>
<b>Other (income) and expenses</b>		
Finance income	\$ (17.8)	\$ (10.0)
Finance costs (Note 10)	55.5	25.6
Interest on pension and other post-employment benefit obligations (Note 11)	16.1	19.3
Foreign exchange gain	(40.5)	(1.7)
Other income (Note 32)	(32.7)	-
Change in fair value of warrant liability (Note 33)	4.0	(12.1)
Change in fair value of earnout liability (Note 34)	2.4	0.1
Change in fair value of share-based compensation liability (Note 35)	<u>5.3</u>	<u>1.2</u>
	<b><u>\$ (7.7)</u></b>	<b><u>\$ 22.4</u></b>
<b>(Loss) income before income taxes</b>	<b>\$ (213.2)</b>	<b>\$ 144.9</b>
<b>Income tax (recovery) expense (Note 26)</b>	<b><u>(46.2)</u></b>	<b><u>39.7</u></b>
<b>Net (loss) income</b>	<b><u>\$ (167.0)</u></b>	<b><u>\$ 105.2</u></b>
<b>Net (loss) income per common share</b>		
Basic (Note 29)	\$ (1.54)	\$ 0.97
Diluted (Note 29)	\$ (1.54)	\$ 0.70

See accompanying notes to the consolidated financial statements

# Algoma Steel Group Inc.

## Consolidated Statements of Comprehensive Income

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>expressed in millions of Canadian dollars</i>		
<b>Net (loss) income</b>	<b>\$ (167.0)</b>	<b>\$ 105.2</b>
<b>Other comprehensive income (loss), net of income tax, that will not be reclassified subsequently to profit or loss</b>		
Foreign exchange gain on translation to presentation currency	<b>\$ 87.7</b>	<b>\$ 3.1</b>
Remeasurement of pension and other post-employment benefit obligations, net of tax nil for the nine month period ended December 31, 2024 and year ended March 31, 2024 (Notes 22, 23)	<b>\$ 84.8</b>	<b>\$ (49.6)</b>
	<b>\$ 172.5</b>	<b>\$ (46.5)</b>
<b>Total comprehensive income</b>	<b>\$ 5.5</b>	<b>\$ 58.7</b>

See accompanying notes to the consolidated financial statements

# Algoma Steel Group Inc.

## Consolidated Statements of Financial Position

As at,	December 31, 2024	March 31, 2024
<i>expressed in millions of Canadian dollars</i>		
<b>Assets</b>		
<b>Current</b>		
Cash (Note 12)	\$ 266.9	\$ 97.9
Restricted cash (Note 12)	0.1	3.9
Taxes receivable (Note 13)	84.3	20.0
Accounts receivable, net (Note 14)	227.6	246.7
Inventories (Note 15)	879.2	807.8
Prepaid expenses and deposits	42.8	80.5
Other assets	5.5	5.7
<b>Total current assets</b>	<b>\$ 1,506.4</b>	<b>\$ 1,262.5</b>
<b>Non-current</b>		
Property, plant and equipment, net (Note 16)	\$ 1,662.7	\$ 1,405.2
Intangible assets, net	0.5	0.7
Other assets	16.6	7.6
<b>Total non-current assets</b>	<b>\$ 1,679.8</b>	<b>\$ 1,413.5</b>
<b>Total assets</b>	<b>\$ 3,186.2</b>	<b>\$ 2,676.0</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Bank indebtedness (Note 17)	\$ 0.4	\$ 0.3
Accounts payable and accrued liabilities (Note 18)	319.1	286.8
Taxes payable and accrued taxes (Note 19)	41.6	30.1
Current portion of other long-term liabilities	3.2	1.4
Current portion of governmental loans (Note 21)	25.0	16.2
Current portion of environmental liabilities (Note 25)	4.2	3.1
Warrant liability (Note 33)	52.2	44.9
Earnout liability (Note 34)	10.1	13.8
Share-based payment compensation liability (Note 35)	34.5	31.9
<b>Total current liabilities</b>	<b>\$ 490.3</b>	<b>\$ 428.5</b>
<b>Non-current</b>		
Senior secured lien notes (Note 20)	\$ 498.4	\$ -
Long-term governmental loans (Note 21)	133.6	127.4
Accrued pension liability (Note 22)	178.3	238.0
Accrued other post-employment benefit obligation (Note 23)	206.2	229.5
Other long-term liabilities (Note 24)	26.7	17.0
Environmental liabilities (Note 25)	33.3	35.2
Deferred income tax liabilities (Note 26)	110.9	98.0
<b>Total non-current liabilities</b>	<b>\$ 1,187.4</b>	<b>\$ 745.1</b>
<b>Total liabilities</b>	<b>\$ 1,677.7</b>	<b>\$ 1,173.6</b>
<b>Shareholders' equity</b>		
Capital stock (Note 28)	\$ 974.8	\$ 963.9
Accumulated other comprehensive income	439.6	267.1
Retained earnings	102.0	288.4
Contributed deficit	(7.9)	(17.0)
<b>Total shareholders' equity</b>	<b>\$ 1,508.5</b>	<b>\$ 1,502.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,186.2</b>	<b>\$ 2,676.0</b>

See accompanying notes to the consolidated financial statements

# Algoma Steel Group Inc.

## Consolidated Statement of Changes in Shareholders' Equity

<i>expressed in millions of Canadian dollars</i>	<b>Capital stock</b>	<b>Contributed deficit</b>	Foreign exchange gain (loss) on translation to presentation currency	Actuarial gain (loss) on pension and other post- employment benefit obligation	<b>Accumulated other compre- hensive income</b>	<b>Retained earnings</b>	<b>Total Shareholders' equity</b>
Balance at March 31, 2024	\$ 963.9	\$ (17.0)	\$ 109.8	\$ 157.3	\$ 267.1	\$ 288.4	\$ 1,502.4
Net loss	-	-	-	-	-	(167.0)	(167.0)
Other comprehensive income	-	-	87.7	84.8	172.5	-	172.5
Issuance of performance and restricted share units (Note 37)	-	11.4	-	-	-	-	11.4
Issuance of deferred share units (Note 37)	-	1.7	-	-	-	-	1.7
Issuance of capital stock (Notes 28, 34, 35, 37)	10.9	(4.0)	-	-	-	-	6.9
Dividend equivalent on earnout rights (Note 34)	-	-	-	-	-	(0.2)	(0.2)
Earnout out rights forfeited (Note 34)	-	-	-	-	-	2.3	2.3
Dividends paid (Note 38)	-	-	-	-	-	(21.5)	(21.5)
<b>Balance at December 31, 2024</b>	<b>\$ 974.8</b>	<b>\$ (7.9)</b>	<b>\$ 197.5</b>	<b>\$ 242.1</b>	<b>\$ 439.6</b>	<b>\$ 102.0</b>	<b>\$ 1,508.5</b>
Balance at March 31, 2023	958.4	(21.4)	106.7	206.9	313.6	211.6	1,462.2
Net income	-	-	-	-	-	105.2	105.2
Other comprehensive income (loss)	-	-	3.1	(49.6)	(46.5)	-	(46.5)
Issuance of performance and restricted share units (Note 37)	-	3.0	-	-	-	-	3.0
Issuance of deferred shared units (Note 37)	-	2.2	-	-	-	-	2.2
Issuance of capital stock (Notes 28, 34, 35, 37)	5.5	(0.8)	-	-	-	-	4.7
Dividend equivalent on earnout rights (Note 34)	-	-	-	-	-	(0.5)	(0.5)
Dividends paid (Note 38)	-	-	-	-	-	(27.9)	(27.9)
Balance at March 31, 2024	<u>\$ 963.9</u>	<u>\$ (17.0)</u>	<u>\$ 109.8</u>	<u>\$ 157.3</u>	<u>\$ 267.1</u>	<u>\$ 288.4</u>	<u>\$ 1,502.4</u>

See accompanying notes to the consolidated financial statements

# Algoma Steel Group Inc.

## Consolidated Statements of Cash Flows

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>expressed in millions of Canadian dollars</i>		
<b>Operating activities</b>		
<b>Net (loss) income</b>	<b>\$ (167.0)</b>	<b>\$ 105.2</b>
<b>Items not affecting cash:</b>		
Depreciation of property, plant and equipment and intangible assets	103.4	115.0
Deferred income tax expense (Note 26)	6.5	1.2
Pension funding in excess of expense	(8.2)	(0.8)
Post-employment benefit funding in excess of expense	(6.0)	(7.5)
Unrealized foreign exchange gain on:		
accrued pension liability	(12.9)	(0.9)
post-employment benefit obligations	(14.0)	(0.7)
Finance costs (Note 10)	55.5	25.6
Loss on disposal of property, plant and equipment	1.7	0.5
Interest on pension and other post-employment benefit obligations	16.1	19.3
Other income	(32.7)	-
Accretion of governmental loans and environmental liabilities	12.3	19.2
Unrealized foreign exchange gain on government loan facilities	(9.3)	(0.7)
Increase (decrease) in fair value of warrant liability (Note 33)	4.0	(12.1)
Increase in fair value of earnout liability (Note 34)	2.4	0.1
Increase in fair value of share-based payment compensation liability (Note 35)	5.3	1.2
Other	14.7	4.7
	<b>\$ (28.2)</b>	<b>\$ 269.3</b>
Net change in non-cash operating working capital (Note 30)	(5.9)	33.1
Share-based payment compensation and earnout units settled (Note 34, 35)	(2.1)	(2.5)
Environmental liabilities paid (Note 25)	(2.7)	(5.0)
<b>Cash (used in) generated by operating activities</b>	<b>\$ (38.9)</b>	<b>\$ 294.9</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment (Note 16)	\$ (300.1)	\$ (490.1)
Insurance proceeds for property damage	27.9	-
<b>Cash used in investing activities</b>	<b>\$ (272.2)</b>	<b>\$ (490.1)</b>
<b>Financing activities</b>		
Bank indebtedness advanced (repaid), net (Note 17)	\$ 0.1	\$ (1.7)
Transaction costs on bank indebtedness (Note 17)	-	(1.7)
Restricted cash (Note 12)	3.8	-
Senior secured lien notes issued, net of underwriter fees (Note 20)	472.6	-
Transaction costs on senior secured lien notes (Note 20)	(4.1)	-
Governmental loans received (Note 21)	43.6	74.8
Repayment of governmental loans (Note 21)	(8.7)	(10.0)
Interest paid	(23.7)	(0.3)
Dividends paid (Note 38)	(21.5)	(27.9)
Other	1.7	11.2
<b>Cash generated by financing activities</b>	<b>\$ 463.8</b>	<b>\$ 44.4</b>
<b>Effect of exchange rate changes on cash</b>	<b>\$ 16.3</b>	<b>\$ 1.3</b>
<b>Cash</b>		
Increase (decrease) in cash	169.0	(149.5)
Opening balance	97.9	247.4
<b>Ending balance (Note 12)</b>	<b>\$ 266.9</b>	<b>\$ 97.9</b>

See accompanying notes to the consolidated financial statements

# **ALGOMA STEEL GROUP INC.**

## **Notes to the Consolidated Financial Statements**

**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 consolidated financial statements of the Company for the nine month period ended December 31, 2024 and year ended March 31, 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 consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been approved by the Board of Directors, and authorized for issuance on March 12, 2025.

#### **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 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

## **ALGOMA STEEL GROUP INC.**

### **Notes to the Consolidated Financial Statements**

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

#### **2. BASIS OF PRESENTATION** *(continued)*

other comprehensive income and accumulated in equity under the heading 'Foreign exchange on translation to presentation currency'.

Equity transactions, as disclosed in Note 28, are translated at the historical exchange rates. The resulting net translation adjustment has been recorded in other comprehensive income (loss) for the year.

#### **3. CHANGE OF FISCAL YEAR-END**

Effective November 5, 2024, the Board approved a change in the Company's fiscal year-end from March 31 to December 31, effective as of December 31, 2024. The change in fiscal year-end from March 31 to December 31 was made to align the Company's financial statement and continuous disclosure requirements with the majority of its industry peers, which operate on a calendar fiscal year-end. As a result, these consolidated financial statements include financial information for the nine-month transition period from April 1, 2024, to December 31, 2024. The comparative consolidated financial statements are for the twelve-month period from April 1, 2023, to March 31, 2024.

#### **4. MATERIAL ACCOUNTING POLICIES**

##### **Foreign exchange transactions**

Transactions in currencies other than the Company's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost are not re-translated. Exchange gains or losses arising from translations of foreign currency monetary assets, liabilities and transactions are recorded in foreign exchange loss (gain) in the consolidated statements of net (loss) income.

##### **Financial Instruments**

The Company's financial assets and liabilities (financial instruments) include cash, restricted cash, accounts receivable, other assets, bank indebtedness, accounts payable and accrued liabilities, financing arrangements, warrant liability, earnout liability, share-based payment compensation liability, governmental loans and senior secured lien notes.

##### *Recognition*

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when the Company becomes party to the contractual provisions of the instrument, and they are initially measured at fair value. Financial assets are derecognized when the contractual rights to the cash flows expire or when the Company transfers substantially all the risks and rewards of ownership of the financial assets to another party. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled, or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows associated with a financial asset.

##### *Classification and measurement*

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

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 4. MATERIAL ACCOUNTING POLICIES *(continued)*

- Amortized cost
- Fair value through profit (loss) (FVTP(L))
- Fair value through other comprehensive income (FVTOCI)

Financial assets are classified and subsequently measured based on the business model in which they are managed and their cash flow characteristics. Financial assets are measured at amortized cost if they meet both of the following conditions and are not designated as FVTP(L):

- The financial asset is held within a business model with the objective of holding the financial asset in order to collect contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit and loss or through other comprehensive income, if the designation is made as an irrevocable election upon initial recognition.

Financial liabilities are classified as subsequently measured at amortized cost or FVTP(L). A financial liability is classified as FVTP(L) if it is contingent consideration of an acquirer in a business combination, held-for-trading, or designated as FVTP(L) upon initial recognition, and is remeasured at its fair value at each subsequent reporting period, with any changes recorded through profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

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

The Company utilizes an 'expected credit loss' ("ECL") model, as required by IFRS 9 – *Financial Instruments*. Accounts receivable are subject to lifetime ECL which is measured as the difference in the present value of the contractual cash flows that are due under the contract, and the cash flows that are expected to be received.

The Company reviews its accounts receivable at each reporting date and considers both current and forward-looking macro-economic factors that may affect historical default rates when estimating ECL.

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

##### **Fair value of financial instruments**

Fair value is the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts the valuation models to incorporate a measure of credit risk. Fair value represents management's estimates of the current market value at a given point in time.

# ALGOMA STEEL GROUP INC.

## Notes to the Consolidated Financial Statements

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

### 4. MATERIAL ACCOUNTING POLICIES *(continued)*

The Company has certain financial assets and liabilities that are measured at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. There were no transfers among Levels 1, 2 and 3 during the nine month period ended December 31, 2024 and year ended March 31, 2024. The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The Company reclassifies financial assets only when its business model for managing those assets changes. Financial liabilities are not reclassified.

#### **Accounts receivable**

Accounts receivable are recognized initially at transaction price and are non-interest bearing. 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. Recoveries of accounts receivables previously provided for in the allowance for doubtful accounts are deducted from administrative and selling expenses in the consolidated statements of net (loss) income.

#### **Inventories**

Raw materials, work in process and finished products inventories are measured at the lower of average cost and net realizable value. Average cost for finished goods and work in process is comprised of direct costs and an allocation of production overheads, including depreciation expense. Supplies inventories are measured at the lower of average cost and net realizable value.

#### **Property, plant and equipment, net**

Items of property, plant and equipment are recorded at cost less accumulated depreciation and impairment. The cost of an item of property or equipment comprises costs that can be directly attributed to its acquisition and to bringing the asset to a working condition for its intended use, including borrowing costs that meet the criteria for capitalization and initial estimates of the cost of dismantling and removing the item and restoring the site on which it is located. The cost of self-constructed and self-installed assets includes the cost of direct labour in addition to the costs listed above.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 4. MATERIAL ACCOUNTING POLICIES *(continued)*

Depreciation is calculated by the straight-line method based on estimated useful lives as follows:

Category of Property, Plant and Equipment	Range of Estimated Useful Life
Buildings	5 to 30 years
Machinery and equipment	5 to 40 years
Vehicles	6 to 12 years
Computer hardware	3 to 5 years

The Company also separately recognizes the cost of replacement parts and major overhaul or inspection costs if the cost of the item can be reliably measured or estimated and it is probable that the future economic benefits will be realized by the Company. When such items are replaced the carrying amount of the replaced component is derecognized. The costs of maintenance and repairs of property, plant and equipment are recognized in profit or loss as incurred.

##### *Componentization*

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items and depreciated over the respective useful lives.

##### *Useful life, depreciation method, residual value*

Estimates of the useful lives of items of property, plant and equipment are based on management's judgement as to the physical and economic useful lives of assets and as such are subject to change in future periods. Depreciation methods, useful lives and residual values are reviewed at each reporting date with the effect of any changes in estimate being accounted for on a prospective basis.

##### *Derecognition of property plant and equipment*

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

#### **Impairment of tangible and intangible assets**

Property, plant and equipment and intangible assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the recoverable amount of the asset is estimated. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the Cash Generating Unit ("CGU") to which the asset belongs. The CGU corresponds to the smallest identifiable group of assets whose continuing use generates cash inflows that are largely independent of the cash flows from other groups of assets.

An impairment loss is recognized when the carrying amount of an asset, or of the CGU to which it belongs, exceeds the recoverable amount. In determining value in use, the Company estimates cash flows before taxes based on most recent actual results and forecasts and then determines the current value of future estimated cash flows.

## **ALGOMA STEEL GROUP INC.**

### **Notes to the Consolidated Financial Statements**

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

#### **4. MATERIAL ACCOUNTING POLICIES** *(continued)*

Impairment losses are recognized in the consolidated statements of net (loss) income. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The increased carrying amount of an asset attributable to a reversal of impairment loss may not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior periods.

##### **Leases**

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

The Company, as a lessee, recognizes a right-of-use asset and lease liability at commencement of the lease at the present value of the future lease payments using the interest rate implicit in the lease (if readily determinable) or the Company's incremental rate of borrowing. Subsequent to initial measurement, the asset is depreciated using the straight-line method from the commencement date to the earlier of the end of its useful life or the end of the lease term. The lease liability is measured at amortized cost using the effective interest rate method. Lease related finance charges are recorded in finance costs in the consolidated statement of net (loss) income.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases defined as leases with a lease term of 12 months or less and low-value assets. These types of leases are recorded in the consolidated statement of net (loss) income as incurred.

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

##### **Retirement benefit costs**

The Company provides pensions and certain health care, dental care, life insurance and other benefits for certain retired employees pursuant to Company policy. For defined benefit pension plans and other post-employment benefits, the defined benefit cost is actuarially determined on an annual basis by independent actuaries using the projected unit credit method. Remeasurement comprising of actuarial gains and losses, the effect of the asset ceiling and the return on plan assets (excluding interest) are recognized immediately in the consolidated statements of financial position with a charge to other comprehensive income in the period in which they occur. The Company has elected to transfer those amounts recognized in other comprehensive income to a separate reserve within equity. Net-interest is calculated by applying the discount rate to the net defined benefit liability. Defined benefit and other post-employment benefit costs are split into three categories:

- service cost, past-service cost, gains and losses on curtailments and settlements;
- net interest expense; and
- remeasurement.

## **ALGOMA STEEL GROUP INC.**

### **Notes to the Consolidated Financial Statements**

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

#### **4. MATERIAL ACCOUNTING POLICIES** *(continued)*

The Company recognizes the first two components of defined benefit costs in profit or loss in its consolidated statements of net (loss) income: service cost, past service cost, gains and losses on curtailments and settlements in Cost of sales and Administrative and selling expenses; and net interest expense in Interest on pension and other post-employment benefit obligations. The determination of a benefit expense requires assumptions such as the discount rate, the expected mortality, the expected rate of future compensation increases and the expected healthcare cost trend rate. Actual results will differ from estimated results which are based on these assumptions.

The asset or liability recognized in the consolidated statements of financial position represents the actual plan situation in the Company's defined benefit and other post-employment benefit plans. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the plan assets, the remeasurement components, are recognized immediately in other comprehensive income. Any defined benefit asset resulting from this calculation is limited to the present value of any economic benefit in the form of refunds from the plan or reduction in future contributions to the plan.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

##### **Termination benefits**

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary retirement. Termination benefits for voluntary retirements are recognized the earlier of the date when the Company recognizes related restructuring costs and the date when the Company can no longer withdraw the offer of the benefits related to the voluntary retirement.

##### **Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### **Environmental liabilities**

An environmental liability is recognized if, as a result of an agreement, the Company has a present legal obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as an environmental liability is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainty of cash flows. Where the effect of discounting is material, environmental liabilities are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

##### **Revenue recognition**

The Company's revenue is generated primarily from contracts to produce, ship and deliver steel products, and to a lesser extent, to deliver non-steel by-products of the steelmaking processes and related freight revenue.

## **ALGOMA STEEL GROUP INC.**

### **Notes to the Consolidated Financial Statements**

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

#### **4. MATERIAL ACCOUNTING POLICIES** *(continued)*

Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts, volume rebates and other incentives. Revenue from the sale of goods is recognized to the extent that it is probable that the economic benefits will flow to the Company, can be reliably measured, and at a point-in-time when the performance obligation is satisfied by transferring the promised good to a customer. A good is considered transferred when the customer obtains control, which is defined as the ability to direct the use of and obtain substantially all of the remaining benefits of an asset. The Company's performance obligations in respect of its steel contracts are satisfied upon loading the products onto the truck, railcar or vessel that will deliver the products to the customer (known as free on board or "FOB" shipping), at which time the products are deemed to be transferred and the customer obtains title to, and control of, such products. Upon the fulfillment of these criteria, revenue and costs associated with such products are included in the consolidated statements of net (loss) income.

Freight and other transportation costs billed to customers are recorded gross within revenue and cost of goods sold. Non-steel revenue primarily pertains to the sale of various by-products such as kish, ore fines, mill scale, scrap rolls and high sulfur iron. The Company's performance obligations in respect of its sales of by-products are satisfied upon loading of the applicable by-products on an FOB shipping basis, at which time such by-products are deemed to be transferred and the customer obtains title to, and control of, such by-products.

The Company has pricing latitude in revenue arrangements and is also exposed to inventory and credit risks. The Company offers industry standard payment terms that typically requires payment from customers 30 days after title and control transfers.

#### **Government funding**

The benefit of Government funding is not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to it and that the funding will be received. Benefits related to Government funding in the form of low interest rate loans, interest free loans and grants for items of capital are presented in the consolidated statements of financial position as an offset to the carrying value of the property, plant and equipment to which the benefits relate. In the case of low interest rate loans and interest free loans, the benefit is calculated as the difference between the fair value amount of the low interest rate loan or the interest free loan and the proceeds received. Claims under government grant programs related to income are recorded within the consolidated statements of net (loss) income as a reduction of the related item the grant is intended to offset, in the period in which the eligible expenses were incurred or when the services have been performed.

#### **Research**

Research costs are expensed as incurred, due to the nature of the projects. Where government incentives in the form of investment tax credits and grants are received for research projects initiated by the Company for its own purposes, these incentives are deducted from the applicable category of expenditures.

#### **Finance cost**

Finance cost is comprised of interest expense on borrowings, amortization of issuance costs, and accretion of environmental liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

# ALGOMA STEEL GROUP INC.

## Notes to the Consolidated Financial Statements

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

### 4. MATERIAL ACCOUNTING POLICIES *(continued)*

Actuarially determined interest costs related to the defined benefit pension obligation and the other post-employment benefit obligation are recorded respectively as components of the carrying amount of the accrued pension liability and the accrued other post-employment benefit obligation.

#### **Taxation**

Current and deferred income tax are recognized in net (loss) income, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred income tax are also recognized in other comprehensive income or directly in equity, respectively.

##### *Current tax*

The current tax expense is based on taxable income for the year. Taxable income differs from net income before taxes as reported in the consolidated statements of net (loss) income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### *Deferred income tax*

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred income tax liabilities are generally recognized for all taxable temporary differences. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences, based on management's expectation at the end of the reporting period, that would follow from the recovery or settlement of the carrying amount of its assets and liabilities.

#### **Share-based payment**

The Company provides certain employees with long-term incentive awards. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value includes the effect of market based vesting conditions but excludes the effect of performance conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 37.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the expected vesting period, which is determined based on the Company's expected timing on meeting the performance condition. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 4. MATERIAL ACCOUNTING POLICIES *(continued)*

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the year.

##### **Comprehensive Income**

Other comprehensive income (“OCI”) includes foreign exchange gain on translation to the Company’s presentation currency from the US Dollar functional currency. OCI includes actuarially determined gains and losses on post employment benefits offered to certain employees and the effect of any limits applied to the defined benefit asset. Comprehensive income is composed of net (loss) income and OCI.

Accumulated OCI is a separate component of Shareholders’ Equity which includes the accumulated balances of all components of OCI which are recognized in comprehensive income but excluded from net (loss) income.

##### **New IFRS Accounting Standards, Amendments and Interpretations adopted as of April 1, 2024 (for fiscal years beginning on or after January 1, 2024)**

The Company adopted the following amendments which did not have a material impact on the consolidated financial statements:

###### *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued an amendment to IAS 1 *Presentation of Financial Statements* to clarify its requirements for the presentation of liabilities in the statement of financial position. The limited scope amendment affected only the presentation of liabilities in the statement of financial position and not the amount or timing of its recognition. The amendment clarified that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specified that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduced a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. On October 31, 2022, the IASB issued *Non-Current Liabilities with Covenants (Amendments to IAS 1)*. These amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date.

##### **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 consolidated financial statements.

## **ALGOMA STEEL GROUP INC.**

### **Notes to the Consolidated Financial Statements**

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

#### **4. MATERIAL ACCOUNTING POLICIES** *(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 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 consolidated financial statements.

#### **5. CRITICAL ESTIMATES AND JUDGEMENTS**

The preparation of these consolidated financial statements, in accordance 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 date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Judgement is used mainly in determining whether a balance or transaction should be recognized in the consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated.

In the determination of CGU, the Company assessed its identifiable group of assets that generates cash inflows and concluded the Company has a single cash generating unit. Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities, revenue and expenses:

##### *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.

## **ALGOMA STEEL GROUP INC.**

### **Notes to the Consolidated Financial Statements**

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

#### **5. CRITICAL ESTIMATES AND JUDGEMENTS** *(continued)*

##### *Useful lives of property, plant and equipment and Intangible assets*

The Company reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each annual reporting period, and whenever events or circumstances indicate a change in useful life. Estimated useful lives of items of property, plant and equipment and intangible assets are based on a best estimate and the actual useful lives may be different.

##### *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 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.

##### *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 assumptions such as discount rates, compensation rates, mortality, inflation and indexation, 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 (loss) 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.

#### **6. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are:

- (a) to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
- (b) to meet external capital requirements on debt and credit facilities;
- (c) to ensure adequate capital to support long-term growth strategy; and
- (d) to provide an adequate return to shareholders.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 6. CAPITAL MANAGEMENT *(continued)*

The Company continuously monitors and reviews the capital structure to ensure the objectives are met.

Management defines capital as the combination of its indebtedness, as disclosed in Note 17, its governmental loans, as disclosed in Note 21, its senior secured lien notes, as disclosed in Note 20, and the equity balance, as disclosed in Note 28. The Company manages the capital structure within the context of the business strategy, general economic conditions, market conditions in the steel industry and the risk characteristics of assets.

The Company is in compliance with the covenants under its existing debt agreements at December 31, 2024 and March 31, 2024.

#### 7. 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.

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
<i>Total revenue is comprised of:</i>		
Sheet & Strip	\$ 1,346.7	\$ 2,035.8
Plate	324.1	506.2
Slab	1.3	3.3
Freight	142.7	198.3
Non-steel revenue	26.3	52.2
	<u>\$ 1,841.1</u>	<u>\$ 2,795.8</u>
<i>The geographical distribution of total revenue is as follows:</i>		
Sales to customers in Canada	\$ 672.5	\$ 1,052.1
Sales to customers in the United States	1,148.7	1,704.0
Sales to customers in the rest of the world	19.9	39.7
	<u>\$ 1,841.1</u>	<u>\$ 2,795.8</u>

For the nine month period ended December 31, 2024, sales of \$212.3 million to one customer represented greater than 10% of total revenue. For the year ended March 31, 2024, sales of \$361.5 million to one customer represented greater than 10% of total revenue.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 8. COST OF SALES

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>Total cost of sales is comprised of:</i>		
Cost of steel revenue	\$ 1,789.4	\$ 2,263.0
Cost of freight revenue	142.7	198.3
Cost of non-steel revenue	26.3	52.2
	<u>\$ 1,958.4</u>	<u>\$ 2,513.5</u>
<i>Inventories recognized as cost of sales:</i>	<u>\$ 1,815.7</u>	<u>\$ 2,315.2</u>
<i>Net inventory write-downs as a result of net realizable value lower than cost included in cost of sales:</i>	<u>\$ 29.3</u>	<u>\$ 13.5</u>

Depreciation included in cost of steel revenue for the nine month period ended December 31, 2024 was \$103.0 million. Depreciation in cost of steel revenue for the year ended March 31, 2024 was \$114.7 million. Wages and benefits included in cost of steel revenue for the nine month period ended December 31, 2024 was \$273.9 million. Wages and benefits included in cost of steel revenue for the year ended March 31, 2024 was \$357.7 million.

#### *Federal Greenhouse Gas Pollution Pricing Act*

During the nine month period ended December 31, 2024, total Carbon Tax recognized in cost of sales as an expense was \$31.0 million. During the year ended March 31, 2024, total Carbon Tax recognized in cost of sales as an expense was \$24.6 million.

#### 9. ADMINISTRATIVE AND SELLING EXPENSES

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>Administrative and selling expense is comprised of:</i>		
Personnel expenses	\$ 30.5	\$ 43.3
Share-based compensation expense	12.7	5.2
Professional, consulting, legal and other fees	14.6	18.8
Insurance	24.6	25.6
Software licenses	5.3	5.9
Allowance for doubtful accounts (Note 14)	5.6	2.6
Amortization of intangible assets and non-producing assets	0.4	0.3
Other administrative and selling	9.9	13.3
	<u>\$ 103.6</u>	<u>\$ 115.0</u>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 10. FINANCE COSTS

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>Finance costs are comprised of:</i>		
Interest on senior secured lien notes (Note 20)	\$ 31.5	\$ -
Interest on financing arrangement	0.6	0.2
Revaluation of discount rate for environmental liabilities	0.3	3.8
Other interest expense	7.9	2.3
Revolving Credit Facility fees	1.8	2.9
Unwinding of issuance costs of debt facilities (Note 17, 20, 21) and accretion of governmental loan benefits and discounts on environmental liabilities	13.4	16.4
	<u>\$ 55.5</u>	<u>\$ 25.6</u>

#### 11. INTEREST ON PENSION AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>Interest on pension and other post-employment benefit obligations is comprised of:</i>		
Interest on defined benefit pension obligation (Note 22)	\$ 8.1	\$ 8.6
Interest on other post-employment benefit obligation (Note 23)	8.0	10.7
	<u>\$ 16.1</u>	<u>\$ 19.3</u>

#### 12. CASH AND RESTRICTED CASH

At December 31, 2024, the Company had \$266.9 million of cash (March 31, 2024 – \$97.9 million) and restricted cash of \$0.1 million (March 31, 2024 – \$3.9 million). Restricted cash was held to provide collateral for letters of credit and other obligations of the Company at both December 31, 2024 and March 31, 2024.

#### 13. TAXES RECEIVABLE

As at,	December 31, 2024	March 31, 2024
<i>The carrying amount of:</i>		
Sales taxes receivable	\$ 27.7	\$ 20.0
Income taxes receivable	56.6	-
	<u>\$ 84.3</u>	<u>\$ 20.0</u>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 14. ACCOUNTS RECEIVABLE, NET

As at,	December 31, 2024	March 31, 2024
<i>The carrying amount of:</i>		
Trade accounts receivable	\$ 222.5	\$ 238.5
Allowance for doubtful accounts	(8.8)	(3.1)
Governmental loan claims receivable		
Federal Ministry of Industry, Strategic Innovation Fund ("Federal SIF") Agreement	6.7	3.0
Northern Industrial Electricity Rate program rebate receivable	2.6	2.2
Other accounts receivable	4.6	6.1
	<b>\$ 227.6</b>	<b>\$ 246.7</b>
<i>Allowance for doubtful accounts</i>		
Balance at March 31, 2023		\$ (0.5)
Adjustment to expected credit loss		(2.6)
Balance at March 31, 2024		\$ (3.1)
Adjustment to expected credit loss		(5.7)
<b>Balance at December 31, 2024</b>		<b>\$ (8.8)</b>

#### 15. INVENTORIES

As at,	December 31, 2024	March 31, 2024
<i>The carrying amount of:</i>		
Raw materials and consumables	\$ 637.8	\$ 580.3
Work in progress	147.0	152.9
Finished goods	94.4	74.6
	<b>\$ 879.2</b>	<b>\$ 807.8</b>

#### 16. PROPERTY, PLANT AND EQUIPMENT, NET

As at,	December 31, 2024	March 31, 2024
<i>The carrying amount of:</i>		
Freehold land	\$ 7.1	\$ 6.7
Buildings	53.6	52.4
Machinery and equipment	765.2	697.6
Computer hardware	5.8	4.0
Right-of-use assets	6.4	6.2
Property under construction	824.6	638.3
	<b>\$ 1,662.7</b>	<b>\$ 1,405.2</b>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 16. PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

The following table presents the changes to the cost of the Company's property, plant and equipment for the nine month period ended December 31, 2024 and year ended March 31, 2024:

Cost	Freehold Land	Buildings	Machinery & Equipment	Computer Hardware	Right-of-use assets	Property under construction	Total
Balance at March 31, 2023	\$ 6.6	\$ 73.1	\$ 1,102.8	\$ 3.0	\$ 4.3	\$ 338.5	\$ 1,528.3
Additions	-	-	3.3	-	-	436.6	439.9
Transfers	0.1	17.9	115.1	2.6	3.3	(139.0)	-
Disposals	-	(0.1)	(41.7)	-	-	(0.2)	(42.0)
Foreign exchange	-	0.1	1.5	-	0.1	2.4	4.1
Balance at March 31, 2024	\$ 6.7	\$ 91.0	\$ 1,181.0	\$ 5.6	\$ 7.7	\$ 638.3	\$ 1,930.3
Additions	-	-	11.5	-	-	258.9	270.4
Transfers	-	1.3	111.9	2.2	0.4	(115.7)	0.1
Disposals	-	(0.1)	(7.4)	-	-	(1.6)	(9.1)
Foreign exchange	0.4	5.8	79.6	0.4	0.5	44.7	131.4
<b>Balance at December 31, 2024</b>	<b>\$ 7.1</b>	<b>\$ 98.0</b>	<b>\$ 1,376.6</b>	<b>\$ 8.2</b>	<b>\$ 8.6</b>	<b>\$ 824.6</b>	<b>\$ 2,323.1</b>

The following table presents the changes to accumulated depreciation on the Company's property, plant and equipment for the nine month period ended December 31, 2024 and year ended March 31, 2024:

Accumulated Depreciation:	Freehold Land	Buildings	Machinery & Equipment	Computer Hardware	Right-of-use assets	Property under construction	Total
Balance at March 31, 2023	\$ -	\$ 33.9	\$ 411.1	\$ 1.1	\$ 0.9	\$ -	\$ 447.0
Depreciation expense	-	4.8	112.9	0.5	0.6	-	118.8
Disposals	-	(0.1)	(41.6)	-	-	-	(41.7)
Foreign exchange	-	-	1.0	-	-	-	1.0
Balance at March 31, 2024	\$ -	\$ 38.6	\$ 483.4	\$ 1.6	\$ 1.5	\$ -	\$ 525.1
Depreciation expense	-	3.3	100.7	0.7	0.6	-	105.3
Disposals	-	(0.1)	(7.2)	-	-	-	(7.3)
Foreign exchange	-	2.6	34.5	0.1	0.1	-	37.3
<b>Balance at December 31, 2024</b>	<b>\$ -</b>	<b>\$ 44.4</b>	<b>\$ 611.4</b>	<b>\$ 2.4</b>	<b>\$ 2.2</b>	<b>\$ -</b>	<b>\$ 660.4</b>

#### *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 the Company changing to electric arc furnaces ("EAF") to replace the existing blast furnace and basic oxygen steelmaking operations, the Company has been reviewing the useful lives for those assets expected to be decommissioned once the EAF is operational. Effective October 1, 2023, there was sufficient evidence to support a change in the useful lives of machinery, equipment and buildings involved in blast furnace steelmaking operations. The remaining useful lives of this machinery, equipment and buildings have been adjusted to be fully depreciated by December 31, 2029. Further, 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.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 16. PROPERTY, PLANT AND EQUIPMENT, NET *(continued)*

##### *Depreciation of property, plant and equipment*

Depreciation of property, plant and equipment for the nine month period ended December 31, 2024 was \$105.3 million. Depreciation of property, plant and equipment for the year ended March 31, 2024 was \$118.8 million. Depreciation included in inventories at December 31, 2024, amounted to \$15.6 million (March 31, 2024 - \$13.9 million).

##### *Acquisitions and disposals*

During the nine month period ended December 31, 2024, property, plant and equipment were acquired at an aggregate net cost of \$270.5 million; comprised of property, plant and equipment acquired with a total cost of \$300.5 million, against which the Company recognized benefits totalling \$30.0 million in respect of the governmental loans and the governmental grant discussed in Note 21. During the year ended March 31, 2024, property, plant and equipment were acquired at an aggregate net cost of \$439.9 million; comprised of property, plant and equipment acquired with a total cost of \$493.4 million, against which the Company recognized benefits totalling \$53.5 million in respect of the governmental loans and the governmental grant discussed in Note 21.

During the nine month period ended December 31, 2024, the Company had additions to property under construction for the electric arc furnace ("EAF") for an aggregate net cost of \$147.4 million, including benefits in respect of the governmental loans totalling \$30.0 million. During the year ended March 31, 2024, the Company had additions to property under construction for the EAF for an aggregate net cost of \$206.0 million, including benefits in respect of the governmental loans totalling \$51.7 million.

During the year ended March 31, 2024, the Company had additions to property under construction for the plate mill modernization project for an aggregate net cost of \$59.3 million.

At December 31, 2024, property under construction includes prepaid progress payments of \$210.2 million for the transition from blast furnace steel production to EAF (March 31, 2024 – \$204.4 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").

#### 17. BANK INDEBTEDNESS

On November 30, 2018, the Company obtained US \$250.0 million in the form of a traditional asset-based revolving credit facility (the "Revolving Credit Facility"). 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. In May 2023, the Company increased its Revolving Credit Facility from US \$250 million to US \$300 million and extended the term to May, 2028. The interest rate on the Revolving Credit Facility is based on

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 17. BANK INDEBTEDNESS *(continued)*

Secured Overnight Financing Rate (“SOFR”) plus a credit spread adjustment of 10 basis points plus an applicable margin, which varies depending on usage.

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. At March 31, 2024, the Company had drawn \$0.3 million (US \$0.2 million), and there was \$347.1 million (US \$256.2 million) of unused availability after taking into account \$59.1 million (US \$43.6 million) of outstanding letters of credit and borrowing base reserves.

Initial transaction costs related to the Revolving Credit Facility obtained on November 30, 2018 amounted to \$7.0 million, with additional transaction costs of \$1.7 million incurred for the increase in the Revolving Credit Facility in May 2023. Transaction costs are disclosed as other non-current assets in the 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 December 31, 2024, the unamortized transaction costs related to the Revolving Credit Facility were \$1.1 million (March 31, 2024 - \$1.4 million).

#### *Reconciliation of liabilities arising from financing activities*

The changes in the Company’s bank indebtedness for the nine month period ended December 31, 2024 arising from financing activities are presented below:

Balance at March 31, 2023	\$	1.9
Revolving Credit Facility drawn		48.1
Repayment of Revolving Credit Facility		(49.8)
Foreign exchange		0.1
Balance at March 31, 2024	\$	0.3
Revolving Credit Facility drawn		3.0
Repayment of Revolving Credit Facility		(2.9)
<b>Balance at December 31, 2024</b>	<b>\$</b>	<b>0.4</b>

#### 18. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at,	December 31, 2024	March 31, 2024
<i>The carrying amount of:</i>		
Accounts payable	\$ 146.1	\$ 142.0
Accrued liabilities	121.1	80.5
Wages and accrued vacation payable	51.9	64.3
	<b>\$ 319.1</b>	<b>\$ 286.8</b>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 19. TAXES PAYABLE AND ACCRUED TAXES

As at,	December 31, 2024	March 31, 2024
<i>The carrying amount of:</i>		
Payroll taxes payable	\$ 7.0	\$ 3.0
Sales taxes payable	1.8	1.6
Carbon tax accrual	32.8	23.4
Income taxes payable	-	2.1
	<u>\$ 41.6</u>	<u>\$ 30.1</u>

#### 20. 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. For the nine month period ended December 31, 2024, a derivative asset totalling \$5.9 million has been recognized and is presented in other long-term assets in the consolidated statements of financial position.

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 consolidated statements of financial position, and are being amortized using the effective interest rate method over the life of the facility.

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

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 21. GOVERNMENTAL LOANS

As at,	December 31, 2024	March 31, 2024
<i>The carrying amount of:</i>		
Long-term portion		
Federal AMF Loan, denominated in Canadian dollars, due March 1, 2028	\$ 16.6	\$ 21.7
Provincial MENDM Loan, denominated in Canadian dollars, due November 30, 2028	35.8	42.8
Federal SIF Agreement loan, denominated in Canadian dollars, due April 30, 2031	9.9	9.4
Federal SIF EAF Agreement loan, denominated in Canadian dollars, due January 1, 2030	71.3	53.5
	<b>\$ 133.6</b>	<b>\$ 127.4</b>
Current portion		
Federal AMF Loan, denominated in Canadian dollars	\$ 10.0	\$ 10.0
Provincial MENDM Loan, denominated in Canadian dollars	15.0	6.2
	<b>\$ 25.0</b>	<b>\$ 16.2</b>
	<b>\$ 158.6</b>	<b>\$ 143.6</b>

#### Federal Economic Development Agency for Southern Ontario

On November 30, 2018, the Company entered into an agreement with the Federal Economic Development Agency, through the Advanced Manufacturing Fund (“Federal AMF Loan”). The Company received a \$60.0 million interest free loan as reimbursement for certain defined capital expenditures. The Company commenced equal monthly installments on April 1, 2022, with the final installment payable on March 1, 2028. Under the General Security Agreement, this facility has a third priority claim on all of the Company’s assets which is *pari passu* with the Provincial MENDM Loan, defined below.

As at December 31, 2024, the Company had applied for reimbursements of \$60.0 million and recognized a benefit, net of accretion, of \$5.3 million. During the nine month period ended December 31, 2024, the Company made repayments totalling \$7.5 million. Accordingly, the carrying value of the Federal AMF Loan was \$26.6 million at December 31, 2024. As at March 31, 2024, the Company had applied for reimbursements of \$60.0 million and recognized a benefit, net of accretion, of \$7.7 million. During the year ended March 31, 2024, the Company made repayments totalling \$10.0 million. Accordingly, the carrying value of the Federal AMF Loan was \$31.7 million at March 31, 2024.

#### Ministry of Energy, Northern Development and Mines

On November 30, 2018, the Company entered into an agreement with the Ministry of Energy, Northern Development and Mines (the “Provincial MENDM Loan”) under which, the Company received a \$60.0 million low interest loan as reimbursement for certain defined capital expenditures. 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. This facility bears interest at an annual interest rate equal to the greater of 2.5% per annum; and the lenders cost of funds. Under the General Security Agreement, this facility has a third priority claim on all of the Company’s assets which is *pari passu* with the Federal AMF Loan.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 21. GOVERNMENTAL LOANS *(continued)*

As at December 31, 2024, the Company had applied for and received reimbursements of \$60.0 million and recognized a benefit, net of accretion, of \$7.9 million. Accordingly, the carrying value of the Provincial MENDM Loan was \$50.8 million at December 31, 2024. As at March 31, 2024, the Company had applied for and received reimbursements of \$60.0 million and recognized a benefit, net of accretion, of \$10.9 million. Accordingly, the carrying value of the Provincial MENDM Loan was \$49.0 million at March 31, 2024.

##### Ministry of Industry

On March 29, 2019, the Company, together with the government of Canada, entered into an agreement whereby a benefit of \$30.0 million flowed to the Company; \$15.0 million in the form of a grant, and \$15.0 million in the form of an interest free loan; from the Ministry of Industry, Strategic Innovation Fund (the "SIF Agreement"). Under the terms of this agreement, the Company was reimbursed for certain defined capital. On March 25, 2024, the Company amended the SIF Agreement and will repay in equal annual instalments, the \$15.0 million interest free loan portion of this funding beginning on April 30, 2027 and ending on April 30, 2034. The agreement is guaranteed by the Company's subsidiary, Algoma Steel Intermediate Holdings Inc.

At December 31, 2024, the Company had applied for reimbursements of \$15.0 million each under the grant and loan portions of the agreement, and recognized a benefit of \$15.0 million. Additionally, at December 31, 2024, the Company had recognized a benefit, net of accretion, of \$5.1 million. The carrying value of the Federal SIF Agreement was \$9.9 million at December 31, 2024. At March 31, 2024, the Company had applied for reimbursements of \$15.0 million each under the grant and loan portions of the agreement, and recognized a benefit of \$15.0 million. Additionally, at March 31, 2024, the Company had recognized a benefit, net of accretion, of \$5.6 million. The carrying value of the Federal SIF Agreement was \$9.4 million at March 31, 2024.

On September 20, 2021, the Company, together with the government of Canada, entered into an agreement of which a benefit of up to \$200.0 million would flow to the Company in the form of a loan from the SIF. Under the terms of the SIF agreement, 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 March 31, 2025. 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.

For the nine month period ended December 31, 2024, the Company had applied for reimbursements under the SIF loan agreement of \$43.8 million and recognized a benefit, net of accretion, in respect of this agreement of \$26.0 million. Accordingly, the carrying value of the SIF EAF Agreement was \$71.3 million. For the year ended March 31, 2024, the Company had applied for reimbursements under the SIF loan agreement of \$74.4 million and recognized a benefit, net of accretion, in respect of this agreement of \$48.2 million. Accordingly, the carrying value of the SIF EAF Agreement was \$53.5 million.

The Company has recognized the governmental loan claims receivable, governmental loan payable and benefit associated with these agreements because the Company has fulfilled its obligations under the respective agreements and has reasonable assurance the grant will be received.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 21. 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
<b>Federal AMF Loan</b>				
Balance at March 31, 2024	\$ 39.2	\$ (26.5)	\$ 18.8	\$ 31.7
<b>Movement in the period</b>	<b>(7.5)</b>	<b>-</b>	<b>2.4</b>	<b>(5.1)</b>
<b>Balance at December 31, 2024</b>	<b>\$ 31.7</b>	<b>\$ (26.5)</b>	<b>\$ 21.2</b>	<b>\$ 26.6</b>
<b>Provincial MENDM Loan</b>				
Balance at March 31, 2024	\$ 60.0	\$ (26.4)	\$ 15.5	\$ 49.0
<b>Movement in the period</b>	<b>(1.2)</b>	<b>-</b>	<b>3.0</b>	<b>1.8</b>
<b>Balance at December 31, 2024</b>	<b>\$ 58.8</b>	<b>\$ (26.4)</b>	<b>\$ 18.5</b>	<b>\$ 50.8</b>
<b>Federal SIF Loan</b>				
Balance at March 31, 2024	\$ 15.0	\$ (9.2)	\$ 3.6	\$ 9.4
<b>Movement in the period</b>	<b>-</b>	<b>-</b>	<b>0.5</b>	<b>0.5</b>
<b>Balance at December 31, 2024</b>	<b>\$ 15.0</b>	<b>\$ (9.2)</b>	<b>\$ 4.1</b>	<b>\$ 9.9</b>
<b>Federal SIF EAF Loan</b>				
Balance at March 31, 2024	\$ 139.9	\$ (90.4)	\$ 4.0	\$ 53.5
<b>Movement in the period</b>	<b>43.8</b>	<b>(29.9)</b>	<b>3.9</b>	<b>17.8</b>
<b>Balance at December 31, 2024</b>	<b>\$ 183.7</b>	<b>\$ (120.3)</b>	<b>\$ 7.9</b>	<b>\$ 71.3</b>
<b>Total, Governmental Loans</b>				
Balance at March 31, 2024	\$ 254.2	\$ (152.5)	\$ 41.9	\$ 143.6
<b>Movement in the period</b>	<b>35.1</b>	<b>(29.9)</b>	<b>9.8</b>	<b>15.0</b>
<b>Balance at December 31, 2024</b>	<b>\$ 289.3</b>	<b>\$ (182.4)</b>	<b>\$ 51.7</b>	<b>\$ 158.6</b>

#### 22. PENSION BENEFITS

##### Defined contribution plan

The Company maintains a defined contribution pension plan established by Old Steelco Inc.'s predecessor in 2004 for non-unionized employees in Canada joining the Company after January 1, 2003. As part of Old Steelco Inc.'s contract negotiations with its locals which concluded on July 31, 2010, the locals and Old Steelco Inc. agreed to include in this plan all unionized employees hired subsequent to August 1, 2010 and to offer to all the current employees the option to move to the Defined Contribution Pension Plan. The plan was revised by Old Steelco Inc. during the year ended March 31, 2011; these revisions went into effect March 1, 2011. Based on this revision, the Company is obligated to provide a base contribution of 5% of salary and also match employee contributions to a maximum of 2%, depending on years of service for non-unionized employees. Additionally, the

## **ALGOMA STEEL GROUP INC.**

### **Notes to the Consolidated Financial Statements**

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

#### **22. PENSION BENEFITS** *(continued)*

Company is obligated to provide a contribution for unionized employees per qualified hour worked of \$2.85.

The pension expense under this plan is equal to the Company's contribution. The pension expense for the nine month period ended December 31, 2024 was \$10.9 million. The pension expense for the year ended March 31, 2024 was \$13.1 million.

#### **Defined benefit plans**

The Company maintains non-contributory defined benefit pension plans that are closed to new entrants and cover all employees in Canada not covered under the Defined Contribution Pension Plan. The benefits are based on years of service and average earnings for a defined period prior to retirement.

The Company also maintains a closed plan for pensioners who retired prior to January 1, 2002, that provides the pensioners with a pension benefit in excess of the limits provided by the Ontario Pension Benefit Guarantee Fund (the "Closed Retiree Plan").

These defined benefit pension plans are registered under the Pension Benefits Act (Ontario), and are legally separated from the Company. The Pension Benefits Act (Ontario) is a regulatory framework that has jurisdiction over the administration and funding of defined benefit pension plans. Within this framework, the Company has fiduciary responsibility over the administration of the defined benefit pension plans, including the development and oversight of the investment policy for pension funds and the selection and oversight of pension fund investment managers.

The defined benefit pension plans expose the Company to various risks such as: investment risk, interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at April 1, 2024 for salaried, hourly and wrap plans.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 22. PENSION BENEFITS *(continued)*

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
<i>Assumptions for determination of defined benefit cost:</i>		
Defined obligation and past service cost	<b>4.85%</b>	4.99%
Net interest cost	<b>4.78%</b>	4.94%
Current service cost	<b>4.85%</b>	5.05%
Interest cost on current service cost	<b>4.84%</b>	5.00%
<i>Discount rate for determination of defined benefit obligation</i>	<b>4.60%</b>	4.84%
 <i>Assumptions for determination of defined benefit cost and defined benefit obligation:</i>		
Ultimate rate of compensation increase	<b>3.00% per annum until 2027 2.00% thereafter</b>	3.00% per annum until 2027 2.00% thereafter
Mortality	<b>105% CPM2014 Private Projection CPM-B</b>	105% CPM2014 Private Projection CPM-B

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 22. PENSION BENEFITS *(continued)*

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

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
<i>Amounts recognized in net (loss) income were as follows:</i>		
Current service cost	\$ 11.7	\$ 16.8
Net interest cost	8.1	8.6
	<u>\$ 19.8</u>	<u>\$ 25.4</u>
<i>Defined benefit costs recognized in:</i>		
Cost of sales	\$ 10.5	\$ 15.2
Administrative and selling expenses	1.2	1.6
Interest on pension liability	8.1	8.6
	<u>\$ 19.8</u>	<u>\$ 25.4</u>

The amounts recognized in the consolidated statements of other comprehensive income in respect of the defined benefit plans are presented below:

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
<i>Amounts recognized in other comprehensive income, were as follows:</i>		
Actuarial (gain) loss on accrued pension liability	\$ (59.5)	\$ 46.3

The amounts included in the consolidated statements of financial position in respect of the Company's net obligation in respect of its defined benefit plans are as follows:

As at,	<b>December 31, 2024</b>	March 31, 2024
Present value of defined benefit obligation	\$ 1,304.7	\$ 1,302.9
Fair value of plan assets	1,126.4	1,064.9
Net accrued pension liability	<u>\$ 178.3</u>	<u>\$ 238.0</u>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 22. PENSION BENEFITS *(continued)*

Continuities of the defined benefit plan assets and obligations are as follows:

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>Movements in the present value of the plan assets were as follows:</i>		
Fair value of plan assets at beginning of the period and year, respectively	\$ 1,064.9	\$ 1,080.9
Actual return (net of investment management expenses)	105.8	51.6
Administration expenses	(1.3)	(1.7)
Employer contributions	20.0	17.5
Benefits paid	(63.0)	(83.4)
Fair value of plan assets at December 31, 2024 and March 31, 2024, respectively	<u>\$ 1,126.4</u>	<u>\$ 1,064.9</u>
<i>Movements in the present value of the defined benefit obligation were as follows:</i>		
Defined benefit obligation at the beginning of the period and year, respectively	\$ 1,302.9	\$ 1,264.9
Current service cost	10.5	15.2
Interest cost	45.1	60.3
Actuarial losses arising from financial assumptions	28.8	33.0
Effect of experience adjustments	(19.6)	12.9
Benefits paid	(63.0)	(83.4)
Defined benefit obligation at December 31, 2024 and March 31, 2024, respectively	<u>\$ 1,304.7</u>	<u>\$ 1,302.9</u>

Reconciliation of the amounts recognized in accumulated other comprehensive income in the consolidated statements of changes in shareholders' equity were as follows:

	Actuarial (gain) loss immediately recognized	Tax effect	Actuarial (gain) immediately recognized, net of tax
Balance at March 31, 2023	\$ (129.8)	\$ (0.3)	\$ (130.1)
Actuarial loss immediately recognized	46.3	-	46.3
Balance at March 31, 2024	\$ (83.5)	\$ (0.3)	\$ (83.8)
Actuarial gain immediately recognized	(59.5)	-	(59.5)
<b>Balance at December 31, 2024</b>	<b>\$ (143.0)</b>	<b>\$ (0.3)</b>	<b>\$ (143.3)</b>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 22. PENSION BENEFITS *(continued)*

The major categories of plan assets were as follows:

As at	December 31, 2024	March 31, 2024
Cash and cash equivalents	2%	1%
Equity instruments	50%	55%
Debt instruments	46%	41%
Other	2%	3%
	<b>100%</b>	<b>100%</b>

#### Cash flow information

The Company is required to make contributions equal to current service cost. Contributions for the nine month period ended December 31, 2024 under these regulations were \$20.0 million. Contributions for the year ended March 31, 2024 under these regulations were \$17.5 million.

The Company's expected future contributions in respect of its defined benefit pension plans for the fiscal year ending December 31, 2025 is \$29.1 million.

#### Sensitivity of results to actuarial assumptions

The sensitivity of the defined benefit obligation to the key actuarial assumptions is as follows:

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>Effect of change in discount rate assumption</i>		
One percentage point increase	\$ (124.0)	\$ (123.1)
One percentage point decrease	\$ 148.7	\$ 147.4
<i>Effect of change in salary scale</i>		
One percentage point increase	\$ 19.1	\$ 17.4
One percentage point decrease	\$ (14.1)	\$ (15.9)
<i>Effect of change in mortality assumption</i>		
Set forward one year	\$ 35.9	\$ 33.1
Set back one year	\$ (33.2)	\$ (34.0)

The discount rate sensitivities presented above are estimates based on plan durations. The defined benefit obligation and the current service cost have an implied duration of 10 and 17 years, respectively at current discount rates.

If the returns on plan assets had been 10% lower than the actual returns of plan assets experienced in the nine month period ended December 31, 2024, the actuarial gain immediately recognized in other comprehensive income would have decreased by approximately \$105.0 million.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 22. PENSION BENEFITS *(continued)*

If the returns on plan assets had been 10% lower than the actual returns of plan assets experienced in the year ended March 31, 2024, the actuarial loss immediately recognized in other comprehensive income would have increased by approximately \$105.0 million.

#### 23. OTHER POST-EMPLOYMENT BENEFITS

The Company offers post-employment life insurance, health care and dental care to some of its retirees. These obligations are not pre-funded.

The most recent actuarial valuations of the present value of the other post-employment benefit obligation were carried out at November 1, 2024.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
<i>Assumptions for determination of defined benefit cost:</i>		
Discount rate		
Defined benefit obligation	<b>4.85%</b>	5.04%
Current service cost	<b>4.84%</b>	5.07%
Interest cost on benefit obligation	<b>4.79%</b>	4.95%
Interest cost on current service cost	<b>4.85%</b>	5.07%
Health care cost immediate trend rate	<b>4.90%</b>	4.96%
<i>Assumptions for determination of defined benefit obligation:</i>		
Effective discount rate	<b>4.70%</b>	4.85%
Health care cost immediate trend rate	<b>4.83%</b>	4.90%
<i>Assumptions for determination of defined benefit cost and defined benefit obligation:</i>		
Health care cost ultimate trend rate	<b>4.00%</b>	4.00%
Year ultimate health care cost trend rate reached	<b>2040</b>	2040
Salary Increases per annum	<b>2.00%</b>	2.00%
	<b>105%CPM 2014</b>	105%CPM 2014
Mortality	<b>Private Projection CPM-B</b>	Private Projection CPM-B

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 23. OTHER POST-EMPLOYMENT BENEFITS *(continued)*

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

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
<i>Amounts recognized in net (loss) income were as follows:</i>		
Current service cost	\$ 2.4	\$ 3.0
Net interest cost	<u>8.0</u>	<u>10.7</u>
	<u>\$ 10.4</u>	<u>\$ 13.7</u>
<i>Post employment benefit costs recognized in:</i>		
Cost of sales	\$ 2.1	\$ 2.6
Administrative and selling expenses	0.3	0.4
Interest on other post-employment benefit obligation	<u>8.0</u>	<u>10.7</u>
	<u>\$ 10.4</u>	<u>\$ 13.7</u>

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

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
<i>Amounts recognized in other comprehensive income, were as follows:</i>		
Actuarial (gain) loss on accrued post employment benefit liability	<u>\$ (25.3)</u>	<u>\$ 3.3</u>

The amounts included in the consolidated statements of financial position arising from the Company's obligation in respect of its other post-retirement benefit plans were as follows:

As at,	<b>December 31, 2024</b>	March 31, 2024
Present value of post-employment benefit obligation	\$ 206.2	\$ 229.5
Fair value of plan assets	-	-
Accrued other post-employment benefit obligation	<u>\$ 206.2</u>	<u>\$ 229.5</u>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 23. OTHER POST-EMPLOYMENT BENEFITS *(continued)*

Reconciliation of the amounts recognized in accumulated other comprehensive income in the consolidated statements of changes in shareholders' equity were as follows:

	Actuarial (gain) loss immediately recognized	Tax effect	Actuarial (gain) loss immediately recognized, net of tax
Balance at March 31, 2023	\$ (76.8)	\$ -	\$ (76.8)
Actuarial loss immediately recognized	3.3	-	3.3
Balance at March 31, 2024	\$ (73.5)	\$ -	\$ (73.5)
Actuarial gain immediately recognized	(25.3)	-	(25.3)
<b>Balance at December 31, 2024</b>	<b>\$ (98.8)</b>	<b>\$ -</b>	<b>\$ (98.8)</b>

Continuities of the other post-employment benefit plan assets and obligations are as follows:

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
<i>Movements in the present value of the post-employment benefit plan assets were as follows:</i>		
Fair value of plan assets at beginning of the period and year, respectively	\$ -	\$ -
Employer contributions	8.5	10.4
Benefits paid	(8.5)	(10.4)
Fair value of plan assets at December 31, 2024 and March 31, 2024, respectively	<u>\$ -</u>	<u>\$ -</u>
<i>Movements in the present value of the other post-employment benefit obligation were as follows:</i>		
Defined benefit obligation at the beginning of the period and year, respectively	\$ 229.5	\$ 222.9
Current service cost	2.4	3.0
Interest cost	8.0	10.7
Actuarial losses arising from financial assumptions	3.9	5.5
Actuarial gains arising from demographic assumptions	(33.2)	-
Actuarial (losses) gains from experience adjustments	4.1	(2.2)
Benefits paid	(8.5)	(10.4)
Defined benefit obligation at December 31, 2024 and March 31, 2024, respectively	<u>\$ 206.2</u>	<u>\$ 229.5</u>

#### Cash flow information

For the nine month period ended December 31, 2024, the amounts included in the consolidated statements of cash flows in respect of these other post-employment benefit plans was \$8.5 million. For the year ended March 31, 2024, the amounts included in the consolidated statements of cash flows in respect of these other post-employment benefit plans was \$10.4 million. The Company's expected contributions for the fiscal year ending December 31, 2025 is \$12.0 million.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 23. OTHER POST-EMPLOYMENT BENEFITS *(continued)*

##### Sensitivity of results to actuarial assumptions

The sensitivity of the other post-employment benefit obligation to changes in the discount rate, health care cost trend rate and mortality assumptions are as follows:

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>Effect of change in discount rate assumption</i>		
One percentage point increase	\$ (23.9)	\$ (26.4)
One percentage point decrease	\$ 30.0	\$ 33.2
<i>Effect of change in health care cost trend rates</i>		
One percentage point increase	\$ 24.0	\$ 27.9
One percentage point decrease	\$ (20.5)	\$ (24.2)
<i>Effect of change in mortality assumption</i>		
Set forward one year	\$ 8.6	\$ 8.6
Set back one year	\$ (8.4)	\$ (8.5)

The discount rate sensitivities presented above are estimates based on plan durations. The other post-employment benefit obligation and the current service cost have an implied duration of 13 and 29 years, respectively at current discount rates.

#### 24. OTHER LONG-TERM LIABILITIES

As at,	December 31, 2024	March 31, 2024
<i>The carrying amount of the following other long term liabilities:</i>		
Accrued interest payable, Provincial MENDM Loan	\$ 7.3	\$ 3.5
Financing arrangements	12.6	10.4
Long-term disability plan obligation	1.1	0.9
Long-term portion of lease liability	2.2	2.2
Legal settlement	3.5	-
	<u>\$ 26.7</u>	<u>\$ 17.0</u>

##### *Accrued interest payable, Provincial MENDM Loan*

As disclosed in Note 21, the Company has entered into an agreement with the Ministry of Energy, Northern Development and Mines under which the Company received a \$60.0 million low interest loan. At December 31, 2024, the accrued interest payable under this agreement was \$7.3 million (March 31, 2024 – \$3.5 million).

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 24. OTHER LONG-TERM LIABILITIES (continued)

##### *Financing arrangements*

On December 7, 2023, the Company completed a financing arrangement with the Bank of Montreal for total cash consideration of \$11.7 million. The financing arrangement bears interest at 7.5% with monthly payments of \$0.1 million. During the nine month period ended December 31, 2024, the Company made principal payments totalling \$0.7 million. During the year ended March 31, 2024, the Company made principal payments totalling \$0.4 million. At December 31, 2024, current portion totalling \$1.0 million is presented in current portion of other long-term liabilities on the consolidated statements of financial position. At March 31, 2024, current portion totalling \$0.9 million is presented in current portion of other long-term liabilities on the consolidated statements of financial position.

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 nine month period ended December 31, 2024, the Company received \$2.9 million under this financing arrangement.

#### 25. ENVIRONMENTAL LIABILITIES

As at,	December 31, 2024	March 31, 2024
<i>The carrying amount of Environmental liabilities in respect of:</i>		
The Company's Operation Site	\$ 33.3	\$ 33.8
Northern Ontario mine sites owned by Old Steelco Inc.	4.2	4.5
	<u>\$ 37.5</u>	<u>\$ 38.3</u>
Current portion	\$ 4.2	\$ 3.1
Long-term portion	33.3	35.2
	<u>\$ 37.5</u>	<u>\$ 38.3</u>

On November 30, 2018, the Company entered into agreements with the Province of Ontario, through the Ministry of the Environment, Conservation and Parks and the Ministry of Energy, Northern Development and Mines. These agreements relate to the Company's operation site, and certain Northern Ontario mine sites owned by Old Steelco Inc., and not purchased by the Company. These agreements limit the Company's obligations with respect to legacy environmental contamination, and impose certain risk management, risk mitigation, site remediation and funding obligations on the Company. The Company recognizes the present value of these environmental liabilities over 20 years commencing November 2018. Based on management's review of the discount rate, at December 31, 2024, the discount rate was changed from 7.4% to 7.3% resulting in a decrease in environmental liability of \$1.7 million. Based on management's review of the discount rate, at March 31, 2024, the discount rate was changed from 9.0% to 7.4% resulting in an increase in environmental liability of \$3.8 million.

At December 31, 2024, the Company has provided letters of credit totalling of \$14.5 million (March 31, 2024 - \$14.5 million) to the Ministry of Energy, Northern Development and Mines; \$14.3 million in respect of the Company's operation site (March 31, 2024 - \$13.7 million) and \$0.2 million (March 31,

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 25. ENVIRONMENTAL LIABILITIES *(continued)*

2024 - \$0.8 million) in respect of certain Northern Ontario mine sites owned by Old Steelco Inc. Letters of credit are disclosed in Note 12 and Note 17.

##### *Reconciliation of Environmental liabilities*

	The Company's Operation Site	Northern Ontario mine sites owned by Old Steelco Inc.	Total
Balance at March 31, 2023	\$ 32.7	\$ 4.1	\$ 36.8
Payments	(5.3)	(0.3)	(5.6)
Accretion of discount	3.0	0.3	3.3
Revaluation for change in discount rate	3.4	0.4	3.8
Balance at March 31, 2024	\$ 33.8	\$ 4.5	\$ 38.3
Payments	(2.7)	(0.5)	(3.2)
Accretion of discount	3.7	0.4	4.1
Revaluation for change in discount rate	(1.5)	(0.2)	(1.7)
<b>Balance at December 31, 2024</b>	<b>\$ 33.3</b>	<b>\$ 4.2</b>	<b>\$ 37.5</b>

#### 26. INCOME TAX (RECOVERY) EXPENSE

The components of income tax (recovery) expense for the nine month period ended December 31, 2024 and the year ended March 31, 2024 are as follows:

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>Income tax (recovery) expense recognized in net (loss) income:</i>		
Current tax (recovery) expense	\$ (52.7)	\$ 38.5
Deferred income tax expense	6.5	1.2
	<b>\$ (46.2)</b>	<b>\$ 39.7</b>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 26. INCOME TAX (RECOVERY) EXPENSE *(continued)*

Income taxes in the consolidated statements of net (loss) income for the nine month period ended December 31, 2024 and the year ended March 31, 2024 vary from amounts that would be computed by applying statutory income tax rates for the following reason:

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
(Loss) income before income taxes	<u>\$ (213.2)</u>	<u>\$ 144.9</u>
Income tax (recovery) expense based on the applicable tax rate of 25%	\$ (53.3)	\$ 36.2
<i>Add / (deduct):</i>		
Non-deductible post-employment benefits payments	2.6	3.4
Non-deductible pension contributions	0.9	3.4
Non-deductible accretion of financial obligations	0.6	1.8
Adjustment in respect of prior years	0.8	(1.7)
Changes in fair value of warrant liability	1.0	(3.1)
Changes in fair value of earnout liability	0.6	-
Changes in fair value of share-based payment liability	1.3	0.3
Other	<u>(0.7)</u>	<u>(0.6)</u>
Income tax (recovery) expense	<u>\$ (46.2)</u>	<u>\$ 39.7</u>

The applicable tax rate is the aggregate of the Canadian federal income tax rate of 15.0% and the Canadian provincial income tax rate of 10.0%.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 26. INCOME TAX (RECOVERY) EXPENSE *(continued)*

The tax-effected temporary differences which result in deferred income tax assets and (liabilities) and the amount of deferred income taxes recognized in the consolidated statements of comprehensive income for the nine month period ended December 31, 2024 are as follows:

	Balance at March 31, 2024	Movements in:			Balance at December 31, 2024
		Net (Loss) Income	Foreign Exchange	Other Comprehensive Income	
Accounting reserves	\$ 1.3	\$ -	\$ (0.2)	\$ -	\$ 1.1
Inventory reserve	(1.9)	0.6	0.2	-	(1.1)
Defined benefit pension - past service costs	12.6	-	0.8	-	13.4
Other post-employment benefits - past service costs	1.0	-	0.1	-	1.1
Capital tax loss carryforward	2.1	0.1	0.1	-	2.3
Property, plant and equipment and intangible assets	(140.5)	1.4	(8.6)	-	(147.7)
Unrealized exchange gain on US dollar debt	(0.1)	(1.2)	(0.1)	-	(1.4)
Governmental loans benefit	(28.9)	(4.9)	(2.1)	-	(35.9)
Financing expenses	0.9	0.1	-	-	1.0
Deferred revenue	50.3	(0.9)	3.1	-	52.5
SRED expenditures	(0.1)	-	-	-	(0.1)
Transaction costs	2.6	(1.1)	0.1	-	1.6
Unrealized loss on cash flow hedges	1.5	(1.5)	-	-	-
Realized exchanged loss on governmental loans	0.4	(0.4)	-	-	-
Share-based payment compensation	1.8	1.3	0.2	-	3.3
Other	(1.0)	-	-	-	(1.0)
	<u>\$ (98.0)</u>	<u>\$ (6.5)</u>	<u>\$ (6.4)</u>	<u>\$ -</u>	<u>\$ (110.9)</u>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 26. INCOME TAX (RECOVERY) EXPENSE *(continued)*

The tax-effected temporary differences which result in deferred income tax assets and (liabilities) and the amount of deferred income taxes recognized in the consolidated statements of comprehensive income for the year ended March 31, 2024 are as follows:

	Balance at March 31, 2023	Movements in:			Balance at March 31, 2024
		Net Income	Foreign Exchange	Other Comprehensive Income	
Accounting reserves	\$ 2.2	\$ (0.9)	\$ -	\$ -	\$ 1.3
Inventory reserve	(0.1)	(1.8)	-	-	(1.9)
Defined benefit pension - past service costs	12.6	-	-	-	12.6
Other post-employment benefits - past service costs	1.0	-	-	-	1.0
Capital tax loss carryforward	2.1	-	-	-	2.1
Property, plant and equipment and intangible assets	(150.9)	10.7	(0.3)	-	(140.5)
Unrealized exchange loss (gain) on US dollar debt	(0.3)	0.2	-	-	(0.1)
Governmental loans benefit	(18.4)	(10.6)	0.1	-	(28.9)
Financing expenses	0.5	0.4	-	-	0.9
Deferred revenue	51.5	(1.3)	0.1	-	50.3
SRED expenditures	(0.1)	-	-	-	(0.1)
Transaction costs	3.9	(1.3)	-	-	2.6
Unrealized loss on cash flow hedges	-	1.5	-	-	1.5
Realized exchanged loss on governmental loans	-	0.4	-	-	0.4
Share-based payment compensation	-	1.8	-	-	1.8
Other	(0.7)	(0.3)	-	-	(1.0)
	<u>\$ (96.7)</u>	<u>\$ (1.2)</u>	<u>\$ (0.1)</u>	<u>\$ -</u>	<u>\$ (98.0)</u>

#### 27. 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 consolidated financial statements. In addition, the Company is involved in and potentially subject to regular audits from federal and provincial

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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#### 27. COMMITMENTS AND CONTINGENCIES *(continued)*

tax authorities relating to income, capital and commodity taxes and, as a result of these audits, may receive assessments and reassessments.

#### 28. CAPITAL STOCK

	Number of shares issued and outstanding	Stated capital value
Balance at March 31, 2023	103,567,884	\$ 958.4
Issuance of capital stock	535,188	5.5
Balance at March 31, 2024	104,103,072	\$ 963.9
Issuance of capital stock	755,730	10.9
<b>Balance at December 31, 2024</b>	<b>104,858,802</b>	<b>\$ 974.8</b>

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. See Notes 34, 35 and 37.

During the year ended March 31, 2024, the Company converted 70,920 deferred share units ("DSUs") to capital stock upon the resignation of two directors. The Company issued 464,268 common shares upon exercise of earnout rights, Replacement LTIP units and Omnibus Plan LTIP units. See Notes 34, 35 and 37.

##### *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.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 29. NET (LOSS) INCOME PER COMMON SHARE

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

	Nine months ended December 31, 2024	Year ended March 31, 2024
<i>(in millions)</i>		
<b>Net (loss) income attributable to ordinary shareholders</b>	<b>\$ (167.0)</b>	<b>\$ 105.2</b>
Gain on change in fair value of warrants <sup>(i)</sup>	-	(12.1)
Net (loss) income attributable to ordinary shareholders (diluted)	<b>\$ (167.0)</b>	<b>\$ 93.1</b>
<i>(in millions)</i>		
Weighted average common shares outstanding <sup>(ii)</sup>	<b>108.5</b>	108.4
Dilutive effect of warrants, restricted share units and performance share units <sup>(i) (ii)</sup>	-	24.6
Dilutive weighted average common shares outstanding	<b>108.5</b>	133.0
Net (loss) income per common share:		
<b>Basic</b>	<b>\$ (1.54)</b>	<b>\$ 0.97</b>
<b>Diluted</b>	<b>\$ (1.54)</b>	<b>\$ 0.70</b>

(i) As at December 31, 2024, 24,178,999 warrants remain outstanding. For the purposes of determining diluted net (loss) income per common share, net income 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) income for the year ended March 31, 2024 was adjusted for the change in the fair value of the warrants in the amount of \$12.1 million (US \$9.2 million) 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 and performance share units, respectively, to various employees of the Company under the Omnibus Plan for the fiscal year ended March 31, 2024 ("FY2024 Plan"). For the purposes of determining diluted net (loss) income per share, the restricted share units and performance share 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 nonfinancial targets. Based on the achievement of such targets and cancellation of awards, the restricted share units and performance share units included in diluted net (loss) income per share for the nine month period ended December 31, 2024 is 399,812 common shares. Based on the achievement of such targets and cancellation of awards, the restricted share units and performance share units included in diluted net (loss) income per share for the year ended March 31, 2024 is 376,268 common shares. See Note 37.

For the nine month period ended December 31, 2024, the total weighted average common shares issued and outstanding is 104,304,638. For the year ended March 31, 2024, the total weighted average common shares issued and outstanding is 103,793,360.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 29. NET (LOSS) INCOME PER COMMON SHARE *(continued)*

The Company issued earnout rights and Replacement LTIP awards in connection with the Company's merger transaction from fiscal 2022. For the nine month period ended December 31, 2024, 1,007,245 weighted average earnout rights have been included in the calculation of basic and diluted net (loss) income per common share. For the year ended March 31, 2024, 1,404,357 weighted average earnout rights have been included in the calculation of basic and diluted net (loss) income per common share. 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 nine month period ended December 31, 2024, 2,739,114 weighted average Replacement LTIP awards have been included in the calculation of basic and diluted net (loss) income per common share. For the year ended March 31, 2024, 2,925,499 weighted average Replacement LTIP awards have been included in the calculation of basic and diluted net (loss) income per common share. See Note 34 and Note 35.

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 nine month period ended December 31, 2024, 402,486 weighted average DSUs have been included in the calculation of basic and diluted net (loss) income per common share. For the year ended March 31, 2024, 272,166 weighted average DSUs have been included in the calculation of basic and diluted net (loss) income per common share. See Note 37.

#### 30. NET CHANGE IN NON-CASH OPERATING WORKING CAPITAL

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
Accounts receivable	\$ 39.4	\$ 45.5
Taxes receivable	(61.6)	-
Taxes payable	9.4	(4.5)
Inventories	(19.5)	(80.4)
Prepaid expenses and other current assets	41.5	14.9
Accounts payable and accrued liabilities	(15.1)	57.6
	<u>\$ (5.9)</u>	<u>\$ 33.1</u>

## **ALGOMA STEEL GROUP INC.**

### **Notes to the Consolidated Financial Statements**

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

#### **31. 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 17 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.

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 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.

The fair value of the senior secured lien notes are calculated using the quoted market price of the Notes.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 31. FINANCIAL INSTRUMENTS (continued)

The Company's financial assets and liabilities are classified and measured as follows:

As at,	Category	December 31, 2024		March 31, 2024	
		Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Financial assets</i>					
Cash <sup>(1)</sup>	Financial assets at amortized cost	\$ 266.9	\$ 266.9	\$ 97.9	\$ 97.9
Restricted cash <sup>(1)</sup>	Financial assets at amortized cost	\$ 0.1	\$ 0.1	\$ 3.9	\$ 3.9
Accounts receivable <sup>(2)</sup>	Financial assets at amortized cost	\$ 227.6	\$ 227.6	\$ 246.7	\$ 246.7
Other assets:					
Other assets <sup>(1)</sup>	Financial assets at amortized cost	\$ 10.7	\$ 4.7	\$ 7.6	\$ 7.6
Derivative asset <sup>(3)</sup>	Financial instruments at FVTP(L)	\$ 5.9	\$ 5.9	\$ -	\$ -
<i>Financial liabilities</i>					
Bank indebtedness <sup>(1)</sup>	Financial liabilities at amortized cost	\$ 0.4	\$ 0.4	\$ 0.3	\$ 0.3
Accounts payable and accrued liabilities <sup>(1)</sup>	Financial liabilities at amortized cost	\$ 319.1	\$ 319.1	\$ 286.8	\$ 286.8
Current portion of governmental loans <sup>(1)</sup>	Financial liabilities at amortized cost	\$ 25.0	\$ 25.0	\$ 16.2	\$ 16.2
Current portion of financing arrangement <sup>(1)</sup>	Financial liabilities at amortized cost	\$ 1.0	\$ 1.0	\$ 0.9	\$ 0.9
Long-term governmental loans <sup>(1)</sup>	Financial liabilities at amortized cost	\$ 133.6	\$ 133.6	\$ 127.4	\$ 127.4
Long-term portion of financing arrangement <sup>(1)</sup>	Financial liabilities at amortized cost	\$ 12.6	\$ 12.6	\$ 10.4	\$ 10.4
Warrant liability <sup>(4)</sup>	Financial instruments at FVTP(L)	\$ 52.2	\$ 52.2	\$ 44.9	\$ 44.9
Earnout liability <sup>(4)</sup>	Financial instruments at FVTP(L)	\$ 10.1	\$ 10.1	\$ 13.8	\$ 13.8
Share-based payment compensation liability <sup>(4)</sup>	Financial instruments at FVTP(L)	\$ 34.5	\$ 34.5	\$ 31.9	\$ 31.9
Senior secured lien notes <sup>(1)</sup>	Financial liabilities at amortized cost	\$ 498.4	\$ 515.2	\$ -	\$ -

<sup>1</sup> - Initial measurement at fair value and subsequent remeasurement at amortized cost.

<sup>2</sup> - Initial measurement at transaction price and subsequent remeasurement at amortized cost.

<sup>3</sup> - Level 2; Initial measurement at fair value and subsequent remeasurement at FVTOCI(L)

<sup>4</sup> - Level 1; Initial measurement at fair value and subsequent remeasurement at FVTP(L)

#### 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

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 31. FINANCIAL INSTRUMENTS *(continued)*

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 December 31, 2024 is the carrying amount of accounts receivable of \$227.6 million (March 31, 2024 - \$246.7 million). At December 31, 2024, there were two customer accounts greater than 10% of the carrying amount of accounts receivable. At March 31, 2024, there was one customer account greater than 10% of the carrying amount of accounts receivable. As at December 31, 2024, \$9.8 million, or 4.3% (March 31, 2024 - \$6.2 million, or 2.5%), 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 December 31, 2024 was \$8.8 million (March 31, 2024 - \$3.1 million), as disclosed in Note 14.

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.

The following table discloses the Company's contractually agreed (undiscounted) cash flows payable under financial liabilities, as at December 31, 2024:

	Carrying Amount	Contractual Cash Flows	Year 1	Year 2	Years 3 to 5	Greater than 5 Years
Revolving Credit Facility	\$ 0.4	\$ (0.4)	\$ (0.4)	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	319.1	(319.1)	(319.1)	-	-	-
Governmental Loans	158.6	(289.2)	(25.0)	(25.0)	(46.1)	(193.1)
Interest on Provincial MENDM Loan	-	(10.6)	(1.7)	(2.4)	(6.5)	-
Financing arrangements	10.6	(10.6)	(1.0)	(1.0)	(8.6)	-
Senior Secured Lien Notes	498.4	(503.6)	-	-	(503.6)	-
Interest on Senior Secured Lien Notes	-	(206.9)	(46.0)	(46.0)	(114.9)	-
	<b>\$ 987.1</b>	<b>\$ (1,340.4)</b>	<b>\$ (393.2)</b>	<b>\$ (74.4)</b>	<b>\$ (679.7)</b>	<b>\$ (193.1)</b>

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 31. FINANCIAL INSTRUMENTS *(continued)*

The following table discloses the Company's contractually agreed (undiscounted) cash flows payable under financial liabilities, as at March 31, 2024:

	Carrying Amount	Contractual Cash Flows	Year 1	Year 2	Years 3 to 5	Greater than 5 Years
Revolving Credit Facility	\$ 0.3	\$ (0.3)	\$ (0.3)	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	286.8	(286.8)	(286.8)	-	-	-
Governmental Loans	143.6	(254.2)	(16.2)	(25.0)	(61.7)	(151.3)
Interest on Provincial MENDM Loan	-	(8.3)	(0.9)	(2.1)	(5.3)	-
Financing arrangements	11.3	(11.3)	(0.9)	(1.0)	(9.4)	-
	<u>\$ 442.0</u>	<u>\$ (560.9)</u>	<u>\$ (305.1)</u>	<u>\$ (28.1)</u>	<u>\$ (76.4)</u>	<u>\$ (151.3)</u>

#### 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 nine month period ended December 31, 2024 and year ended March 31, 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 December 31, 2024 and March 31, 2024, were as follows:

As at,	December 31, 2024	March 31, 2024
Cash	\$ 1.9	\$ 1.5
Restricted cash	0.1	3.9
Accounts receivable	107.0	78.0
Accounts payable and accrued liabilities	(139.4)	(145.5)
Governmental loans	(158.6)	(143.6)
Other long-term liabilities	(23.7)	(17.0)
Net Canadian dollar denominated financial instruments	<u>\$ (212.7)</u>	<u>\$ (222.7)</u>

A \$0.01 decrease (or increase) in the US dollar relative to the Canadian dollar for the nine month period ended December 31, 2024 would have decreased (or increased) income (loss) from operations by \$0.8 million. A \$0.01 decrease (or increase) in the US dollar relative to the Canadian

## **ALGOMA STEEL GROUP INC.**

### **Notes to the Consolidated Financial Statements**

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#### **31. FINANCIAL INSTRUMENTS** *(continued)*

dollar for the year ended March 31, 2024 would not have decreased (or increased) income (loss) from operations.

##### **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 nine month period ended December 31, 2024 and March 31, 2024, a one percent increase (or decrease) in interest rates would have decreased (or increased) net income (loss) by approximately nil.

##### **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 27. 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 December 31, 2024 and March 31, 2024, the Company had no commodity-based swap contracts.

#### **32. OTHER INCOME**

During the nine month period ended December 31, 2024, the Company recognized \$32.1 million of insurance proceeds and a gain of \$0.6 million for change in fair value of derivative asset in other income. For the year ended March 31, 2024, other income was nil.

#### **33. WARRANT LIABILITY**

As at December 31, 2024, 24,178,999 Warrants remain outstanding with an estimated fair value of US \$1.50 per Warrant based on the market price of the Warrants, for which the Company recognized a liability of \$52.2 million (US \$36.3 million) (March 31, 2024 - \$44.9 million; US \$33.1 million). For the nine month period ended December 31, 2024, a loss of \$4.0 million on change in the fair value of the warrant liability is presented in the consolidated statements of net (loss) income. For the year ended March 31, 2024, a gain of \$12.1 million on change in the fair value of the warrant liability is presented in the consolidated statements of net (loss) income. The Warrants will expire on October 19, 2026.

#### **34. EARNOUT LIABILITY**

As at December 31, 2024, 719,547 earnout rights remain outstanding with an estimated fair value of US \$9.78 per unit based on the market price of the Company's common shares, for which an earnout liability of \$10.1 million (US \$7.0 million) (March 31, 2024 - \$13.8 million; US \$10.2 million) was recognized on the consolidated statements of financial position. 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. During the year ended March 31, 2024, 288,164 earnout rights were settled for common shares and 90,397 earnout rights were cancelled to settle withholding taxes. Loss on change in the fair value of the earnout liability for the nine month period ended December 31, 2024 of \$2.4 million is presented in the consolidated statements of net (loss) income. Loss on change in the fair value of the

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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#### 34. EARNOUT LIABILITY *(continued)*

earnout liability for the year ended March 31, 2024 of \$0.1 million is presented in the consolidated statements of net (loss) income.

Continuity of earnout rights are as follows:

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
Opening balance	1,196,157	1,537,184
Dividend equivalents and other adjustments	16,176	37,534
Vested and settled	(320,000)	(288,164)
Cancellations	<u>(172,786)</u>	<u>(90,397)</u>
Ending balance	<u>719,547</u>	<u>1,196,157</u>

#### 35. SHARE-BASED PAYMENT COMPENSATION LIABILITY

##### *Replacement Long Term Incentive Plan ("LTIP") Awards*

As at December 31, 2024, 2,451,970 Replacement LTIP Awards remain outstanding with an estimated fair value of US \$9.78 per unit based on the market price of the Company's common shares, for which the Company recognized a liability of \$34.5 million (US \$24.0 million) (March 31, 2024 - \$31.9 million; US \$23.6 million) in share-based payment compensation liability on the consolidated statements of financial position. 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. During the year ended March 31, 2024, 176,104 units were settled for common shares and 180,796 were cancelled to settle withholding taxes. Loss on change in the fair value of the share-based payment compensation liability for the nine month period ended December 31, 2024 of \$5.3 million is presented in the consolidated statements of net (loss) income. Loss on change in the fair value of the share-based payment compensation liability for the year ended March 31, 2024 of \$1.2 million is presented in the consolidated statements of net (loss) income.

Continuity of Replacement LTIP units are as follows:

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
Opening balance	2,776,868	3,059,643
Dividend equivalents and other adjustments	20,675	74,126
Vested and settled	(297,953)	(176,104)
Cancellations	<u>(47,620)</u>	<u>(180,796)</u>
Ending balance	<u>2,451,970</u>	<u>2,776,868</u>

#### 36. 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

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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

#### 36. KEY MANAGEMENT PERSONNEL *(continued)*

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.

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

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
Salaries and benefits	\$ 7.0	\$ 5.7
Director fees	1.2	2.5
Share-based compensation (Note 37)	5.8	5.4
	<b>\$ 14.0</b>	<b>\$ 13.6</b>

#### 37. 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 Restricted Share Units ("RSU"), DSUs, Performance Share Units ("PSU") 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 nine month period ended December 31, 2024, the Company recorded a share-based payment compensation expense of \$1.7 million in administrative and selling expense on the consolidated statements of net (loss) income and contributed deficit on the consolidated statements of financial position. For the year ended March 31, 2024, the Company recorded a share-based payment compensation expense of \$2.2 million in administrative and selling expense on the consolidated statements of net (loss) income and contributed deficit on the consolidated statements of financial position.

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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#### 37. SHARE-BASED COMPENSATION *(continued)*

Continuity of deferred share units are as follows:

	Nine months ended December 31, 2024	Year ended March 31, 2024
Opening balance	344,768	215,628
Granted	130,772	187,549
Dividend equivalents and other adjustments	4,941	12,511
Vested and settled	-	(70,920)
Ending balance	<u>480,481</u>	<u>344,768</u>

#### *Restricted share units and performance share units*

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 RSUs and PSUs vest on March 15, 2024 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. 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

## ALGOMA STEEL GROUP INC.

### Notes to the Consolidated Financial Statements

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#### 37. SHARE-BASED COMPENSATION *(continued)*

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.

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 assumptions used to estimate the fair value of the PSUs are as follows:

	<b>December 31, 2024</b>	March 31, 2024
Common share price	<b>\$13.81</b>	\$ -
20-day VWAP as at April 1, 2024	<b>\$10.72</b>	\$ -
Term (in years)	<b>3.0</b>	-
Common share expected volatility	<b>41.03%</b>	-
Expected risk-free interest rate	<b>3.09%</b>	-

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 nine month period ended December 31, 2024, the Company recorded share-based payment compensation expense of \$11.4 million in administrative and selling expenses on the consolidated statements of net (loss) income and contributed deficit on the consolidated statements of financial position. For the year ended March 31, 2024, the Company recorded share-based payment compensation expense of \$3.0 million in administrative and selling expenses on the consolidated statements of net (loss) income and contributed deficit on the consolidated statements of financial position.

Continuity of RSUs are as follows:

	<b>Nine months ended December 31, 2024</b>	Year ended March 31, 2024
Opening balance	<b>607,252</b>	144,682
Granted	<b>569,536</b>	457,935
Dividend equivalents and other adjustments, net of cancellations	<b>(67,202)</b>	4,635
Vested and settled	<b>(64,280)</b>	-
Ending balance	<b><u>1,045,306</u></b>	<u>607,252</u>

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### Notes to the Consolidated Financial Statements

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#### 37. SHARE-BASED COMPENSATION (continued)

Continuity of PSUs are as follows:

	Nine months ended December 31, 2024	Year ended March 31, 2024
Opening balance	231,898	178,407
Granted	953,783	404,211
Awards not eligible for vesting	-	(325,390)
Dividend equivalents and other adjustments, net of cancellations	(63,146)	(25,331)
Vested and settled	(73,496)	-
Ending balance	<u>1,049,039</u>	<u>231,898</u>

#### 38. DIVIDENDS

Record date	Payment date	Total Dividends on Common Stock
July 2, 2024	July 19, 2024	\$ 7.1
August 23, 2024	September 27, 2024	7.1
November 27, 2024	December 27, 2024	7.3
		<u>\$ 21.5</u>

During the nine month period ended December 31, 2024, the Company paid ordinary dividends to common shareholders on a quarterly basis at US \$0.05 per common share in the aggregate amount of \$21.5 million (March 31, 2024 - \$27.9 million), recorded as a distribution through retained earnings.

#### 39. SUBSEQUENT EVENT

On February 1, 2025, President Trump issued three Executive Orders implementing tariff actions pursuant to the International Emergency Economic Powers Act against imported products of Canada (25% on all products except energy products at 10%), Mexico (25%) and China (10%), beginning March 4, 2025. On March 6, 2025 President Trump announced a delay for tariffs on United States-Mexico-Canada Agreement ("USMCA") compliant goods for Canada and Mexico until April 2, 2025. President Trump also directed the U.S. Trade Representative to review the new USMCA trade agreement, and the United States has launched analyses of additional sectoral tariffs (e.g., steel, aluminum, semiconductors, copper, oil & gas, and pharmaceuticals). On March 12, 2025, President Trump by executive order imposed 25% ad valorem tariffs for steel articles, aluminum articles, and steel and aluminum derivatives (i.e., "downstream" articles), without exclusions, pursuant to Section 232 of the Trade Expansion Act of 1962. The Company is currently assessing the impact of these tariffs. Although the tariffs are expected to have a material impact, an estimate of the financial impact cannot be made at this time.