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

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**FORM 6-K**

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

For the month of August 2024

Commission File Number 001-40924

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**ALGOMA STEEL GROUP INC.**

(Exact name of Registrant as specified in its charter)

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N/A

(Translation of Registrant's name into English)

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

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

Form 20-F

Form 40-F

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**INCORPORATION BY REFERENCE**

Exhibits 99.2 and 99.3 of this Form 6-K are incorporated by reference into the Registration Statement on Form S-8 (Commission File No. 333-264063) and the Registration Statement on Form F-10 (Commission File No. 333-272816) of the Registrant, Algoma Steel Group Inc.

## EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
99.1	<a href="#">Press release dated August 13, 2024.</a>
99.2	<a href="#">Management's discussion and analysis for the three months ended June 30, 2024.</a>
99.3	<a href="#">Condensed interim consolidated financial statements for the three months ended June 30, 2024.</a>

**SIGNATURE**

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

**Algoma Steel Group Inc.**

Date: August 14, 2024

By: /s/ John Naccarato

Name: John Naccarato

Title: Vice President Strategy and Chief Legal Officer



MEDIA RELEASE  
August 13, 2024

## Algoma Steel Group Reports Fiscal First Quarter 2025 Financial Results

### *First Quarter Results In-Line with Previously Announced Outlook*

*Completed Plate Mill Upgrade, Ramping Production Towards Expected Annual Run Rate Capacity of Over 650,000 NT*

*Continued to Significantly De-risk Transformative Electric Arc Furnace Project as Construction Continues on Schedule*

*Announces Intention to Relaunch Normal Course Issuer Bid*

SAULT STE. MARIE, ONTARIO (August 13, 2024) – Algoma Steel Group Inc. (NASDAQ: ASTL; TSX: ASTL) (“Algoma” or “the Company”), a leading Canadian producer of hot and cold rolled steel sheet and plate products, today announced results for its fiscal first quarter ended June 30, 2024.

Unless otherwise specified, all amounts are in Canadian dollars.

### **Business Highlights and Fiscal 2025 to Fiscal 2024 First Quarter Comparisons**

- Consolidated revenue of \$650.5 million, compared to \$827.2 million in the prior-year quarter, mainly attributable to lower steel shipments and realized prices.
- Consolidated loss from operations of \$12.5 million, compared to income of \$164.3 million in the prior-year quarter.
- Net income of \$6.1 million, compared to \$130.9 million in the prior-year quarter.
- Adjusted EBITDA of \$37.7 million and Adjusted EBITDA margin of 5.8%, compared to \$191.2 million and 23.1% in the prior-year quarter (see “Non-IFRS Measures” below).
- Cash flows generated from operations of \$12.5 million, compared to \$163.9 million in the prior-year quarter.
- Shipments of 503,152 tons, compared to 569,433 tons in the prior-year quarter.
- Paid quarterly dividend of US\$0.05/share.

Michael Garcia, the Company’s Chief Executive Officer, commented, “Our operations performed well in the quarter, delivering results that were in-line with our previously disclosed outlook. This summer has represented a period of challenging near-term steel pricing and uncertain macroeconomic conditions, but we have stayed focused on the business drivers within our control, namely the safe operation of our facilities, exceptional service to customers and the successful advancement of our capital programs.”

Mr. Garcia continued, “We have made significant progress on our two key capital projects: completing the second phase of our Plate Mill Modernization and advancing our transformative EAF project. We remain on pace to start EAF commissioning activities by calendar year-end, with steel production expected by the end

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of calendar Q1 2025. As our construction activities on the EAF project are in the home stretch, we remain on schedule and on budget. We are on the cusp of a new chapter for Algoma and believe that we are on track to deliver strong shareholder value as we transition to becoming one of North America's greenest steel producers."

### **First Quarter Fiscal 2025 Financial Results**

First quarter revenue totaled \$650.5 million, compared to \$827.2 million in the prior year quarter. As compared with the prior year quarter, steel revenue was \$597.4 million, compared to \$754.5 million, and revenue per ton of steel sold was \$1,293, compared to \$1,453.

Loss from operations was \$12.5 million, compared to income from operations of \$164.3 million in the prior-year quarter. The decrease was primarily due to lower steel shipments, due in part to an outage at the plate mill supporting the final stages of the modernization, greater consumption of purchased coke and natural gas, and weakening market conditions, which was partially offset by improvements in value-add products as a percentage of sales mix.

Net income in the first quarter was \$6.1 million, compared to net income of \$130.9 million in the prior-year quarter. The decrease was driven primarily by the factors described above under loss from operations. Net income in the quarter benefitted from foreign exchange gains, changes in fair value of warranty liability, and income tax recovery.

Adjusted EBITDA in the first quarter was \$37.7 million, compared with \$191.2 million for the prior-year quarter. This resulted in an Adjusted EBITDA margin of 5.8%. Average realized price of steel net of freight and non-steel revenue was \$1,187 per ton, compared to \$1,325 per ton in the prior-year quarter. Cost per ton of steel products sold was \$1,069, compared to \$950 in the prior-year quarter. Shipments for the first quarter decreased by 11.6% to 503,152 tons, compared to 569,433 tons in the prior-year quarter. See "Non-IFRS Measures" below for an explanation of Adjusted EBITDA and a reconciliation of net income to Adjusted EBITDA.

### **Electric Arc Furnace**

The Company has made substantial progress on the construction of two new state of the art electric arc furnaces ("EAF") to replace its existing blast furnace and basic oxygen steelmaking operations. The project timing and budget remain consistent with the outlook provided in the fiscal fourth quarter 2024 earnings release. As of June 30, 2024, the cumulative investment in the project was approximately \$611 million, including approximately \$48.4 million during the fiscal first quarter. The project continues to advance, with approximately \$850 million of the budgeted project cost having been contracted and the remaining project commitments expected to be finalized over the next quarter. The Company expects to utilize the full project budget of up to \$875 million. The completion of the EAF project is expected to be funded with cash-on-hand, cash generated through operations, and available borrowings under the Company's existing undrawn credit facility.

Following the transformation to EAF steelmaking, the Company is anticipated to have an annual raw steel production capacity of approximately 3.7 million tons, matching its downstream finishing capacity of over 3 million tons, which is expected to reduce the Company's annual carbon emissions by approximately 70%.

**Balance Sheet and Liquidity**

On April 5, 2024, the Company's indirect wholly-owned subsidiary and operating company, Algoma Steel Inc. ("ASI"), issued an aggregate of US\$350.0 million of 9.125% Senior Secured Second Lien Notes due April 15, 2029 (the "Notes"). ASI intends to use the net proceeds from the offering of the Notes for general corporate purposes, adding strength and flexibility to its balance sheet. At quarter end, the Company had cash of \$493.4 million and unused availability under its Revolving Credit Facility of \$351.1 million.

**Quarterly Dividend**

The Board has declared a regular quarterly dividend in the amount of US\$0.05 on each common share outstanding, payable on September 27, 2024 to holders of record of common shares of the Corporation as of the close of business on August 23, 2024. This dividend is designated as an "eligible dividend" for Canadian income tax purposes.

**Normal Course Issuer Bid**

The Company intends to file with the Toronto Stock Exchange ("TSX") a notice of intention to commence a normal course issuer bid ("NCIB"), as part of its overall capital allocation strategy.

If accepted by the TSX, the Company would be permitted under the NCIB to purchase for cancellation, through the facilities of the TSX, alternative Canadian trading systems or The NASDAQ Stock Market ("Nasdaq"), up to 5% of the Company's outstanding common shares and up to 5% of the Company's outstanding warrants as of the commencement of the NCIB during the 12 months following such TSX acceptance. The exact number of common shares and warrants subject to the NCIB will be determined on the date of acceptance of the notice of intention by the TSX.

The NCIB will be effected in accordance with the TSX's NCIB rules and applicable U.S. securities laws, which contain, among other things, restrictions on the number of common shares and/or warrants that may be purchased on a single day, subject to certain exceptions for block purchases, based on the average daily trading volumes of the Company's common shares and/or warrants on the applicable exchange.

All common shares and warrants purchased by the Company under the NCIB will be purchased at prevailing market prices. The actual number of common shares and warrants that may be purchased, and the timing of any such purchases, will be determined by the Company, subject to the applicable terms and limitations of the NCIB (including any automatic repurchase plan adopted in connection therewith). All common shares and warrants acquired by the Company under the NCIB will be cancelled.

The Company intends to commence the NCIB two trading days after TSX acceptance of the NCIB. The NCIB will terminate one year after its commencement, or earlier if the maximum number of common shares and warrants under the NCIB have been purchased. Although the Company has a present intention to acquire its common shares and warrants pursuant to the NCIB, the Company will not be obligated to make any purchases and purchases may be suspended by the Company at any time. The Company reserves the right to terminate the NCIB earlier if it determines that it is appropriate to do so.

In connection with the NCIB program, the Company intends to enter into an automatic repurchase plan with its designated broker to allow for purchases of its common shares and warrants during certain pre-determined

black-out periods, subject to certain parameters as to price and number of common shares and warrants. Outside of these pre-determined black-out periods, common shares and warrants may be repurchased in accordance with management's discretion, subject to applicable law.

The Company reviews all elements of its capital allocation strategy on an ongoing basis. The Company continues to focus on supporting its EAF project; however, the Company plans to commence the NCIB because it believes that the market price of its common shares and warrants may not, from time to time, fully reflect their value and accordingly the purchase of common shares and/or warrants would be in the best interests of the Company and an attractive use of available funds.

### **Conference Call and Webcast Details**

A webcast and conference call will be held on Wednesday, August 14, 2024 at 11:00 a.m. EDT to review the Company's fiscal first quarter results, discuss recent events, and conduct a question-and-answer session.

The live webcast and archived replay of the conference call can be accessed on the Investors section of the Company's website at [www.algoma.com](http://www.algoma.com). For those unable to access the webcast, the conference call will be accessible domestically or internationally by dialing 877-425-9470 or 201-389-0878, respectively. Upon dialing in, please request to join the Algoma Steel First Quarter Conference Call. To access the replay of the call, dial 844-512-2921 (domestic) or 412-317-6671 (international) with passcode 13747613.

### **Consolidated Financial Statements and Management's Discussion and Analysis**

The Company's unaudited condensed interim financial statements for the three month periods ended June 30, 2024 and, 2023, and Management's Discussion & Analysis thereon are available under the Company's profile on the U.S. Securities and Exchange Commission's ("SEC") EDGAR website at [www.sec.gov](http://www.sec.gov) and under the Company's profile on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com). These documents are also available on the Company's website, [www.algoma.com](http://www.algoma.com), and shareholders may receive hard copies of such documents free of charge upon request by contacting [IR@algoma.com](mailto:IR@algoma.com).

### **Cautionary Statement Regarding Forward-Looking Statements**

This news release contains "forward-looking information" under applicable Canadian securities legislation and "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 (collectively, "forward-looking statements"), including statements regarding fiscal 2025 first quarter total steel shipments and Adjusted EBITDA, trends in the pricing of steel, Algoma's expectation to continue to pay a quarterly dividend, Algoma's transition to EAF steelmaking, including the progress, costs and timing of completion of the Company's EAF project and its annual raw steel production capacity and reduced carbon emissions upon completion of the EAF project, Algoma's intention to file and commence the NCIB, including its intention to enter into an automatic repurchase plan, Algoma's future as a leading producer of green steel, Algoma's modernization of its plate mill facilities, transformation journey, ability to deliver greater and long-term value, ability to offer North America a secure steel supply and a sustainable future, and investment in its people, and processes, and statements regarding the intended use of proceeds from the Company's credit facilities and the issuance of the Notes, and the Company's strategy, plans or future financial or operating performance. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "design," "pipeline," "may,"

“should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions. Forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions. Many factors could cause actual future events to differ materially from the forward-looking statements in this document. Readers should also consider the other risks and uncertainties set forth in the section entitled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Information” in Algoma’s Annual Information Form, filed by Algoma with applicable Canadian securities regulatory authorities (available under the company’s SEDAR profile at [www.sedar.com](http://www.sedar.com)) and with the SEC, as part of Algoma’s Annual Report on Form 40-F (available at [www.sec.gov](http://www.sec.gov)), as well as in Algoma’s current reports with the Canadian securities regulatory authorities and SEC. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and Algoma assumes no obligation and does not intend to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

### **Non-IFRS Financial Measures**

To supplement our financial statements, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”), we use certain non-IFRS measures to evaluate the performance of Algoma. These terms do not have any standardized meaning prescribed within IFRS and, therefore, may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of our financial performance from management’s perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

Adjusted EBITDA, as we define it, refers to net income (loss) before amortization of property, plant, equipment and amortization of intangible assets, finance costs, interest on pension and other post-employment benefit obligations, income taxes, foreign exchange loss (gain), finance income, carbon tax, changes in fair value of warrant, earnout and share-based compensation liabilities, transaction costs, earnout and share-based compensation liabilities, transaction costs, listing expense, past service costs – pension, past service costs – post-employment benefits and share-based compensation related to performance share units. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue for the corresponding period. Adjusted EBITDA is not intended to represent cash flow from operations, as defined by IFRS, and should not be considered as alternatives to net profit (loss) from operations, or any other measure of performance prescribed by IFRS. Adjusted EBITDA, as we define and use it, may not be comparable to Adjusted EBITDA as defined and used by other companies. We consider Adjusted EBITDA to be a meaningful measure to assess our operating performance in addition to IFRS measures. It is included because we believe it can be useful in measuring our operating performance and our ability to expand our business and provide management and investors with additional information for comparison of our operating results across different time periods and to the operating results of other companies. Adjusted EBITDA is also used by analysts and our lenders as a measure of our financial performance. In addition, we consider Adjusted EBITDA margin to be a useful measure of our operating performance and profitability across different time periods that enhance the comparability of our results. However, these measures have limitations as analytical tools and should not be considered in isolation from, or as alternatives to, net income, cash flow from operations or other data prepared

in accordance with IFRS. Because of these limitations, such measures should not be considered as measures of discretionary cash available to invest in business growth or to reduce indebtedness. We compensate for these limitations by relying primarily on our IFRS results using such measures only as supplements to such results. See the financial tables below for a reconciliation of net income (loss) to Adjusted EBITDA.

### **About Algoma Steel Group Inc.**

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

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

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

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

<u>As at,</u> expressed in millions of Canadian dollars	<u>June 30,</u> <u>2024</u>	March 31, <u>2024</u>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 493.4	\$ 97.9
Restricted cash	3.9	3.9
Taxes receivable	15.4	20.0
Accounts receivable, net	273.6	246.7
Inventories, net	799.6	807.8
Prepaid expenses and deposits	51.7	80.5
Other assets	5.8	5.7
<b>Total current assets</b>	<b>\$1,643.4</b>	<b>\$1,262.5</b>
<b>Non-current</b>		
Property, plant and equipment, net	\$1,471.6	\$1,405.2
Intangible assets, net	0.6	0.7
Other assets	7.6	7.6
<b>Total non-current assets</b>	<b>\$1,479.8</b>	<b>\$1,413.5</b>
<b>Total assets</b>	<b>\$3,123.2</b>	<b>\$2,676.0</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Bank indebtedness	\$ 0.3	\$ 0.3
Accounts payable and accrued liabilities	256.8	286.8
Taxes payable and accrued taxes	42.2	30.1
Current portion of other long-term liabilities	2.9	1.4
Current portion of governmental loans	20.0	16.2
Current portion of environmental liabilities	2.9	3.1
Warrant liability	29.8	44.9
Earnout liability	11.2	13.8
Share-based payment compensation liability	26.5	31.9
<b>Total current liabilities</b>	<b>\$ 392.6</b>	<b>\$ 428.5</b>
<b>Non-current</b>		
Senior secured lien notes	\$ 469.4	\$ 0.0
Long-term governmental loans	129.1	127.4
Accrued pension liability	217.4	238.0
Accrued other post-employment benefit obligation	226.3	229.5
Other long-term liabilities	15.6	17.0
Environmental liabilities	35.7	35.2
Deferred income tax liabilities	93.7	98.0
<b>Total non-current liabilities</b>	<b>\$1,187.2</b>	<b>\$ 745.1</b>
<b>Total liabilities</b>	<b>\$1,579.8</b>	<b>\$1,173.6</b>
<b>Shareholders' equity</b>		
Capital stock	\$ 964.1	\$ 963.9
Accumulated other comprehensive income	307.7	267.1
Retained earnings	287.4	288.4
Contributed deficit	(15.8)	(17.0)
<b>Total shareholders' equity</b>	<b>\$1,543.4</b>	<b>\$1,502.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$3,123.2</b>	<b>\$2,676.0</b>

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

Three month period ended	<u>June 30,</u>	<u>June 30,</u>
expressed in millions of Canadian dollars, except for per share amounts	<u>2024</u>	<u>2023</u>
<b>Revenue</b>	<b>\$ 650.5</b>	<b>\$ 827.2</b>
<b>Operating expenses</b>		
Cost of sales	<b>\$ 633.8</b>	<b>\$ 639.5</b>
Administrative and selling expenses	<b>29.2</b>	<b>23.4</b>
<b>(Loss) income from operations</b>	<b>(\$ 12.5)</b>	<b>\$ 164.3</b>
<b>Other (income) and expenses</b>		
Finance income	<b>(\$ 5.4)</b>	<b>(\$ 3.3)</b>
Finance costs	<b>16.4</b>	<b>5.1</b>
Interest on pension and other post-employment benefit obligations	<b>5.4</b>	<b>4.8</b>
Foreign exchange (gain) loss	<b>(6.8)</b>	<b>11.0</b>
Change in fair value of warrant liability	<b>(15.6)</b>	<b>(17.5)</b>
Change in fair value of earnout liability	<b>(2.5)</b>	<b>(2.0)</b>
Change in fair value of share-based compensation liability	<b>(5.8)</b>	<b>(4.0)</b>
	<b>(\$ 14.3)</b>	<b>(\$ 5.9)</b>
<b>Income before income taxes</b>	<b>\$ 1.8</b>	<b>\$ 170.2</b>
<b>Income tax (recovery) expense</b>	<b>(4.3)</b>	<b>39.3</b>
<b>Net income</b>	<b>\$ 6.1</b>	<b>\$ 130.9</b>
<b>Net income (loss) per common share</b>		
Basic	<b>\$ 0.06</b>	<b>\$ 1.21</b>
Diluted	<b>(\$ 0.07)</b>	<b>\$ 0.85</b>

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

Three month period ended	June 30,	June 30,
expressed in millions of Canadian dollars	2024	2023
<b>Operating activities</b>		
Net income	\$ 6.1	\$ 130.9
<b>Items not affecting cash:</b>		
Depreciation of property, plant and equipment and intangible assets	33.2	23.3
Deferred income tax recovery	(5.3)	(7.0)
Pension funding (in excess of) below expense	(1.9)	1.2
Post-employment benefit funding in excess of expense	(1.7)	(1.9)
Unrealized foreign exchange (gain) loss on:		
accrued pension liability	(2.4)	4.1
post-employment benefit obligations	(2.3)	4.9
Finance costs	16.4	5.1
Loss on disposal of property, plant and equipment	1.1	—
Interest on pension and other post-employment benefit obligations	5.4	4.8
Accretion of governmental loans and environmental liabilities	3.9	3.6
Unrealized foreign exchange (gain) loss on government loan facilities	(1.3)	2.6
Decrease in fair value of warrant liability	(15.6)	(17.5)
Decrease in fair value of earnout liability	(2.5)	(2.0)
Decrease in fair value of share-based payment compensation liability	(5.8)	(4.0)
Other	1.2	1.5
	<u>\$ 28.5</u>	<u>\$ 149.6</u>
Net change in non-cash operating working capital	(15.8)	14.9
Environmental liabilities paid	(0.2)	(0.6)
<b>Cash generated by operating activities</b>	<u>\$ 12.5</u>	<u>\$ 163.9</u>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(\$ 98.3)	(\$118.6)
<b>Cash used in investing activities</b>	<u>(\$ 98.3)</u>	<u>(\$118.6)</u>
<b>Financing activities</b>		
Bank indebtedness (repaid), net	\$ —	(\$ 0.7)
Transaction costs on bank indebtedness	—	(1.0)
Senior secured lien notes issued	472.6	—
Transaction costs on senior secured lien notes	(4.1)	—
Governmental loans received	14.5	18.5
Repayment of governmental loans	(2.5)	(2.5)
Interest paid	(0.1)	(0.1)
Other	(0.5)	—
<b>Cash generated by financing activities</b>	<u>\$ 479.9</u>	<u>\$ 14.2</u>
<b>Effect of exchange rate changes on cash</b>	<u>\$ 1.4</u>	<u>(\$ 6.3)</u>
<b>Cash</b>		
Increase in cash	395.5	53.2
Opening balance	97.9	247.4
<b>Ending balance</b>	<u>\$ 493.4</u>	<u>\$ 300.6</u>

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

<i>millions of dollars</i>	Three months ended <u>June 30, 2024</u>	Three months ended <u>June 30, 2023</u>
Net income	\$ 6.1	\$ 130.9
Depreciation of property, plant and equipment and amortization of intangible assets	33.2	23.3
Finance costs	16.4	5.1
Interest on pension and other post-employment benefit obligations	5.4	4.8
Income taxes	(4.3)	39.3
Foreign exchange (gain) loss	(6.8)	11.0
Finance income	(5.4)	(3.3)
Inventory write-downs ( <i>depreciation on property, plant and equipment in inventory</i> )	6.4	0.4
Carbon tax	9.5	2.5
Decrease in fair value of warrant liability	(15.6)	(17.5)
Decrease in fair value of earnout liability	(2.5)	(2.0)
Decrease in fair value of share-based payment compensation liability	(5.8)	(4.0)
Share-based compensation	1.1	0.7
<b>Adjusted EBITDA (i)</b>	<u>\$ 37.7</u>	<u>\$ 191.2</u>
<b>Net Income Margin</b>	<u>0.9%</u>	<u>15.8%</u>
<b>Net Income / ton</b>	<u>\$ 12.1</u>	<u>\$ 229.9</u>
<b>Adjusted EBITDA Margin (ii)</b>	<u>5.8%</u>	<u>23.1%</u>
<b>Adjusted EBITDA / ton</b>	<u>\$ 74.9</u>	<u>\$ 335.8</u>

- (i) See “Non-IFRS Financial Measures” in this Press Release for information regarding the limitations of using Adjusted EBITDA.  
(ii) Adjusted EBITDA Margin is Adjusted EBITDA as a percentage of revenue.

For more information, please contact:

**Michael Moraca**  
Vice President - Corporate Development and Treasurer  
Algoma Steel Group Inc.

Phone: 705.945.3300  
E-mail: IR@algoma.com

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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

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

*The following MD&A provides the Company’s management perspective on the financial position and financial performance of the Company and its consolidated subsidiaries for the three month periods ended June 30, 2024 and June 30, 2023. This MD&A provides information to assist readers of, and should be read in conjunction with, the Company’s June 30, 2024 condensed interim consolidated financial statements and the accompanying notes thereto and the March 31, 2024 audited consolidated financial statements and the accompanying notes thereto. The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and the financial information included in this MD&A is derived from the June 30, 2024 condensed interim consolidated financial statements, except as otherwise noted.*

*This discussion of the Company’s business may include forward-looking information with respect to the Company, including its operations and strategies, as well as financial performance and conditions, which are subject to a variety of risks and uncertainties. See “Cautionary Note Regarding Forward-Looking Information” below. Readers are directed to carefully review the sections entitled “Non-IFRS Financial Measures” included elsewhere in this MD&A. For a discussion of risks and uncertainties that may affect the Company and its financial position and results, refer to “Risk Factors” in the annual information form for the year ended March 31, 2024 (the “Annual Information Form”) filed by the Company with the applicable Canadian securities regulatory authorities (available under the Company’s System for Electronic Document Analysis and Retrieval (“SEDAR+”) profile at [www.sedarplus.ca](http://www.sedarplus.ca)) and filed by the Company with the U.S. Securities and Exchange Commission (the “SEC”) as part of the Company’s annual report on Form 40-F (available on the SEC’s EDGAR website at [www.sec.gov](http://www.sec.gov)), as well as in the other documents Algoma has filed with the OSC and the SEC.*

*This MD&A is dated as of August 13, 2024. This document has been approved and authorized for issue by the Board of Directors on August 13, 2024. Events occurring after this date could render the information contained herein inaccurate or misleading in a material respect.*

**Functional Currency**

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

The currency exchange rates for the relevant periods of fiscal 2025 and fiscal 2024 are provided below:

	Average Rate		Period End Rate	
	FY2025	FY2024	FY2025	FY2024
April 1 to June 30	1.3684	1.3431	1.3687	1.3240

## Cautionary Note Regarding Forward-Looking Information

This MD&A contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and “forward-looking information” under applicable Canadian securities legislation (collectively, “forward-looking statements”), that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and strategic objectives, Algoma’s expectation to pay a quarterly dividend, the expected timing of the EAF (as defined below) transformation and the resulting increase in raw steel production capacity and reduction in carbon emissions. In some cases, you can identify forward-looking statements by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “pipeline,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result” or the negative of these terms or other similar expressions. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances. In addition, our business and operations involve numerous risks and uncertainties, many of which are beyond our control, which could result in our expectations not being realized or otherwise materially affect our financial position, financial performance and cash flows. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties and should not be regarded as a representation by the Company or any other person that the anticipated results will be achieved. The Company cautions you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. Our forward-looking statements are not guarantees of future performance, and actual events, results and outcomes may differ materially from our expectations suggested in any forward-looking statements due to a variety of factors, including, among others, those set forth in the section entitled “Risk factors” in our AIF for the year ended March 31, 2024. Although it is not possible to identify all of these factors, they include, among others, the following:

- future financial performance;
- future cash flow and liquidity;
- future capital investment;
- our ability to operate our business, remain in compliance with debt covenants and make payments on our indebtedness, with a substantial amount of indebtedness;
- restrictive covenants in debt agreements limit our discretion to operate our business;
- significant domestic and international competition;
- macroeconomic pressures in the markets in which we operate;
- increased use of competitive products;
- a protracted fall in steel prices resulting in reduced revenue and/or impairment of assets;
- excess capacity, resulting in part from expanded production in China and other developing economies;
- low-priced steel imports and decreased trade regulation, tariffs and other trade barriers;
- protracted declines in steel consumption caused by poor economic conditions in North America or by the deterioration of the financial position of our key customers;
- increases in annual funding obligations resulting from our under-funded Pension Plans and Wrap Plan;
- supply and cost of raw materials and energy;
- impact of a downgrade in credit rating, including on access to sources of liquidity;
- currency fluctuations, including an increase in the value of the Canadian dollar against the U.S. dollar;
- environmental compliance and remediation;
- unexpected equipment failures and other business interruptions;
- a protracted global recession or depression;
- changes in or interpretation of royalty, tax, environmental, greenhouse gas (“GHG”), carbon, accounting and other laws or regulations, including potential environmental liabilities that are not covered by an effective indemnity or insurance;

- risks associated with existing and potential lawsuits and regulatory actions against the Company;
- impact of disputes arising with our partners;
- our ability to implement and realize our business plans, including our ability to complete our transition to electric arc furnace (“EAF”) steelmaking on time and at its anticipated cost;
- our ability to operate the EAF;
- expected increases in liquid steel capacity as a result of the transformation to EAF steelmaking;
- expected cost savings associated with the transformation to EAF steelmaking;
- expected reduction in carbon dioxide (“CO2”) emissions associated with the transformation to EAF steelmaking, including with respect to the impact of such reduction on the Federal SIF EAF Loan and carbon taxes payable;
- the risks that higher cost of internally generated power and market pricing for electricity sourced from our current grid in Northern Ontario could have an adverse impact on our production and financial performance;
- the risks that indigenous groups’ claims and rights to consultation and accommodation may affect our ability to complete the EAF Transformation;
- access to an adequate supply of the various grades of steel scrap at competitive prices;
- the risks associated with the steel industry generally;
- economic, social and political conditions in North America and certain international markets;
- changes in general economic conditions, including ongoing market uncertainty and global geopolitical instability;
- risks associated with inflation rates;
- risks inherent in the Corporation’s corporate guidance;
- failure to achieve cost and efficiency initiatives;
- risks inherent in marketing operations;
- risks associated with technology, including electronic, cyber and physical security breaches;
- construction risks, including delays and cost overruns;
- our ability to enter into contracts to source steel scrap and the availability of steel scrap;
- the availability of alternative metallic supply;
- the Company’s expectation to declare and pay a quarterly dividend;
- the limited functionality of the coke oven batteries as production has not yet returned to full pre-outage levels, with a full scope of work to be completed in the coming months;
- business interruption or unexpected technical difficulties, including impact of weather;
- counterparty and credit risk;
- labour interruptions and difficulties; and
- changes in our credit ratings or the debt markets.

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

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

## Overview of the Business

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

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

## Strategic Initiatives

### *Electric Arc Furnace (“EAF”) Transformation Project*

On November 10, 2021, the Company’s Board of Directors authorized the Company’s transformation to electric arc steelmaking (the “EAF Transformation Project”), including the construction of two state-of-the-art electric-arc-furnaces to replace its existing No. 7 blast furnace and steelmaking operations (“BF7 Steelmaking”). The transformation to EAF Steelmaking is expected to decrease our annual carbon emissions by 70% compared to BF7 Steelmaking. Construction on our EAF Transformation Project began in April 2022 and the commencement of start-up activities are expected to begin prior to the end of the calendar year 2024. Through our transition to EAF Steelmaking we will contribute to the transition to a low carbon economy and support Canada in achieving its commitments under the Paris Agreement.

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

The EAF Transformation Project is expected to improve product mix, reduce fixed costs, provide significant carbon tax savings, increase production capacity and decrease the Company’s environmental footprint. The Company anticipates a 30-month construction phase for the EAF facility, with construction having started in April 2022 and commencement of commissioning activities to begin prior to calendar year-end 2024, and beginning to scale-up EAF operations thereafter. The Company has approval from the electricity regulators to connect the EAFs to the current 115kV electricity grid with the internal power generation asset known as Lake Superior Power (the “LSP Plant”). As the EAFs are scaled-up after commissioning, Algoma anticipates reduced dependency on its legacy BF7 Steelmaking operations.

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

### Technology

On December 2, 2021, the Company announced that it had selected Danieli & C. Officine Meccaniche S.p.A. (“Danieli”) as the sole technology provider for the EAF steelmaking facility. In connection with this agreement, Danieli will supply its latest technology solutions including AC-Digimelter technology powered by Q-One digital power systems and Q-SYM automated scrap yard. Various EAF and power components have been received on the Company’s site ready for installation, including two EAF charging cranes with lifting capacity of 570 short tons each to facilitate further installation of the EAF components.

### Construction and Environmental Permitting

The contract for the structural building integrating the EAF Transformation Project was awarded on April 25, 2022, to Hamilton, Ontario-based Walters Group Inc. (“Walters”). Walters has been responsible for fabricating and erecting the main building envelope and structure in addition to the necessary emissions collection hoods. Pursuant to the fixed-price contract, Walters used Algoma’s steel plate products in the fabrication of heavy structural components, and has worked with local industrial contractor, SIS Manufacturing Inc., for the fabrication of these key elements. As of June 30, 2024, all EAF building structural steel has been erected.

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

The Company is progressing its applications for environmental operational permits through the Province’s Ministry of Environment, Conservation and Parks. The Company received ECA 5691-CJGK54 (as amended) for industrial sewage works for the disposal of process effluent and non-contact cooling water. Algoma will be subject to an Integrated Mill Technical Standard for air contaminants compliance until we are 100% EAF cold-charged metallics.

### Budget and Project Financing

As previously updated, the Company plans to invest approximately C\$825-C\$875 million in the EAF Transformation Project, funded with previously announced financing commitments below, proceeds from the Merger, cash on hand and cash from operations.

The Company previously secured an agreement with the Government of Canada through the Ministry of Innovation, Science and Economic Development Canada (ISED), whereby the Company will receive up to C\$200.0 million in the form of a loan to support the EAF Transformation Project. The loan is provided through the Net Zero Accelerator Initiative of the Federal Strategic Innovation Fund (the “Federal SIF” and such loan, the “Federal SIF EAF Loan”). The repayment period will commence upon the earlier of the Company having access to full power from the provincial electricity grid to operate the EAF independently, or January 1, 2030. The annual repayment is further dependent on the Company’s performance in reducing its GHG emissions. As of June 30, 2024, the Company has received C\$154.6 million from the Federal SIF EAF Loan.

In addition, the Company previously entered into an agreement (the “CIB Loan”) with the Canada Infrastructure Bank (“CIB”) with access up to C\$220 million in loan financing towards the EAF Transformation Project. Pursuant to its terms, the CIB credit availability was reduced as a result of share repurchases and dividends paid by the Company, and the loan was undrawn as of March 31, 2024 with limited credit availability remaining. Given that the Company did not expect to draw on the CIB Loan, the parties agreed to terminate the agreement on March 7, 2024.

The EAF Transformation project continues to advance, with approximately C\$853 million of the budgeted project cost contracted. The Company continues to expect that the completion of the EAF project will be funded with cash-on-hand, cash generated through operations, and available borrowings under the Company’s existing undrawn credit facility.

From the inception of the EAF Transformation Project through June 30, 2024, the Company invested a total of C\$611.2 million (excluding the benefit of Government loans). As of June 30, 2024, the Company had C\$45.4 million in total available Government financing under the Federal SIF EAF Loan.

## Access to Electricity

The Company upgraded its LSP Plant with two LM6000PC aeroderivative gas turbines, multiple control systems, and a full rewind of the No. 2 generator to provide 110-115 MW towards the operation of the EAFs. The LSP Plant combined with current 115kV grid power are expected to provide sufficient power to run both electric arc furnaces in an alternating mode, thereby allowing the Company to produce the same volume of steel as produced today from its BF7 Steelmaking operations. As of March 31, 2024, the Company has approval from the Independent Electricity System Operator (“IESO”, through CAA ID: 2021-694 and 2021-695) to connect the EAFs to the current 115kV electricity grid with the LSP Plant.

The Company is progressing its discussions with the IESO, Ontario independent electricity regulator, as well as with the Ministry of Energy in respect of securing more grid power to realize the full potential of the EAF Transformation Project. On September 28, 2023, the Company received conditional approval of the next phase of the Company’s EAF Connection Proposal (CAA ID: 2021-704), providing for connecting the EAF load facility with electricity supplied from the proposed local 230kV transmission line to be constructed and operated by PUC Transmission LP.

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

## *Iron Ore Extension*

On October 2, 2023, the Company announced a two-year extension of its existing iron ore purchase contract with United States Steel Corporation (“U. S. Steel”) (NYSE: X), with an option to further extend for a third year solely at Algoma’s discretion. The extended purchase contract is anticipated to cover the expected volumes of iron ore required to complete Algoma’s transition from blast furnace to EAF steelmaking.

The extension with U. S. Steel represents another strategic milestone for Algoma as it continues on its transformative journey toward sustainable steel production through EAF steelmaking.

## *Plate Mill Modernization*

In 2019, the Company started a plate mill modernization project (the “PMM Project”) which is to be completed in two phases and plans to invest a total of approximately C\$135 million, which will be partly funded by government loan facilities totalling approximately C\$50 million. This strategic initiative will enhance the capacity and quality of the Company’s discrete plate product line, which is a differentiated product capability and a key source of competitive advantage. The PMM Project will allow the Company to satisfy higher product quality requirements of its customers with respect to surface and flatness, increase high strength capability with availability of new grades, ensure reliability of plate production with direct ship capability and increase overall plate shipment capacity through debottlenecking and automation.

The modernization process is comprised of two phases: the first being a quality focus and the second phase a productivity focus. The first phase has been completed, and focused on quality, with installation and commissioning upgrades of a new primary slab de-scaler (to improve surface quality), automated surface inspection system (to detect and map surface quality), an in- line hot leveler (to improve flatness), and automation of the 166 inch plate mill (which expands the Company’s grade offering).

The second phase focuses on productivity enhancement and will be completed in two separate minor outages throughout 2024 to decrease commissioning risks and to provide for lesser impact to our customers. The Company has installed and is presently commissioning the inline dividing shear and plate piler. The first 20-day outage was successfully completed in April, 2024, and involved installation and commissioning upgrades of the new 4 HI DC drives, onboard descaling systems for the 2Hi roughing mill; mill alignment and work roll offset at the 4Hi mill; and new cooling beds coupling the plate mill and shear line, dividing shear, plate piler and automated marking machine. Work at the facility is now substantially complete and we expect any remaining minor items to be completed with other planned maintenance activities over the coming year.

## *Lime Production*

In June 2023, the Company completed a C\$15.4 million refurbishment project of its lime kiln production plant that processes limestone and other calcium carbonate-rich materials to produce quicklime (calcium oxide, CaO) and dolomitic lime (a mixture of calcium and magnesium oxides). Lime is an essential component of the steelmaking process, as it is used in various stages to remove impurities, control the slag composition, and adjust the chemical balance in the steelmaking process. The Company has a continuing and growing demand for lime product as it progresses through its transformation to EAF steelmaking.

### **Environmental Matters**

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

On June 9, 2022, the Company experienced an incident where an oil-based lubricant was released from our hot mill in Sault Ste. Marie. The oil entered our water treatment facility, and some quantity of the oil was discharged into the St. Mary’s River. Following the discharge, traffic on the river was temporarily halted, the local public health authority issued a water advisory and a nearby municipality issued a precautionary emergency declaration regarding its municipal water supply. We actively worked with our response partners deploying equipment and resources to contain and mitigate the effects on the waterway and neighboring communities and to clean up the released oil, while working with local, provincial, and federal regulatory authorities. The public health authorities lifted the water advisory on June 21, 2022 and the US Coast Guard did not see any impact to shoreline or marine wild life. The provincial and federal regulators each investigated this incident. The Company was recently served with one charge under the provincial Environment Protection Act and one charge under the provincial Ontario Water Resources Act in connection with the incident.

### **Fatal Incident Involving an Employee of a Contractor**

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

### **Environmental, Social and Governance (“ESG”) Report**

On August 9, 2024, Algoma published its second annual ESG report, which provides an overview of our ESG performance during fiscal year 2024. At Algoma, we firmly acknowledge that ESG factors encompass a broad spectrum of risks and opportunities, impacting not only our organization but also our valued stakeholders, including investors, customers, suppliers, employees, governments, and the communities where we operate. Our unwavering commitment is to conduct our business activities with careful and conscientious consideration of these ESG factors that drive performance, reduce risk and develop a culture of organizational excellence.

Our vision extends beyond mere corporate responsibility; we aspire to play a pivotal role in shaping a sustainable and environmentally responsible future for Canadian steel production. Algoma is actively working towards minimizing our need for coal and mined ore as critical value chain inputs in our steelmaking process by transitioning to EAF Steelmaking, which will also decarbonize our operations. This year, we made significant progress on our EAF journey. As of June 30, 2024, we have invested an estimated \$611 million in its development, which represents approximately 70–74% of the anticipated total project cost. We pledge to continually innovate and incorporate eco-friendly practices throughout our production processes. Simultaneously, we remain steadfast in our dedication to the health and safety of our workforce, the prosperity of communities we operate in, and the cultivation of a diverse, inclusive, and equitable workforce.

In 2022, we conducted a formal ESG Materiality Assessment to identify and prioritize our material ESG factors which have the greatest potential to impact the value of our Company and are of most importance to our stakeholders, ensuring that we generate lasting value for our investors while upholding our commitment to long-term sustainability. The ESG Materiality Assessment is reviewed on an annual basis and updated as needed. This foundational work forms the bedrock of our overarching ESG strategy.

Transparency and accountability are integral to our ESG journey. Our reporting aligns with the Sustainability Accounting Standards Board (SASB) Standards and adheres to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to the greatest extent feasible. We are actively engaged in ongoing efforts to further harmonize our practices with these frameworks. Our second annual report provides comprehensive insights into our ESG strategy, outlines our approach to mitigating ESG risks, and underscores our commitment to harnessing ESG opportunities. Algoma notes that the ESG disclosure landscape has been evolving significantly over the past few years, notably through the establishment of the International Sustainability Standards Board (ISSB) and the ISSB's issuance of the IFRS Sustainability Disclosure Standards, as well as the ongoing work of the Canadian Sustainability Standards Board (CSSB). Algoma is committed to monitoring the evolving disclosure landscape, including regulatory requirements as they evolve.

Our ESG approach is firmly underpinned by robust governance structures that empower us to effectively oversee and manage ESG-related risks and opportunities. Our Board of Directors assumes ultimate accountability for ESG factors, including those related to climate change. The Nominating and Governance Committee plays a pivotal role in supporting the Board by overseeing Algoma's ESG factors, collaborating with other Board Committees, and reporting on ESG matters to the full Board.

### **Impact on Operations**

On January 20, 2024, a structural corridor carrying various utilities crucial for the company's coke oven battery and blast furnace operations suffered an unexpected collapse. The collapse disrupted the flow of coke oven gas from the batteries to the rest of the steelworks, as well as a portion of the natural gas and oxygen flow to specific facilities, most critically the blast furnace. The unforeseen structural collapse did not result in any injuries, but for safety reasons, various areas near the collapse were evacuated and blast furnace operations were suspended at the time of the incident. Due to the unexpected shutdown and delayed restart, the blast furnace experienced operational challenges culminating in a chilled hearth, which suspended production for a period of three weeks, during which roughly 150,000 tons of hot metal production was lost. All necessary repairs to the blast furnace have been completed.

An independent investigation revealed an unforeseen escalating overload condition, resulting in a failure of a structural support member of the utility corridor, thereby causing the subsequent cascading collapse of other support structures. Minimal production of coke resumed at all three coke oven batteries on January 23, 2024 to maintain asset integrity. When combined with inventories on hand and the availability of third party coke supplies, the Company satisfied its coke requirements for normal steelmaking operations while the repairs to the utility corridor were completed. Significant progress has been made in the reconstruction of the utility corridor and commissioning of the suction main, and coke production levels have stabilized toward the end of the quarter at roughly 90% of pre-outage volumes. Efforts continue to restore full operational functionality to the coke oven batteries, most notably the delivery and distribution of by-product gas to the steelworks.

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

Management's current estimate for the expected combined impact of lower revenues and higher costs for the duration of the outage is in the range of C\$120.0 million to C\$130.0 million, which was concentrated heavily in the fourth quarter of fiscal 2004. This impact was driven primarily by lost shipment volume restricted by lower blast furnace production. In addition, higher production costs experienced post-chill were driven by greater reliance on purchased furnace coke and natural gas, in the absence of normal volumes of internally produced coke and by-product gasses, along with greater utilization of purchased slabs. These higher costs were mitigated in part by lower labour cost enabled by a temporary partial layoff of unionized workers.

The Company and its insurers continue to review the impact of the structural collapse and subsequent lost production as it relates to the insurance claim. As a result, no related contingent gain has been recorded as of June 30, 2024.

### **Factors Affecting Financial Performance**

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

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

Global steel production decreased 0.1% in calendar 2023 compared to calendar 2022 to 1,849.7 million metric tonnes. China represents approximately 55% of global crude steel production. (source: Worldsteel Association "December 2023 crude steel production and 2023 global crude steel production total" January 25, 2024). According to the Organization for Economic Cooperation and Development global steel market conditions remain challenging, with the latest forecasts suggesting sluggish demand growth. According to the latest available information, global steelmaking capacity remains high at 2,439.7 million metric tonnes, a level that will exceed demand by slightly more than 500 million metric tonnes. This is the equivalent to over 30 times the size of the Canadian steel industry. Additionally a total of 158.3 million metric tonnes of steel investment projects are either currently underway or in the planning stages around the world.

### **Overall Results**

#### **Net Income**

The Company's net income for the three month period ended June 30, 2024 was C\$6.1 million compared to C\$130.9 million for the three month period ended June 30, 2023, resulting in a C\$124.8 million decrease of net income. The decrease is primarily due to the decrease in income from operations (C\$176.8 million), for reasons described below in Income from Operations, and an increase in finance costs (C\$11.3 million). This was offset, in part, by an increase in income tax recovery (C\$43.6 million) and an increase in foreign exchange gain (C\$17.8 million).

## **(Loss) Income from Operations**

The Company's loss from operations for the three month period ended June 30, 2024 was C\$12.5 million compared to income from operations of C\$164.3 million for the three month period ended June 30, 2023, a decrease of C\$176.8 million. The decrease is primarily due to decreased steel shipments, due in part to an outage at the plate mill supporting the final stages of the modernization, greater consumption of purchased coke and natural gas, and weakening market conditions, which were partially offset by improvements in value-add products as a percentage of sales mix.

## **Non-IFRS Financial Measures**

In this MD&A, we use certain non-IFRS measures to evaluate the performance of the Company. These terms do not have any standardized meaning prescribed under IFRS and, therefore, may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of our financial performance from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported in accordance with IFRS. As described below, the terms "EBITDA," "Adjusted EBITDA," "Adjusted EBITDA margin," "Adjusted EBITDA per ton," "Average Net Sales Realization" ("NSR") and "Cost Per Ton of Steel Products Sold" are financial measures utilized by the Company in evaluating its financial results that are not defined by IFRS. EBITDA refers to net income or loss before depreciation of property, plant, equipment and amortization of intangible assets, finance costs, interest on pension and other post-employment benefit obligations and income taxes. Adjusted EBITDA refers to EBITDA before foreign exchange loss (gain), finance income, carbon tax, changes in fair value of warrants, earnout and share-based compensation liabilities, transaction costs and the listing expense incurred in connection with the Merger, past service costs (pension and post-employment benefits), share-based compensation related to the Company's Omnibus Long Term Incentive Plan and certain inventory write-downs. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue for the corresponding period. Adjusted EBITDA per ton is calculated by dividing Adjusted EBITDA by tons of steel products sold for the corresponding period. EBITDA and Adjusted EBITDA are not intended to represent cash flow from operations, as defined by IFRS, and should not be considered as alternatives to income from operations or any other measure of performance prescribed by IFRS. EBITDA and Adjusted EBITDA, as defined and used by the Company, may not be comparable to EBITDA and Adjusted EBITDA as defined and used by other companies.

We consider EBITDA and Adjusted EBITDA to be meaningful measures to assess our operating performance in addition to IFRS measures. These measures are included because we believe they can be useful in measuring our operating performance and our ability to expand our business and provide management and investors with additional information for comparison of our operating results across different time periods and to the operating results of other companies. EBITDA and Adjusted EBITDA are also used by analysts and our lenders as measures of our financial performance. In addition, we consider Adjusted EBITDA margin and Adjusted EBITDA per ton, to be useful measures of our operating performance and profitability across different time periods that enhance the comparability of our results. For a reconciliation of Adjusted EBITDA to its most comparable IFRS financial measures, see "Adjusted EBITDA" presented in this MD&A. Average Net Sales Realization refers to steel revenue less freight revenue per steel tons shipped. Average Net Sales Realization is included because it allows management and investors to evaluate our selling prices per ton of steel products sold, excluding the geographic impact of freight charges, in order to enhance comparability when comparing our sales performance to that of our competitors. Cost Per Ton of Steel Products Sold refers to cost of steel revenue less freight, depreciation, carbon tax and past service costs for pension and post-employment benefit adjustments (included in cost of steel revenue) per steel tons shipped. Cost Per Ton of Steel Products Sold allows management and investors to evaluate our cost of steel products sold on a per ton basis, excluding certain of the items that we exclude when calculating Adjusted EBITDA, to evaluate our operating performance and to enhance the comparability of our costs over different time periods. We consider each of Average Net Sales Realization and Cost Per Ton of Steel Products Sold to be meaningful measures to assess our operating performance in addition to IFRS measures.

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

- they do not reflect cash outlays for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, working capital;
- they do not reflect the finance costs, or the cash requirements necessary to service interest or principal payments on indebtedness;
- they do not reflect interest on pension and other post-employment benefit obligations;
- they do not reflect income tax expense or the cash necessary to pay income taxes; and
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements.

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

- they do not reflect certain non-cash items, including share-based compensation charges and the accounting for warrant, earnout and share-based payment liabilities;
- they do not reflect the impact of changes resulting from foreign exchange;
- they do not reflect the impact of carbon tax;
- they do not reflect the impact of certain inventory write-downs;
- they exclude certain non-recurring items, such as transaction costs;
- they do not reflect the impact of past service costs related to pension benefits and post-employment benefits; and
- they do not reflect the impact of other earnings or charges resulting from matters we believe not to be indicative of our ongoing operations.

Because of these limitations EBITDA, Adjusted EBITDA and the related ratios such as Adjusted EBITDA margin and Adjusted EBITDA per ton should not be considered as measures of discretionary cash available to invest in business growth or to reduce indebtedness. In addition, other companies, including other companies in our industry, may calculate these measures differently than we do, limiting their usefulness as comparative measures. We compensate for these limitations by relying primarily on our IFRS results using such measures only as a supplement.

## Steel Revenue and Cost of Sales

		change	Three months ended June 30, 2024	Three months ended June 30, 2023
<i>tons</i>				
<b>Steel Shipments</b>	i	<b>11.6%</b>	<b>503,152</b>	569,433
<i>millions of dollars</i>				
<b>Revenue</b>	i	<b>21.4%</b>	<b>C\$ 650.5</b>	C\$ 827.2
Less:				
Freight included in revenue			<b>(45.9)</b>	(52.2)
Non-steel revenue			<b>(7.2)</b>	(20.5)
<b>Steel revenue</b>	i	<b>20.8%</b>	<b>C\$ 597.4</b>	C\$ 754.5
<b>Cost of steel revenue</b>	h	<b>2.5%</b>	<b>C\$ 580.7</b>	C\$ 566.8
Depreciation included in cost of steel revenue			<b>(33.1)</b>	(23.2)
Carbon tax included in cost of steel revenue			<b>(9.5)</b>	(2.5)
<b>Cost of steel products sold</b>	i	<b>0.6%</b>	<b>C\$ 538.1</b>	C\$ 541.1
<i>dollars per ton</i>				
<b>Revenue per ton of steel sold</b>	i	<b>11.0%</b>	<b>C\$ 1,293</b>	C\$ 1,453
<b>Cost of steel revenue per ton of steel sold</b>	h	<b>16.0%</b>	<b>C\$ 1,154</b>	C\$ 995
Average net sales realization on steel sales (i)	i	10.4%	C\$ 1,187	C\$ 1,325
Cost per ton of steel products sold	h	12.5%	C\$ 1,069	C\$ 950

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

Revenue and steel revenue decreased by 21.4% and 20.8%, respectively, owing to both lower pricing and shipment volumes. The Company's average NSR on steel sales per ton shipped was C\$1,187 for the three month period ended June 30, 2024 (June 30, 2023 - C\$1,325), a decrease of 10.4%. Lower pricing was resultant from weakening market conditions, and was partially offset by improvements in value-add product mix as a proportion of steel sales. Steel shipment volumes decreased by 11.6% during the three month period ended June 30, 2024 as compared to the three month period ended June 30, 2023. Lower volume was due in part to an outage at the plate mill supporting the final stages of the modernization.

For the three month period ended June 30, 2024, the Company's cost of steel revenue increased by 2.5% to C\$580.7 million (June 30, 2023 - C\$566.8 million), while the cost of steel products sold decreased by 0.6% to C\$538.1 million (June 30, 2023 - C\$541.1 million). The increase in cost of steel revenue is mainly due to increases in carbon tax, as discussed below in Carbon Taxes, and depreciation. The decrease in cost of steel products sold, which excludes both carbon tax and depreciation, was driven mainly by lower volume of steel shipments, and was partially offset by greater consumption of purchased coke and natural gas, which were consequences of the January 20 incident, as discussed above in Impact on Operations.

### Non-steel Revenue

The Company's non-steel revenue for the three month period ended June 30, 2024 was C\$7.2 million (June 30, 2023 - C\$20.5 million). The decrease of C\$13.3 million was mainly due to decreased revenue on braize, scrap, tar, and ore fines.

## Administrative and Selling Expenses

<i>millions of dollars</i>	Three months ended June 30, 2024	Three months ended June 30, 2023
Personnel expenses	C\$ 10.7	C\$ 9.1
Share-based compensation expense	1.2	0.7
Professional, consulting, legal and other fees	4.9	3.8
Insurance	6.5	5.3
Software licenses	1.8	1.3
Amortization of intangible assets and non-production assets	0.1	0.1
Other administrative and selling	4.0	3.1
	<u>C\$ 29.2</u>	<u>C\$ 23.4</u>

As illustrated in the table above, the Company's administrative and selling expenses for the three month period ended June 30, 2024, were C\$29.2 million (June 30, 2023 - C\$23.4 million). The increase in administrative and selling expenses of C\$5.8 million is primarily due to an increase in personnel expenses (C\$1.6 million), insurance (C\$1.2 million), professional, consulting, legal and other fees (C\$1.1 million), other administrative and selling (C\$0.9 million), and software licenses (C\$0.5 million).

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

The Company's finance costs represent interest cost on the Company's Revolving Credit Facility, Senior Secured Lien Notes (the "2029 Notes") and interest cost on the financing arrangement described in the section entitled "Capital Resources - Financial Position and Liquidity" included elsewhere in this MD&A. Finance costs also include the amortization of transaction costs related to the Company's debt facilities and the accretion of the benefits in respect of the Company's governmental loan facilities in respect of the interest free loan issued by, and the grant given by the Canadian federal government as well as the low interest rate loan issued from the Ontario provincial government, all of which are discussed below (Financial Resources and Liquidity - Cash Flow Used in Investing Activities) and the unwinding of discounts and changes in the discount rate on the Company's environmental liabilities.

<i>millions of dollars</i>	Three months ended June 30, 2024	Three months ended June 30, 2023
<i>Interest on the following facilities</i>		
Interest on Senior Secured Lien Notes	C\$ 10.3	C\$ —
Interest on financing arrangement	0.2	—
Revolving Credit Facility fees	0.6	0.6
Unwinding of issuance costs of debt facilities and accretion of governmental loan benefits and discounts on environmental liabilities	4.5	4.0
Other interest expense	0.8	0.5
	<u>C\$ 16.4</u>	<u>C\$ 5.1</u>

As illustrated in the table above, the Company's finance costs for the three month period ended June 30, 2024 were C\$16.4 million (June 30, 2023 - C\$5.1 million). The increase of C\$11.3 million in finance costs is primarily due to interest on the 2029 Notes (C\$10.3 million) and an increase in accretion of government loan benefits (C\$0.5 million).

The Company's finance income for the three month period ended June 30, 2024, was C\$5.4 million (June 30, 2023 - C\$3.3 million). The increase of C\$2.1 million in finance income is primarily due to an increase in interest income.

The Company's interest on pension and other post-employment benefit obligations for the three month period ended June 30, 2024 was C\$5.4 million (June 30, 2023 - C\$4.8 million). The increase is primarily due to an increase in discount rates as at March 31, 2024 that was used to determine the 2025 fiscal year pension benefit expense.

The Company's foreign exchange gain for the three month period ended June 30, 2024 was C\$6.8 million (June 30, 2023 - loss of C\$11.0 million). These foreign exchange movements reflect the effect of US dollar exchange rate fluctuations on the Company's Canadian dollar denominated monetary assets and liabilities.

### Pension and Post-Employment Benefits

<i>millions of dollars</i>	<b>Three months ended June 30, 2024</b>	Three months ended June 30, 2023
<i>Recognized in income before income taxes:</i>		
Pension benefits expense	<b>C\$ 6.6</b>	C\$ 6.3
Post-employment benefits expense	<b>3.5</b>	3.4
	<b>C\$ 10.1</b>	C\$ 9.7
<i>Recognized in other comprehensive income (pre-tax):</i>		
Pension benefits (gain) loss	<b>C\$ (21.4)</b>	C\$ 12.6
Post-employment benefits (gain) loss	<b>(4.1)</b>	1.8
	<b>C\$ (25.5)</b>	C\$ 14.4
	<b>C\$ (15.4)</b>	C\$ 24.1

As illustrated in the table above, the Company's pension expense for the three month periods ended June 30, 2024 and June 30, 2023 were C\$6.6 million and C\$6.3 million, respectively, representing an increase of C\$0.3 million. The Company's post-employment benefit expense for the three month periods ended June 30, 2024 and June 30, 2023 were C\$3.5 million and C\$3.4 million, respectively, representing an increase of C\$0.1 million.

As disclosed in Note 3 to the March 31, 2024 consolidated financial statements, all actuarial gains and losses that arise in calculating the present value of the defined benefit pension obligation net of assets and the defined benefit obligation in respect of other post-employment benefits, including the re-measurement components, are recognized immediately in other comprehensive income (loss).

For the three month period ended June 30, 2024, the Company recorded an actuarially determined gain to the accrued defined pension liability and accrued other post-employment benefit obligation in other comprehensive income of C\$25.5 million (June 30, 2023 - loss of C\$14.4 million), a difference of C\$39.9 million. The change is primarily due to underperforming pension assets at June 30, 2023 and a decrease in discount rates as at June 30, 2024.

### Carbon Taxes

On June 28, 2019, the Company became subject to the Federal Greenhouse Gas Pollution Pricing Act (the "Carbon Tax Act"). The Carbon Tax Act was enacted with retroactive effect to January 1, 2019. The Company has chosen to remove the costs associated with the Carbon Tax Act from Adjusted EBITDA to facilitate comparison with the results of its competitors in jurisdictions not subject to the Carbon Tax Act. Since the introduction of the Carbon Tax Act, Ontario's Emissions Performance Standards (EPS) program was developed to regulate GHG emissions from large industrial facilities by setting emissions limits that are the basis for the compliance obligations of those facilities. The program was developed as an alternative to the federal output-based pricing system (OBPS). The EPS program came into full effect on January 1, 2022 and Algoma is now subject to compliance under the EPS.

For the three month period ended June 30, 2024, total Carbon Tax recognized in cost of sales was C\$9.5 million (June 30, 2023—C\$2.5 million). The change is primarily due to an increase in carbon dioxide equivalent emissions and carbon tax per ton.

## Income Taxes

For the three month period ended June 30, 2024, the Company's deferred income tax recovery and current income tax expense were (C\$5.3) million and C\$1.0 million, respectively, compared to deferred income tax recovery and current income tax expense of (C\$7.0) million and C\$46.3 million, respectively, for the three month period ended June 30, 2023 due to income before tax of C\$1.8 million for the three month period ended June 30, 2024, compared to income before tax of C\$170.2 million for the three month period ended June 30, 2023.

## Share Capital

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

As at June 30, 2024, there were 104,123,072 common shares issued and outstanding, and no preferred shares issued and outstanding.

## Warrants

As at June 30, 2024, 24,179,000 Warrants remain outstanding with an estimated fair value of \$0.90 per Warrant based on the market price of the Warrants, for which the Company recognized a liability of C\$29.8 million (\$21.8 million) (March 31, 2024 - C\$44.9 million; \$33.1 million) in warrant liability on the condensed interim consolidated financial position. For the three month period ended June 30, 2024, a gain of C\$15.6 million (June 30, 2023 - C\$17.5 million) on change in the fair value of the warrant liability is presented in the condensed interim consolidated statements of net income. The Warrants will expire on the fifth anniversary of the merger transaction which was completed on October 19, 2021.

## Earnout

As at June 30, 2024, 1,176,157 earnout rights remain outstanding with an estimated fair value of \$6.96 per unit based on the market price of the Company's common shares, for which an earnout liability of C\$11.2 million (\$8.2 million) (March 31, 2024 - C\$13.8 million; \$10.2 million) was recognized on the condensed interim consolidated statements of financial position. For the three month period ended June 30, 2024, earnout rights were settled for 20,000 common shares. For the year ended March 31, 2024, earnout rights were settled for cash totalling C\$2.5 million. For the three month period ended June 30, 2024, a gain of C\$2.5 million (June 30, 2023 - C\$2.0 million) on change in the fair value of the earnout liability is presented in the condensed interim consolidated statements of net income.

Continuity of earnout rights are as follows:

	Three month period ended June 30, 2024	Year ended March 31, 2024
Opening balance	1,196,157	1,537,184
Dividend equivalents and other adjustments	—	37,534
Vested and settled	(20,000)	(378,561)
Ending balance	1,176,157	1,196,157

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

As at June 30, 2024, 2,776,868 Replacement LTIP Awards remain outstanding with an estimated fair value of \$6.96 per unit based on the market price of the Company's common shares, for which the Company recognized a liability of C\$26.5 million (\$19.3 million) (March 31, 2024 - C\$31.9 million; \$23.6 million) in share-based payment compensation liability on the condensed interim consolidated statements of financial position. For the three month period ended June 30, 2024, a gain of C\$5.8 million (June 30, 2023 - C\$4.0 million) on change in the fair value of the share-based payment compensation liability is presented in the condensed interim consolidated statements of net income.

Continuity of Replacement LTIP units are as follows:

	<b>Three month period ended June 30, 2024</b>	Year ended March 31, 2024
Opening balance	<b>2,776,868</b>	3,059,643
Dividend equivalents and other adjustments	—	74,126
Vested and settled	—	(356,900)
Ending balance	<b><u>2,776,868</u></b>	<b><u>2,776,868</u></b>

### Omnibus Long Term Incentive Plan (“LTIP”)

#### Deferred share units (“DSUs”)

	<b>Three month period ended June 30, 2024</b>	Year ended March 31, 2024
Opening balance	<b>344,768</b>	215,628
Granted	<b>48,278</b>	187,549
Dividend equivalents and other adjustments	—	12,511
Vested and settled	—	(70,920)
Ending balance	<b><u>393,046</u></b>	<b><u>344,768</u></b>

For the three month period ended June 30, 2024, the Company recorded a share-based payment compensation expense of C\$0.5 million (June 30, 2023 - C\$0.4 million) in administrative and selling expense on the condensed interim consolidated statements of net income and contributed deficit on the condensed interim consolidated statements of financial position.

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

	<b>Three month period ended June 30, 2024</b>	Year ended March 31, 2024
Opening balance	<b>607,252</b>	144,682
Granted based on achievement of service and performance conditions	—	457,935
Dividend equivalents and other adjustments, net of cancellations and forfeitures	—	4,635
Ending balance	<b><u>607,252</u></b>	<b><u>607,252</u></b>

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

	<b>Three month period ended June 30, 2024</b>	Year ended March 31, 2024
Opening balance	<b>231,898</b>	178,407
Granted based on achievement of service and performance conditions	—	78,821
Dividend equivalents and other adjustments, net of cancellations and forfeitures	—	(25,331)
Ending balance	<b><u>231,898</u></b>	<b><u>231,898</u></b>

For the three month period ended June 30, 2024, the Company recorded share-based payment compensation expense of C\$0.6 million (June 30, 2023 - C\$0.3 million) in administrative and selling expenses on the condensed interim consolidated statements of net income and contributed deficit on the condensed interim consolidated statements of financial position.

**Adjusted EBITDA**

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

<i>millions of dollars</i>	<b>Three months ended June 30, 2024</b>	<b>Three months ended June 30, 2023</b>
Net income	<b>C\$ 6.1</b>	<b>C\$ 130.9</b>
Depreciation of property, plant and equipment and amortization of intangible assets	<b>33.2</b>	<b>23.3</b>
Finance costs	<b>16.4</b>	<b>5.1</b>
Interest on pension and other post-employment benefit obligations	<b>5.4</b>	<b>4.8</b>
Income taxes	<b>(4.3)</b>	<b>39.3</b>
Foreign exchange (gain) loss	<b>(6.8)</b>	<b>11.0</b>
Finance income	<b>(5.4)</b>	<b>(3.3)</b>
Inventory write-downs ( <i>depreciation on property, plant and equipment in inventory</i> )	<b>6.4</b>	<b>0.4</b>
Carbon tax	<b>9.5</b>	<b>2.5</b>
Decrease in fair value of warrant liability	<b>(15.6)</b>	<b>(17.5)</b>
Decrease in fair value of earnout liability	<b>(2.5)</b>	<b>(2.0)</b>
Decrease in fair value of share-based payment compensation liability	<b>(5.8)</b>	<b>(4.0)</b>
Share-based compensation	<b>1.1</b>	<b>0.7</b>
<b>Adjusted EBITDA (i)</b>	<b>C\$ 37.7</b>	<b>C\$ 191.2</b>
<b>Net Income Margin</b>	<b>0.9%</b>	<b>15.8%</b>
<b>Net Income / ton</b>	<b>C\$ 12.1</b>	<b>C\$ 229.9</b>
<b>Adjusted EBITDA Margin (ii)</b>	<b>5.8%</b>	<b>23.1%</b>
<b>Adjusted EBITDA / ton</b>	<b>C\$ 74.9</b>	<b>C\$ 335.8</b>

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

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

Adjusted EBITDA for the three month period ended June 30, 2024 decreased by C\$153.5 million or 80% from the three month period ended June 30, 2023, and Adjusted EBITDA margin decreased 75% commensurately. In addition, Adjusted EBITDA / ton decreased by C\$261 per ton or 78%. The decrease was driven mainly by lower NSR of C\$136 per ton or 10%, a result of weakening market conditions, which was partially offset by improvements in value-add products as a percentage of sales mix. In addition, steel shipments declined by 12% or 66,281 tons, due in part to an outage at the plate mill supporting the final stages of the modernization. Finally, the cost per ton of steel products sold increased by C\$119 per ton or 13%, due to greater consumption of purchased coke and natural gas, which were consequences of the January 20 incident, as discussed above in Impact on Operations.

## Financial Resources and Liquidity

### Summary of Cash Flows

<i>millions of dollars</i>	Three months ended June 30, 2024	Three months ended June 30, 2023
<b>Cash, beginning of period</b>	<b>C\$ 97.9</b>	<b>C\$ 247.4</b>
Cash generated by (used in):		
Operating activities	12.5	163.9
Investing activities	(98.3)	(118.6)
Financing activities	479.9	14.2
Effect of exchange rate changes on cash	1.4	(6.3)
<b>Increase in cash</b>	<b>C\$ 395.5</b>	<b>C\$ 53.2</b>
<b>Cash, end of period</b>	<b>C\$ 493.4</b>	<b>C\$ 300.6</b>

As illustrated in the table above, the generation of cash for the three month period ended June 30, 2024 was C\$395.5 million (June 30, 2023 - C\$53.2 million). The increase in the generation of cash for the three month period ended June 30, 2024, as compared to the three month period ended June 30, 2023, was C\$342.3 million. Cash generated by financing activities increased by C\$465.7 million for reasons described below, cash used in investing activities decreased by C\$20.3 million for reasons described below, and the effect of exchange rate changes on cash increased by C\$7.7 million. This was offset, in part, by cash generated by operating activities decreasing by C\$151.4 million for reasons described below.

#### Cash Flow Generated by Operating Activities

For the three month period ended June 30, 2024, the cash generated by operating activities was C\$12.5 million (June 30, 2023 - C\$163.9 million). The decrease in cash generated by operating activities for the three month period ended June 30, 2024 was due primarily to the same reasons mentioned above in Income from Operations.

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

<i>millions of dollars</i>	Three months ended June 30, 2024	Three months ended June 30, 2023
Accounts receivable, net	C\$ (24.4)	C\$ (17.5)
Inventories	18.2	(52.1)
Prepaid expenses and deposits and other assets	29.7	(7.2)
Accounts payable and accrued liabilities	(55.9)	60.8
Taxes receivable	4.3	—
Taxes payable and accrued taxes	12.3	30.9
Total	<b>C\$ (15.8)</b>	<b>C\$ 14.9</b>

#### Cash Flow Used In Investing Activities

For the three month period ended June 30, 2024, cash used in investing activities was C\$98.3 million (June 30, 2023 - C\$118.6 million).

For the three month period ended June 30, 2024, property, plant and equipment were acquired at a total cost of C\$98.3 million (June 30, 2023 - C\$118.6 million).

For the three month period ended June 30, 2024, the Company had additions to property under construction for the EAF project of C\$48.4 million (June 30, 2023 - C\$85.9 million), excluding the benefits from government loans; in addition, the Company has issued \$72.1 million in letters of credit related to equipment fabrication and delivery of which \$48.1 million has been released in accordance with the terms. As at June 30, 2024, since inception of the project the Company had additions to property under construction for the EAF project of C\$611.2 million, excluding government loans received.

For the three month period ended June 30, 2024, the Company had additions to property under construction for the plate mill modernization project of C\$5.3 million (June 30, 2023—C\$3.7 million). As at June 30, 2024, since inception of the project the Company had additions for the plate mill modernization project of C\$142.7 million, excluding government loans received.

### ***Cash Flow Used In Financing Activities***

For the three month period ended June 30, 2024, cash generated by financing activities was C\$479.9 million (June 30, 2023 - C\$14.2 million). The increase in cash generated by financing activities of C\$465.7 million is primarily due to the 2029 Notes issued, net of transaction costs (C\$468.5 million).

### **Capital Resources—Financial Position and Liquidity**

The Company anticipates making approximately C\$100 million of capital expenditures annually in order to sustain existing production facilities. Furthermore, supported by its agreements with the federal and provincial governments and using the cash received as a result of the Merger, the Company anticipates making significant capital expenditures relating to its modernization and expansion program over the next five years, including substantial investment in EAF steelmaking.

The below capital sources and future cash flows from operating activities are expected to avail the Company of substantial financial resources to complete its proposed expansion plans. The Company's business generates significant cash flow and the Company does not anticipate any issues with generating sufficient cash and cash equivalents, both in the short term and the long term to meet its planned growth or to fund development activities.

As at June 30, 2024, the Company had cash of C\$493.4 million (March 31, 2024 - C\$97.9 million), and had unused availability under its Revolving Credit Facility of C\$351.1 million (\$256.4 million) after taking into account C\$59.2 million (\$43.3 million) of outstanding letters of credit. At March 31, 2024, the Company had drawn C\$0.3 million (\$0.2 million), and there was C\$347.1 million (\$256.2 million) of unused availability after taking into account C\$59.1 million (\$43.6 million) of outstanding letters of credit.

The Revolving Credit Facility is governed by a conventional borrowing base calculation comprised of eligible accounts receivable plus eligible inventory plus cash. At June 30, 2024, there was C\$0.3 million (\$0.3 million) drawn on this facility. The Company is required to maintain a calculated borrowing base. Any shortfall in the borrowing base will trigger a mandatory loan repayment in the amount of the shortfall, subject to certain cure rights including the deposit of cash into an account controlled by the agent. As at June 30, 2024, the Company has complied with these requirements.

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

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

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

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

On November 26, 2021, the Company, together with the Government of Canada, entered into an agreement of which a benefit of up to C\$420.0 million would flow to the Company in the form of a loan up to C\$200.0 million from the SIF and a loan up to C\$220.0 million from the CIB. Under the terms of the Federal SIF EAF Loan, the Company will be reimbursed for certain defined capital expenditures incurred to transition from blast furnace steel production to EAF steel production between March 3, 2021 and June 30, 2025. Annual repayments of the Federal SIF EAF Loan will be scalable based on the Company's GHG emission performance.

Pursuant to its terms, the CIB credit availability was reduced as a result of share repurchases and dividends paid by the Company, with limited credit availability remaining. Given that the Company did not expect to draw on the CIB Loan, the parties agreed to terminate the agreement on March 7, 2024.

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

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

During the three month period ended June 30, 2024, the Company declared ordinary dividends to common shareholders in the aggregate amount of C\$7.1 million (June 30, 2023 - C\$7.0 million), which were recorded as a distribution through retained earnings.

#### Contractual Obligations and Off Balance Sheet Arrangements

The following table presents, at June 30, 2024, the Company's undiscounted obligations and commitments to make future payments under contracts and contingent commitments. The following figures assume that the June 30, 2024, Canadian/US dollar exchange rate of \$1.00 = C\$0.7306 remains constant throughout the periods indicated.

<i>millions of dollars</i>	Total	Less than 1 year	Year 2	Years 3-5	More than 5 years
Bank indebtedness	C\$ 0.3	C\$ 0.3	C\$ —	C\$ —	C\$ —
Governmental loans	266.3	20.0	25.0	57.3	164.0
Financing arrangement	11.2	1.0	1.0	9.2	—
Senior Secured Lien Notes	479.0	—	—	479.0	—
Purchase obligations - non-capital	851.4	607.5	243.9	—	—
Purchase obligations - capital	197.8	197.8	—	—	—
Environmental liabilities	66.1	2.9	4.3	12.9	46.0
Lease obligations	9.4	2.2	2.1	5.1	—
<b>Total</b>	<b>C\$1,881.5</b>	<b>C\$ 831.7</b>	<b>C\$276.3</b>	<b>C\$563.5</b>	<b>C\$ 210.0</b>

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

Off balance sheet arrangements include letters of credit, and operating lease obligations as disclosed above. At June 30, 2024, the Company had C\$59.2 million (\$43.3 million) (March 31, 2024 - C\$59.1 million; \$43.6 million) of outstanding letters of credit.

As discussed above, the Company maintains defined benefit pension plans and other post-employment benefit plans. At June 30, 2024, the Company's net obligation in respect of its defined benefit pension plans was C\$217.4 million (March 31, 2024 - C\$238.0 million) and the Company's obligation in respect of its other post-employment benefits plans was C\$226.3 million (March 31, 2024 – C\$229.5 million).

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

### **Related Party Transactions**

As at June 30, 2024, there were no transactions, ongoing contractual or other commitments with related parties, except for remuneration of the Company's key management personnel.

### **Financial Instruments**

The Company's financial assets and liabilities (financial instruments) include cash, restricted cash, accounts receivable, bank indebtedness, accounts payable and accrued liabilities, warrant liability, earnout liability, long-term governmental loans, long-term debt and other financing arrangements.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Financial instruments are disclosed in Notes 24 to the June 30, 2024 condensed interim consolidated financial statements.

### **Financial Risk Management**

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

#### Credit risk

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

The maximum credit exposure at June 30, 2024 is the carrying amount of accounts receivable of C\$273.6 million (March 31, 2024 - C\$246.7 million). At June 30, 2024, there was one customer account 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 June 30, 2024, C\$2.9 million, or 1.1% (March 31, 2024 - C\$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 June 30, 2024 was C\$3.2 million (March 31, 2024 - C\$3.1 million), as disclosed in Note 9 to the June 30, 2024 condensed interim consolidated financial statements.

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

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining adequate cash balances. The Company continuously monitors and reviews actual and forecasted cash flows to ensure adequate liquidity and anticipate liquidity requirements. There have been no changes to the Company's objectives and processes for capital management as described in Note 5 to the March 31, 2024 consolidated financial statements, except for the issuance of the 2029 Notes.

#### Market risk

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

#### Currency risk

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

#### Interest rate risk

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

For the three month period ended June 30, 2024 and June 30, 2023, a one percent increase (or decrease) in interest rates would not have decreased (or increased) net income (loss).

#### Commodity price risk

The Company is subject to price risk from fluctuations in the market prices of commodities, including natural gas, iron ore and coal. The Company enters into supply agreements for certain of these commodities as disclosed in Note 20 to the June 30, 2024 condensed interim consolidated financial statements. To manage risks associated with future variability in cash flows attributable to certain commodity purchases, the Company may use derivative instruments with maturities of 12 months or less to hedge the commodity price risk associated with the cost of natural gas and the revenue on the sale of steel. At June 30, 2024 and March 31, 2024, the Company had no commodity-based swap contracts.

#### **Critical Accounting Estimates**

As disclosed in Note 4 to the March 31, 2024 consolidated financial statements, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the years.

Significant items subject to such estimates and assumptions include the going concern assessment, allowance for doubtful accounts, carrying amount and useful life of property, plant and equipment and intangible assets, defined benefit retirement plans and income tax expense and scientific research and development investment tax credits. Further, Note 3 to the March 31, 2024 consolidated financial statements discloses the basis for determining the fair value of the warrant, earnout and share-based compensation liabilities. Actual results could differ from those estimates.

#### *Allowance for doubtful accounts*

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

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

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, and whenever events or circumstances indicate a change in useful life. 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. As a result of the Company changing to 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. As a result of this change in estimate, depreciation has been increased by approximately \$1.1 million for the three month period ended June 30, 2024, with a similar impact expected on a quarterly basis until the assets are decommissioned.

#### *Impairment of property, plant and equipment and Intangible assets*

Determining whether property, plant and equipment and intangible assets are impaired requires the Company to determine the recoverable amount of the Cash Generating Unit ("CGU") to which the asset is allocated. To determine the recoverable amount of the CGU, management is required to estimate its fair value. To calculate the value of the CGU in use, management determines expected future cash flows, which involves, among other items, forecasted steel selling prices, forecasted tons shipped, costs and volume of production, growth rate, and the estimated selling costs, using an appropriate discount rate.

### *Defined Benefit Retirement Plans*

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

### *Taxation*

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

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

### **Material Accounting Policies**

The Company's condensed interim consolidated financial statements have been prepared using consistent accounting policies described in Note 3 to the Company's annual consolidated financial statements for the years ended March 31, 2024 and 2023.

### **Disclosure Controls and Procedures and Internal Controls Over Financial Reporting**

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

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

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

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### *Disclosure Controls and Procedures*

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

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

### *Internal Controls Over Financial Reporting*

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

### *Changes in Internal Controls Over Financial Reporting*

No changes were made to our ICFR during three month period ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our ICFR.

## Selected Quarterly Information

(millions of dollars, except where otherwise noted)

As at and for the three months ended<sup>1</sup>

	2025		2024				2023			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
<b>Financial results</b>										
Total revenue	C\$ 650.5	C\$ 620.6	C\$ 615.4	C\$ 732.6	C\$ 827.2	C\$ 677.4	C\$ 567.8	C\$ 599.2	C\$ 934.1	
Steel products	597.4	568.1	556.9	665.8	754.5	609.2	512.0	551.5	877.4	
Non-steel products	7.2	4.9	10.4	16.4	20.5	14.1	12.1	8.2	11.6	
Freight	45.9	47.6	48.1	50.4	52.2	54.1	43.7	39.5	45.1	
Cost of sales	633.8	585.4	623.8	664.8	639.5	630.7	611.8	569.4	576.8	
Administrative and selling expenses	29.2	32.1	28.5	31.0	23.4	25.0	21.7	24.2	28.4	
Income (loss) from operations	(12.5)	3.1	(36.9)	36.8	164.3	21.7	(65.7)	5.6	328.9	
Net income (loss)	6.1	28.0	(84.8)	31.1	130.9	(20.4)	(69.8)	87.2	301.4	
Adjusted EBITDA	C\$ 37.7	C\$ 41.5	C\$ (1.0)	C\$ 81.0	C\$ 191.2	C\$ 47.9	C\$ (35.9)	C\$ 82.7	C\$ 357.7	
<b>Per common share (diluted)<sup>3</sup></b>										
Net income (loss)	C\$ (0.07)	C\$ 0.10	C\$ (0.78)	C\$ 0.24	C\$ 0.85	C\$ (0.2)	C\$ (0.6)	C\$ 0.36	C\$ 1.49	
<b>Financial position</b>										
Total assets	C\$3,123.2	C\$2,676.0	C\$2,651.6	C\$2,713.1	C\$2,627.8	C\$2,455.6	C\$2,549.0	C\$2,716.0	C\$3,070.5	
Total non-current liabilities	1187.2	745.1	744.3	660.1	665.0	650.0	663.4	693.3	618.0	
<b>Operating results</b>										
Average NSR	C\$ 1,187	C\$ 1,260	C\$ 1,079	C\$ 1,213	C\$ 1,323	C\$ 1,066	C\$ 1,116	C\$ 1,266	C\$ 1,632	
Adjusted EBITDA per nt <sup>2</sup>	74.9	92.0	(1.9)	147.5	335.8	83.8	(78.3)	189.9	665.4	
<b>Shipping volume (in thousands of nt)</b>										
Sheet	442	381	453	485	498	505	421	411	485	
Plate	61	69	59	64	70	66	37	23	52	
Slab	—	—	4	—	2	1	1	—	—	

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

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

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

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

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

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

During Q-1 Fiscal 2024, the Company converted 35,379 DSUs to common shares. During Q-3 Fiscal 2024, Replacement LTIP and Earnout units were exercised resulting in the issuance of 435,232 common shares. During Q-4 Fiscal 2024, the Company converted 64,577 DSUs to common shares. During Q-1 Fiscal 2025, the Company converted 20,000 PSUs to common shares. At June 30, 2024, 104,123,072 common shares were outstanding.

### Trend Analysis

The Company's financial performance for the first quarter of fiscal year end 2025 ("Q1 2025") decreased from the fourth quarter of fiscal year end 2024 ("Q4 2024"), primarily due to a decrease in Adjusted EBITDA per net ton ("nt"). The following discussion reflects the Company's trend analysis in chronological order:

Revenue:

- decreased C\$334.9 million or 36% from C\$934.1 million in Q1 2023 to C\$599.2 million in Q2 2023, a result of decreased steel revenue primarily due to lower selling prices of steel as average NSR per nt decreased by C\$366 from C\$1,632 per nt in Q1 2023 to C\$1,266 per nt in Q2 2023.
- decreased C\$31.4 million or 5% from C\$599.2 million in Q2 2023 to C\$567.8 million in Q3 2023, a result of decreased steel revenue primarily due to lower selling prices of steel as average NSR per nt decreased by C\$150 from C\$1,266 per nt in Q2 2023 to C\$1,116 per nt in Q3 2023.
- increased C\$109.6 million or 19% from C\$567.8 million in Q3 2023 to C\$677.4 million in Q4 2023, a result of increased steel revenue primarily due to increased shipments of steel as shipping volume increased by 113,306 tons from 458,341 tons in Q3 2023 to 571,647 tons in Q4 2023.
- increased C\$149.8 million or 22% from C\$677.4 million in Q4 2023 to C\$827.2 million in Q1 2024, a result of increased steel revenue primarily due to higher selling prices of steel as average NSR per nt increased by C\$257 from C\$1,066 per nt in Q4 2023 to C\$1,323 per nt in Q1 2024.
- decreased C\$94.6 million or 11% from C\$827.2 million in Q1 2024 to C\$732.6 million in Q2 2024, a result of decreased steel revenue primarily due to lower selling prices of steel as average NSR per nt decreased by C\$110 from C\$1,323 per nt in Q1 2024 to C\$1,213 per nt in Q2 2024.

- decreased C\$117.2 million or 16% from C\$732.6 million in Q2 2024 to C\$615.4 million in Q3 2024, a result of decreased steel revenue primarily due to lower selling prices of steel and lower shipment volumes.
- increased C\$5.2 million or 1% from C\$615.4 million in Q3 2024 to C\$620.6 million in Q4 2024, a result of increased steel revenue primarily due to higher selling prices of steel, offset, in part, by lower shipment volumes.
- increased C\$29.9 million or 5% from C\$620.6 million in Q4 2024 to C\$650.5 million in Q1 2025, a result of increased steel revenue primarily due to higher shipment volumes, offset, in part, by lower selling prices of steel.

Net income (loss):

- of C\$87.2 million in Q2 2023 decreased compared to C\$301.4 million in Q1 2023 primarily due to decreased revenue of C\$334.9 million, a result of lower selling prices of steel with a lower decrease in cost of sales of C\$55.2 million. In addition, pension and post-employment benefit expenses increased as a result of ratifying the collective bargaining agreements (C\$53.3 million). This was offset in part by lower income tax expense of C\$80.0 million due to lower income before income taxes.
- of (C\$69.8) million in Q3 2023 decreased compared to C\$87.2 million in Q2 2023 primarily due to decreased revenue of C\$31.4 million, a result of lower selling prices of steel, and due to an increase in cost of sales of C\$42.4 million. In addition, the decrease was due in part to foreign exchange loss increasing as a result of fluctuating exchange rates (C\$50.7 million) and the changes in fair value of warrant liability (C\$41.5 million).
- of (C\$20.4) million in Q4 2023 increased compared to (C\$69.8) million in Q3 2023 primarily due to increased revenue (C\$109.6 million), a result of increased shipping volume. This was offset, in part, by an increase in cost of sales (C\$18.9 million), the changes in fair value of the warrant liability (C\$13.0 million), the fair value of the share-based payment compensation liability (C\$7.1 million) and the fair value of earnout liability (C\$3.7 million).
- of C\$130.9 million in Q1 2024 increased compared to (C\$20.4) million in Q4 2023 primarily due to increased revenue (C\$149.8 million), a result of higher selling prices of steel. This was offset, in part, by an increase in cost of sales (C\$8.8 million) due to higher purchase price of key inputs such as ore pellets.
- of C\$31.1 million in Q2 2024 decreased compared to C\$130.9 million in Q1 2024 mostly due to decreased revenue (C\$94.6 million), a result of lower selling prices of steel, and by an increase in cost of sales (C\$25.3 million), due mainly to higher purchased coke use and lower production volume. This was offset, in part, by lower income taxes (C\$27.4 million) due to lower income from operations.
- of (C\$84.8) million in Q3 2024 decreased compared to C\$31.1 million in Q2 2024 mostly due to decreased revenue (C\$117.2 million), a result of lower selling prices of steel and shipment volumes, the changes in fair value of the warrant liability (C\$20.1 million), the fair value of the share-based payment compensation liability (C\$12.6 million) and the fair value of earnout liability (C\$6.9 million). This was offset, in part, by lower cost of sales (C\$41.0 million) primarily due to lower shipment volumes.
- of C\$28.0 million in Q4 2024 increased compared to (C\$84.8) million in Q3 2024 mostly due to decreased cost of sales (C\$38.4 million), a result of lower shipment volumes, foreign exchange gain (C\$30.5 million), the changes in fair value of the warrant liability (C\$35.7 million), the fair value of the share-based payment compensation liability (C\$16.1 million) and the fair value of earnout liability (C\$9.6 million). This was offset, in part, by increased income tax expense (C\$13.5 million).
- of C\$6.1 million in Q1 2025 decreased compared to C\$28.0 million in Q4 2024 mostly due to increased cost of sales (C\$48.4 million), a result of higher shipment volumes, and increased finance costs (C\$6.7 million). This was offset, in part, by increased revenue (C\$29.9 million) and decreased administrative and selling expenses (C\$2.9 million).

**Condensed Interim Consolidated Financial Statements**

**ALGOMA STEEL GROUP INC.**

(Unaudited)

**As at June 30, 2024 and March 31, 2024  
and for the three month periods ended  
June 30, 2024 and 2023**

**Algoma Steel Group Inc.**  
**Condensed Interim Consolidated Statements of Net Income**

(Unaudited)

Three month period ended	June 30, 2024	June 30, 2023
<i>expressed in millions of Canadian dollars, except per share amounts</i>		
<b>Revenue (Note 3)</b>	<b>\$ 650.5</b>	<b>\$ 827.2</b>
<b>Operating expenses</b>		
Cost of sales (Note 4)	<b>\$ 633.8</b>	\$ 639.5
Administrative and selling expenses (Note 5)	<b>29.2</b>	23.4
<b>(Loss) income from operations</b>	<b>\$ (12.5)</b>	<b>\$ 164.3</b>
<b>Other (income) and expenses</b>		
Finance income	<b>\$ (5.4)</b>	\$ (3.3)
Finance costs (Note 6)	<b>16.4</b>	5.1
Interest on pension and other post-employment benefit obligations	<b>5.4</b>	4.8
Foreign exchange (gain) loss	<b>(6.8)</b>	11.0
Change in fair value of warrant liability (Note 25)	<b>(15.6)</b>	(17.5)
Change in fair value of earnout liability (Note 26)	<b>(2.5)</b>	(2.0)
Change in fair value of share-based compensation liability (Note 27)	<b>(5.8)</b>	(4.0)
	<b>\$ (14.3)</b>	<b>\$ (5.9)</b>
<b>Income before income taxes</b>	<b>\$ 1.8</b>	<b>\$ 170.2</b>
<b>Income tax (recovery) expense (Note 19)</b>	<b>(4.3)</b>	39.3
<b>Net income</b>	<b>\$ 6.1</b>	<b>\$ 130.9</b>
<b>Net income (loss) per common share</b>		
Basic (Note 22)	<b>\$ 0.06</b>	\$ 1.21
Diluted (Note 22)	<b>\$ (0.07)</b>	\$ 0.85

See accompanying notes to the condensed interim consolidated financial statements

**Algoma Steel Group Inc.**  
**Condensed Interim Consolidated Statements of Comprehensive Income**

*(Unaudited)*

Three month period ended	June 30, 2024	June 30, 2023
<i>expressed in millions of Canadian dollars</i>		
<b>Net income</b>	<b>\$ 6.1</b>	<b>\$130.9</b>
<b>Other comprehensive income (loss), net of income tax, that will not be reclassified subsequently to profit or loss</b>		
Foreign exchange gain (loss) on translation to presentation currency	<b>\$ 15.1</b>	<b>\$ (33.5)</b>
Remeasurement of pension and other post-employment benefit obligations, net of tax nil (Note 17, 18)	<b>\$ 25.5</b>	<b>\$ (14.4)</b>
	<b>\$ 40.6</b>	<b>\$ (47.9)</b>
<b>Total comprehensive income</b>	<b>\$ 46.7</b>	<b>\$ 83.0</b>

See accompanying notes to the condensed interim consolidated financial statements

**Algoma Steel Group Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**

(Unaudited)

As at,	June 30, 2024	March 31, 2024
<i>expressed in millions of Canadian dollars</i>		
<b>Assets</b>		
<b>Current</b>		
Cash (Note 7)	\$ 493.4	\$ 97.9
Restricted cash (Note 7)	3.9	3.9
Taxes receivable (Note 8)	15.4	20.0
Accounts receivable, net (Note 9)	273.6	246.7
Inventories (Note 10)	799.6	807.8
Prepaid expenses and deposits	51.7	80.5
Other assets	5.8	5.7
<b>Total current assets</b>	<b>\$1,643.4</b>	<b>\$1,262.5</b>
<b>Non-current</b>		
Property, plant and equipment, net (Note 11)	\$1,471.6	\$1,405.2
Intangible assets, net	0.6	0.7
Other assets	7.6	7.6
<b>Total non-current assets</b>	<b>\$1,479.8</b>	<b>\$1,413.5</b>
<b>Total assets</b>	<b>\$3,123.2</b>	<b>\$2,676.0</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Bank indebtedness (Note 12)	\$ 0.3	\$ 0.3
Accounts payable and accrued liabilities (Note 13)	256.8	286.8
Taxes payable and accrued taxes (Note 14)	42.2	30.1
Current portion of other long-term liabilities	2.9	1.4
Current portion of governmental loans (Note 16)	20.0	16.2
Current portion of environmental liabilities	2.9	3.1
Warrant liability (Note 25)	29.8	44.9
Earnout liability (Note 26)	11.2	13.8
Share-based payment compensation liability (Note 27)	26.5	31.9
<b>Total current liabilities</b>	<b>\$ 392.6</b>	<b>\$ 428.5</b>
<b>Non-current</b>		
Senior secured lien notes (Note 15)	\$ 469.4	\$ —
Long-term governmental loans (Note 16)	129.1	127.4
Accrued pension liability (Note 17)	217.4	238.0
Accrued other post-employment benefit obligation (Note 18)	226.3	229.5
Other long-term liabilities	15.6	17.0
Environmental liabilities	35.7	35.2
Deferred income tax liabilities	93.7	98.0
<b>Total non-current liabilities</b>	<b>\$1,187.2</b>	<b>\$ 745.1</b>
<b>Total liabilities</b>	<b>\$1,579.8</b>	<b>\$1,173.6</b>
<b>Shareholders' equity</b>		
Capital stock (Note 21)	\$ 964.1	\$ 963.9
Accumulated other comprehensive income	307.7	267.1
Retained earnings	287.4	288.4
Contributed deficit	(15.8)	(17.0)
<b>Total shareholders' equity</b>	<b>\$1,543.4</b>	<b>\$1,502.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$3,123.2</b>	<b>\$2,676.0</b>

See accompanying notes to the condensed interim consolidated financial statements

**Algora Steel Group Inc.**  
**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity**

(Unaudited)

<i>expressed in millions of Canadian dollars</i>	Capital stock	Contributed deficit	Foreign exchange gain (loss) on translation to presentation currency	Actuarial gain (loss) on pension and other post-employment benefit obligation	Accumulated other comprehensive income	Retained earnings	Total Shareholders' equity
Balance at March 31, 2024	\$963.9	\$ (17.0)	\$ 109.8	\$ 157.3	\$ 267.1	\$ 288.4	\$ 1,502.4
Net income	—	—	—	—	—	6.1	6.1
Other comprehensive income	—	—	15.1	25.5	40.6	—	40.6
Issuance of performance and restricted share units (Note 29)	—	0.7	—	—	—	—	0.7
Issuance of deferred share units (Note 29)	—	0.5	—	—	—	—	0.5
Issuance of capital stock (Notes 21, 26)	0.2	—	—	—	—	—	0.2
Dividends paid (Note 30)	—	—	—	—	—	(7.1)	(7.1)
<b>Balance at June 30, 2024</b>	<b>\$964.1</b>	<b>\$ (15.8)</b>	<b>\$ 124.9</b>	<b>\$ 182.8</b>	<b>\$ 307.7</b>	<b>\$ 287.4</b>	<b>\$ 1,543.4</b>
Balance at March 31, 2023	958.4	(21.4)	106.7	206.9	313.6	211.6	1,462.2
Net income	—	—	—	—	—	130.9	130.9
Other comprehensive loss	—	—	(33.5)	(14.4)	(47.9)	—	(47.9)
Issuance of performance and restricted share units (Note 29)	—	0.3	—	—	—	—	0.3
Issuance of deferred shared units (Note 29)	—	0.4	—	—	—	—	0.4
Issuance of capital stock (Notes 21, 29)	0.4	(0.4)	—	—	—	—	—
Dividends paid (Note 30)	—	—	—	—	—	(7.0)	(7.0)
Balance at June 30, 2023	<u>\$958.8</u>	<u>\$ (21.1)</u>	<u>\$ 73.2</u>	<u>\$ 192.5</u>	<u>\$ 265.7</u>	<u>\$ 335.5</u>	<u>\$ 1,538.9</u>

See accompanying notes to the condensed interim consolidated financial statements

**Algoma Steel Group Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited)

Three month period ended	June 30, 2024	June 30, 2023
<i>expressed in millions of Canadian dollars</i>		
<b>Operating activities</b>		
<b>Net income</b>	<b>\$ 6.1</b>	<b>\$ 130.9</b>
<b>Items not affecting cash:</b>		
Depreciation of property, plant and equipment and intangible assets	33.2	23.3
Deferred income tax recovery (Note 19)	(5.3)	(7.0)
Pension funding (in excess of) below expense	(1.9)	1.2
Post-employment benefit funding in excess of expense	(1.7)	(1.9)
Unrealized foreign exchange (gain) loss on accrued pension liability	(2.4)	4.1
Unrealized foreign exchange (gain) loss on accrued post-employment benefit obligations	(2.3)	4.9
Finance costs (Note 6)	16.4	5.1
Loss on disposal of property, plant and equipment and intangible assets	1.1	—
Interest on pension and other post-employment benefit obligations	5.4	4.8
Accretion of governmental loans and environmental liabilities	3.9	3.6
Unrealized foreign exchange (gain) loss on government loan facilities	(1.3)	2.6
Decrease in fair value of warrant liability (Note 25)	(15.6)	(17.5)
Decrease in fair value of earnout liability (Note 26)	(2.5)	(2.0)
Decrease in fair value of share-based payment compensation liability (Note 27)	(5.8)	(4.0)
Other	1.2	1.5
	<u>\$ 28.5</u>	<u>\$ 149.6</u>
Net change in non-cash operating working capital (Note 23)	(15.8)	14.9
Environmental liabilities paid	(0.2)	(0.6)
<b>Cash generated by operating activities</b>	<b>\$ 12.5</b>	<b>\$ 163.9</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment (Note 11)	\$ (98.3)	\$(118.6)
<b>Cash used in investing activities</b>	<b>\$ (98.3)</b>	<b>\$(118.6)</b>
<b>Financing activities</b>		
Bank indebtedness (repaid), net (Note 12)	\$ —	\$ (0.7)
Transaction costs on bank indebtedness (Note 12)	—	(1.0)
Senior secured lien notes issued (Note 15)	472.6	—
Transaction costs on senior secured lien notes (Note 15)	(4.1)	—
Governmental loans received (Note 16)	14.5	18.5
Repayment of governmental loans (Note 16)	(2.5)	(2.5)
Interest paid	(0.1)	(0.1)
Other	(0.5)	—
<b>Cash generated by financing activities</b>	<b>\$479.9</b>	<b>\$ 14.2</b>
<b>Effect of exchange rate changes on cash</b>	<b>\$ 1.4</b>	<b>\$ (6.3)</b>
<b>Cash</b>		
Increase in cash	395.5	53.2
Opening balance	97.9	247.4
<b>Ending balance (Note 7)</b>	<b>\$493.4</b>	<b>\$ 300.6</b>

See accompanying notes to the condensed interim consolidated financial statements

**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**

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

**1. GENERAL INFORMATION**

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

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

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

The condensed interim consolidated financial statements of the Company as at June 30, 2024 and March 31, 2024 and for the three month periods ended June 30, 2024 and 2023 are comprised of the Company and its wholly-owned subsidiaries as follows:

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

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

**2. BASIS OF PRESENTATION**

**Statement of compliance**

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

Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the IASB, have been omitted or condensed. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in Notes 4 of the Company’s annual consolidated financial statements for the years ended March 31, 2024 and 2023. The accounting policies and accounting judgements used in the preparation of these condensed interim consolidated financial statements are consistent with those used in the Company’s annual consolidated financial statements, except as disclosed below.

**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**

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

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

These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the years ended March 31, 2024 and 2023.

These condensed interim consolidated financial statements have been approved by the Board of Directors, and authorized for issuance on August 13, 2024.

The condensed interim consolidated financial statements have been prepared on a going concern assumption using historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies disclosed in Note 3 to the Company's annual consolidated financial statements for the years ended March 31, 2024 and 2023. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The going concern assumption assumes the realization of assets and the discharge of liabilities in the normal course of business.

**Functional and presentation currency**

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

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

**New IFRS 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 condensed interim 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.

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 3. REVENUE

The Company is viewed as a single reportable segment involving steel production for purposes of internal performance measurement and resource allocation.

<u>Three month period ended</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<i>Total revenue is comprised of:</i>		
Sheet & Strip	<b>\$ 492.9</b>	\$608.7
Plate	<b>104.3</b>	144.9
Slab	<b>0.2</b>	0.9
Freight	<b>45.9</b>	52.2
Non-steel revenue	<b>7.2</b>	20.5
	<b><u>\$ 650.5</u></b>	<u>\$827.2</u>
<i>The geographical distribution of total revenue is as follows:</i>		
Sales to customers in Canada	<b>\$ 210.2</b>	\$312.6
Sales to customers in the United States	<b>434.6</b>	501.2
Sales to customers in the rest of the world	<b>5.7</b>	13.4
	<b><u>\$ 650.5</u></b>	<u>\$827.2</u>

For the three month period ended June 30, 2024, sales totalling \$78.9 million and \$61.5 million related to two customers represented greater than 10% of total revenue. For the three month period ended June 30, 2023, sales of \$113.3 million to one customer represented greater than 10% of total revenue.

## 4. COST OF SALES

<u>Three month period ended</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<i>Total cost of sales is comprised of:</i>		
Cost of steel revenue	<b>\$ 580.7</b>	\$566.8
Cost of freight revenue	<b>45.9</b>	52.2
Cost of non-steel revenue	<b>7.2</b>	20.5
	<b><u>\$ 633.8</u></b>	<u>\$639.5</u>
<i>Inventories recognized as cost of sales:</i>	<b><u>\$ 587.9</u></b>	<u>\$587.3</u>
<i>Net inventory write-downs as a result of net realizable value lower than cost included in cost of sales:</i>	<b><u>\$ 10.3</u></b>	<u>\$ 6.7</u>

Depreciation included in cost of steel revenue for the three month period ended June 30, 2024 was \$33.1 million (June 30, 2023 - \$23.2 million). Wages and benefits included in cost of steel revenue for the three month period ended June 30, 2024 was \$91.2 million (June 30, 2023 - \$88.5 million).

*Federal Greenhouse Gas Pollution Pricing Act*

During the three month period ended June 30, 2024, total Carbon Tax recognized in cost of sales as an expense was \$9.5 million (June 30, 2023 - \$2.5 million).

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 5. ADMINISTRATIVE AND SELLING EXPENSES

Three month period ended	June 30, 2024	June 30, 2023
<i>Administrative and selling expense is comprised of:</i>		
Personnel expenses	\$ 10.7	\$ 9.1
Share-based compensation expense (Note 29)	1.2	0.7
Professional, consulting, legal and other fees	4.9	3.8
Insurance	6.5	5.3
Software licenses	1.8	1.3
Amortization of intangible assets and non-producing assets	0.1	0.1
Other administrative and selling	4.0	3.1
	<u>\$ 29.2</u>	<u>\$ 23.4</u>

## 6. FINANCE COSTS

Three month period ended	June 30, 2024	June 30, 2023
<i>Finance costs are comprised of:</i>		
Interest on senior secured lien notes (Note 15)	\$ 10.3	\$ —
Interest on financing arrangement	0.2	—
Other interest expense	0.8	0.5
Revolving Credit Facility fees	0.6	0.6
Unwinding of issuance costs of debt facilities (Note 12, 15) and accretion of governmental loan benefits and discounts on environmental liabilities	4.5	4.0
	<u>\$ 16.4</u>	<u>\$ 5.1</u>

## 7. CASH AND RESTRICTED CASH

At June 30, 2024, the Company had \$493.4 million of cash (March 31, 2024 – \$97.9 million) and restricted cash of \$3.9 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 June 30, 2024 and March 31, 2024.

## 8. TAXES RECEIVABLE

As at	June 30, 2024	March 31, 2024
<i>The carrying amount of:</i>		
Sales taxes receivable	\$ 13.7	\$ 20.0
Income taxes receivable	1.7	—
	<u>\$ 15.4</u>	<u>\$ 20.0</u>

ALGOMA STEEL GROUP INC.

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

9. ACCOUNTS RECEIVABLE, NET

<u>As at,</u>	<u>June 30,</u> <u>2024</u>	<u>March 31,</u> <u>2024</u>
<i>The carrying amount of:</i>		
Trade accounts receivable	\$252.3	\$ 238.5
Allowance for doubtful accounts	(3.2)	(3.1)
Governmental loan claims receivable		
Federal Ministry of Industry, Strategic Innovation Fund (“Federal SIF”) Agreement	17.7	3.0
Northern Industrial Electricity Rate program rebate receivable	2.0	2.2
Other accounts receivable	4.8	6.1
	<u>\$273.6</u>	<u>\$ 246.7</u>
 <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		(0.1)
<b>Balance at June 30, 2024</b>		<b><u>\$(3.2)</u></b>

10. INVENTORIES

<u>As at,</u>	<u>June 30,</u> <u>2024</u>	<u>March 31,</u> <u>2024</u>
<i>The carrying amount of:</i>		
Raw materials and consumables	\$544.3	\$ 580.3
Work in progress	162.1	152.9
Finished goods	93.2	74.6
	<u>\$799.6</u>	<u>\$ 807.8</u>

11. PROPERTY, PLANT AND EQUIPMENT, NET

<u>As at,</u>	<u>June 30,</u> <u>2024</u>	<u>March 31,</u> <u>2024</u>
<i>The carrying amount of:</i>		
Freehold land	\$ 6.8	\$ 6.7
Buildings	51.9	52.4
Machinery and equipment	696.2	697.6
Computer hardware	3.9	4.0
Right-of-use assets	6.1	6.2
Property under construction	706.7	638.3
	<u>\$1,471.6</u>	<u>\$1,405.2</u>

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

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

*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. As a result of this change in estimate, depreciation has been increased by approximately \$1.1 million for the three month period ended June 30, 2024, with a similar impact expected on a quarterly basis until the assets are decommissioned.

*Depreciation of property, plant and equipment*

Depreciation of property, plant and equipment for the three month ended June 30, 2024 was \$35.1 million (June 30, 2023 - \$24.1 million). Depreciation included in inventories at June 30, 2024, amounted to \$15.9 million (June 30, 2024 - \$10.2 million).

*Acquisitions and disposals*

During the three month period ended June 30, 2024, property, plant and equipment were acquired at an aggregate net cost of \$88.4 million (June 30, 2023 – \$106.4 million); comprised of property, plant and equipment acquired with a total cost of \$98.3 million (June 30, 2023 - \$118.6 million), against which the Company recognized benefits totalling \$9.9 million (June 30, 2023 - \$12.2 million) in respect of the governmental loans and the governmental grant discussed in Note 16.

During the three month period ended June 30, 2024, of total additions to property under construction, the EAF comprised an aggregate net cost of \$38.5 million, including benefits in respect of the governmental loans totalling \$9.9 million. During the three month period ended June 30, 2023, of total additions to property under construction, the EAF comprised an aggregate net cost of \$73.7 million, including benefits in respect of the governmental loans totalling \$12.2 million. As at June 30, 2024, since inception of the project the Company had additions for the EAF of \$511.5 million, including benefits in respect of the governmental loans totalling \$99.7 million.

During the three month ended June 30, 2024, of total additions to property under construction, the plate mill modernization project comprised an aggregate net cost of \$5.3 million (June 30, 2023 – \$3.7 million). As at June 30, 2024, since inception of the project the Company had additions for the plate mill modernization project of \$136.7 million, including benefits in respect of the governmental loans totalling \$6.0 million.

At June 30, 2024, property under construction includes prepaid progress payments of \$201.5 million for the transition from blast furnace steel production to EAF (March 31, 2024 – \$204.4 million). At June 30, 2024 and March 31, 2024, there was no prepaid expense pertaining to the plate mill modernization project.

**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**

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

**11. PROPERTY, PLANT AND EQUIPMENT, NET** *(continued)**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 for support up to \$420 million related to the transition from blast furnace steel production to EAF. The \$420 million of financial support consists of (i) a loan of up to \$200 million from the Innovation Science and Economic Development Canada's Strategic Innovation Fund ("SIF") and (ii) a loan of up to \$220 million from the Canada Infrastructure Bank ("CIB"). Given that the Company did not expect to draw on the CIB loan, the parties agreed to terminate the agreement on March 7, 2024.

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

At June, 2024, the Company had drawn \$0.3 million (US \$0.3 million), and there was \$351.1 million (US \$256.4 million) of unused availability after taking into account \$59.2 million (US \$43.3 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 condensed interim consolidated statements of financial position, and have been amortized on a straight-line basis over the life of this facility, which has a maturity date of May 31, 2028. At June 30, 2024, the unamortized transaction costs related to the Revolving Credit Facility were \$1.3 million (March 31, 2024 - \$1.4 million).

*Reconciliation of liabilities arising from financing activities*

The changes in the Company's bank indebtedness for the three month period ended June 30, 2024 arising from financing activities are presented below:

Balance at March 31, 2024	\$ 0.3
Revolving Credit Facility drawn	1.8
Repayment of Revolving Credit Facility	<u>(1.8)</u>
<b>Balance at June 30, 2024</b>	<b><u>\$ 0.3</u></b>

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

<u>As at,</u>	<u>June 30,</u>	<u>March 31,</u>
<u>The carrying amount of:</u>	<u>2024</u>	<u>2024</u>
Accounts payable	<b>\$ 108.1</b>	\$ 142.0
Accrued liabilities	<b>76.7</b>	80.5
Wages and accrued vacation payable	<b>64.9</b>	64.3
Dividends payable (Note 30)	<b>7.1</b>	—
	<b><u>\$ 256.8</u></b>	<b><u>\$ 286.8</u></b>

## 14. TAXES PAYABLE AND ACCRUED TAXES

<u>As at,</u>	<u>June 30,</u>	<u>March 31,</u>
<u>The carrying amount of:</u>	<u>2024</u>	<u>2024</u>
Payroll taxes payable	<b>\$ 7.5</b>	\$ 3.0
Sales taxes payable	<b>1.8</b>	1.6
Carbon tax accrual	<b>32.9</b>	23.4
Income taxes payable	<b>—</b>	2.1
	<b><u>\$ 42.2</u></b>	<b><u>\$ 30.1</u></b>

## 15. SENIOR SECURED LIEN NOTES

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

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.

Transaction costs related to the Notes amounted to \$10.1 million. Transaction costs are presented as an offset against the Notes in the condensed interim consolidated statements of financial position, and have been amortized using the effective interest rate method over the life of the facility. At June 30, 2024, the unamortized transaction costs related to the Notes were \$9.6 million (March 31, 2024 – nil).

<u>As at,</u>	<u>June 30,</u>	<u>March 31,</u>
<u>The carrying amount of:</u>	<u>2024</u>	<u>2024</u>
Senior Secured Lien Notes, due April 15, 2029	<b>\$ 479.0</b>	\$ —
Less: unamortized transaction costs	<b>(9.6)</b>	—
	<b><u>\$ 469.4</u></b>	<b><u>\$ —</u></b>

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 16. GOVERNMENTAL LOANS

<u>As at,</u>	<u>June 30,</u>	<u>March 31,</u>
	<u>2024</u>	<u>2024</u>
<i>The carrying amount of:</i>		
Long-term portion		
Federal AMF Loan, denominated in Canadian dollars, due March 1, 2028	<b>\$ 20.1</b>	\$ 21.7
Provincial MENDM Loan, denominated in Canadian dollars, due November 30, 2028	<b>40.0</b>	42.8
Federal SIF Agreement loan, denominated in Canadian dollars, due April 30, 2031	<b>9.5</b>	9.4
Federal SIF EAF Agreement loan, denominated in Canadian dollars, due January 1, 2030	<b>59.5</b>	53.5
	<b><u>\$ 129.1</u></b>	<b><u>\$ 127.4</u></b>
Current portion		
Federal AMF Loan, denominated in Canadian dollars	<b>\$ 10.0</b>	\$ 10.0
Provincial MENDM Loan, denominated in Canadian dollars	<b>10.0</b>	6.2
	<b><u>\$ 20.0</u></b>	<b><u>\$ 16.2</u></b>
	<b><u>\$ 149.1</u></b>	<b><u>\$ 143.6</u></b>

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 16. GOVERNMENTAL LOANS (continued)

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

	Governmental Loan Issued (Repaid)	Governmental loan benefit recognized immediately	Accretion of governmental loan benefit	Carrying value
<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>(2.5)</b>	<b>—</b>	<b>0.9</b>	<b>(1.6)</b>
<b>Balance at June 30, 2024</b>	<b>\$ 36.7</b>	<b>\$ (26.5)</b>	<b>\$ 19.7</b>	<b>\$ 30.1</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>—</b>	<b>—</b>	<b>1.0</b>	<b>1.0</b>
<b>Balance at June 30, 2024</b>	<b>\$ 60.0</b>	<b>\$ (26.4)</b>	<b>\$ 16.5</b>	<b>\$ 50.0</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>0.1</b>	<b>0.1</b>
<b>Balance at June 30, 2024</b>	<b>\$ 15.0</b>	<b>\$ (9.2)</b>	<b>\$ 3.7</b>	<b>\$ 9.5</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>14.7</b>	<b>(9.9)</b>	<b>1.2</b>	<b>6.0</b>
<b>Balance at June 30, 2024</b>	<b>\$ 154.6</b>	<b>\$ (100.3)</b>	<b>\$ 5.2</b>	<b>\$ 59.5</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>12.2</b>	<b>(9.9)</b>	<b>3.2</b>	<b>5.5</b>
<b>Balance at June 30, 2024</b>	<b>\$ 266.4</b>	<b>\$ (162.4)</b>	<b>\$ 45.1</b>	<b>\$ 149.1</b>

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 17. PENSION BENEFITS

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

<u>Three month period ended</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<i>Amounts recognized in net income were as follows:</i>		
Current service cost	\$ 3.9	\$ 4.2
Net interest cost	2.7	2.1
	<u>\$ 6.6</u>	<u>\$ 6.3</u>
<i>Defined benefit costs recognized in:</i>		
Cost of sales	\$ 3.5	\$ 3.8
Administrative and selling expenses	0.4	0.4
Interest on pension liability	2.7	2.1
	<u>\$ 6.6</u>	<u>\$ 6.3</u>

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

<u>Three month period ended</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<i>Amounts recognized in other comprehensive income, were as follows:</i>		
Actuarial (gain) loss on accrued pension liability	\$ (21.4)	\$ 12.6

## 18. OTHER POST-EMPLOYMENT BENEFITS

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

<u>Three month period ended</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<i>Amounts recognized in net income were as follows:</i>		
Current service cost	\$ 0.8	\$ 0.7
Net interest cost	2.7	2.7
	<u>\$ 3.5</u>	<u>\$ 3.4</u>
<i>Post employment benefit costs recognized in:</i>		
Cost of sales	\$ 0.7	\$ 0.6
Administrative and selling expenses	0.1	0.1
Interest on pension liability	2.7	2.7
	<u>\$ 3.5</u>	<u>\$ 3.4</u>

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 18. OTHER POST-EMPLOYMENT BENEFITS (continued)

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

<u>Three month period ended</u>	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2023</u>
<i>Amounts recognized in other comprehensive income, were as follows:</i>		
Actuarial (gain) loss on accrued post employment benefit liability	<u>\$ (4.1)</u>	<u>\$ 1.8</u>

## 19. INCOME TAX EXPENSE

The components of income tax (recovery) expense for the three month periods ended June 30, 2024 and June 30, 2023 are as follows:

<u>Three month period ended</u>	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2023</u>
<i>Income tax (recovery) expense recognized in net income:</i>		
Current tax expense	\$ 1.0	\$ 46.3
Deferred income tax recovery	<u>(5.3)</u>	<u>(7.0)</u>
	<u>\$ (4.3)</u>	<u>\$ 39.3</u>

## 20. COMMITMENTS AND CONTINGENCIES

*Property, plant and equipment*

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

*Key inputs to production*

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

*Legal Matters*

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

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 21. CAPITAL STOCK

	Number of shares issued and outstanding	Stated capital value
Balance at March 31, 2024	104,103,072	\$ 963.9
Issuance of capital stock	20,000	0.2
<b>Balance at June 30, 2024</b>	<b>104,123,072</b>	<b>\$ 964.1</b>

For the three month period ended June 30, 2024, the Company issued 20,000 capital stock upon exercise of earnout rights. See Note 26. For the three month period ended June 30, 2023, the Company converted 35,379 deferred share units (“DSUs”) to capital stock upon the resignation of a director. See Note 29.

## 22. NET INCOME PER COMMON SHARE

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

<u>Three month period ended</u> <i>(in millions)</i>	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2023</u>
<b>Net (loss) income attributable to ordinary shareholders</b>	<b>\$ 6.1</b>	<b>\$ 130.9</b>
Gain on change in fair value of warrants <sup>(i)</sup>	(15.6)	(17.5)
Net (loss) income attributable to ordinary shareholders (diluted)	<b>\$ (9.5)</b>	<b>\$ 113.4</b>
<i>(in millions)</i>		
Weighted average common shares outstanding <sup>(ii)</sup>	<b>108.4</b>	108.4
Dilutive effect of warrants, restricted share units and performance share units <sup>(i) (ii)</sup>	<b>24.6</b>	24.3
Dilutive weighted average common shares outstanding	<b>133.1</b>	132.7
Net income (loss) per common share:		
<b>Basic</b>	<b>\$ 0.06</b>	\$ 1.21
<b>Diluted</b>	<b>\$ (0.07)</b>	\$ 0.85

- (i) As at June 30, 2024, 24,179,000 warrants remain outstanding. For the purposes of determining diluted net (loss) income per common share, net income for the three month period ended June 30, 2024 was adjusted for the change in the fair value of the warrants in the amount of \$15.6 million (US \$11.4 million) as the warrants were determined to be dilutive (June 30, 2023 - \$17.5 million; US\$13.1 million).
- (ii) On May 17, 2022, the Board of Directors granted 141,203 and 556,348 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, 2023 (“FY2023 Plan”). Further, 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 income per share, the restricted share units and performance share units are considered contingently issuable potential ordinary shares. The treasury stock

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 22. NET INCOME PER COMMON SHARE (continued)

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 forfeiture of awards, the restricted share units and performance share units included in diluted net income per share for the three month period ended June 30, 2024 is 457,510 common shares (June 30, 2023 – 97,599 common shares). See Note 29.

For the three month period ended June 30, 2024, the total weighted average common shares issued and outstanding is 108,436,777 (June 30, 2023 – 108,394,502).

The Company issued earnout rights and Replacement LTIP awards in connection with the Company's merger transaction from fiscal 2022. For the three month period ended June 30, 2024, 1,178,354 (June 30, 2023 – 1,537,187) weighted average earnout rights have been included in the calculation of basic and diluted net 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 three month period ended June 30, 2024, 2,776,867 (June 30, 2023 - 3,059,643) weighted average Replacement LTIP awards have been included in the calculation of basic and diluted net income per common share. See Note 26 and Note 27.

The Company also routinely grants DSUs to Directors of the Company under its Omnibus Equity Incentive Plan ("Omnibus Plan"). DSUs are vested to various Directors of the Company in respect of their annual retainers. The DSUs recognized under the Omnibus Plan are included within the weighted average common shares outstanding, as the units are exercisable for no consideration. For the three month period ended June 30, 2024, 360,682 (June 30, 2023 – 227,843) weighted average DSUs have been included in the calculation of basic and diluted net income per common share. See Note 29.

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

<u>Three months period ended</u>	<u>June 30,</u> <u>2024</u>	<u>June 30,</u> <u>2023</u>
Accounts receivable	\$ (24.4)	\$ (17.5)
Taxes receivable	4.3	-
Taxes payable	12.3	30.9
Inventories	18.2	(52.1)
Prepaid expenses and other current assets	29.7	(7.2)
Accounts payable and accrued liabilities	(55.9)	60.8
	<u>\$ (15.8)</u>	<u>\$ 14.9</u>

## 24. FINANCIAL INSTRUMENTS

## Fair value of financial instruments

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

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

Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

24. FINANCIAL INSTRUMENTS (continued)

The fair value of the various government funding are classified as Level 2 and are estimated based on a discounted cash flow model applying current rates offered to the Company for financial instruments subject to similar risk and maturities. The carrying value of government funding generally approximate its fair value.

The fair value of the senior secured lien notes are classified as Level 1 and are calculated using the quoted market price of the Notes. As at June 30, 2024, the carrying value of the Notes generally approximate its fair value.

The fair value of steel commodity swaps are classified as Level 2 and is calculated using the mark-to-market forward prices of NYMEX hot rolled coil steel based on the applicable settlement dates of the outstanding swap contracts.

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.

**Financial risk management**

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

**Credit risk**

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

The maximum credit exposure at June 30, 2024 is the carrying amount of accounts receivable of \$273.6 million (March 31, 2024 - \$246.7 million). At June 30, 2024 and March 31, 2024, there was one customer account greater than 10% of the carrying amount of accounts receivable. As at June 30, 2024, \$2.9 million, or 1.1% (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 June 30, 2024 was \$3.2 million (March 31, 2024 - \$3.1 million), as disclosed in Note 9.

The Company may be exposed to certain losses in the event of non-performance by counterparties to derivative financial instruments such as commodity price contracts and foreign exchange contracts.

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 24. FINANCIAL INSTRUMENTS (continued)

The 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. There have been no changes to the Company's objectives and processes for capital management as described in Note 5 to the March 31, 2024 consolidated financial statements, except for the issuance of Senior Secured Lien Notes (see Note 15).

**Market risk**

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

**Currency risk**

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

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

<u>As at,</u>	<b>June 30, 2024</b>	March 31, 2024
Cash	<b>\$ 20.4</b>	\$ 1.5
Restricted cash	<b>3.9</b>	3.9
Accounts receivable	<b>101.0</b>	78.0
Accounts payable and accrued liabilities	<b>(147.0)</b>	(145.5)
Governmental loans	<b>(149.1)</b>	(143.6)
Other long-term liabilities	<b>(15.6)</b>	(17.0)
Net Canadian dollar denominated financial instruments	<b><u>\$ (186.4)</u></b>	<u>\$ (222.7)</u>

A \$0.01 decrease (or increase) in the US dollar relative to the Canadian dollar for the three month period ended June 30, 2024 would have decreased (or increased) income (loss) from operations by \$0.5 million and would not have decreased (or increased) income (loss) from operations for the year ended March 31, 2024.

**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**

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

**24. FINANCIAL INSTRUMENTS** *(continued)***Interest rate risk**

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

For the three month periods ended June 30, 2024 and June 30, 2023, a one percent increase (or decrease) in interest rates would not have decreased (or increased) net income.

**Commodity price risk**

The Company is subject to price risk from fluctuations in the market prices of commodities, including natural gas, iron ore and coal. The Company enters into supply agreements for certain of these commodities as disclosed in Note 20. To manage risks associated with future variability in cash flows attributable to certain commodity purchases, the Company may use derivative instruments with maturities of 12 months or less to hedge the commodity price risk associated with the revenue on the sale of steel. At June 30, 2024 and March 31, 2024, the Company had no commodity-based swap contracts.

**25. WARRANT LIABILITY**

As at June 30, 2024, 24,179,000 Warrants remain outstanding with an estimated fair value of US \$0.90 per Warrant based on the market price of the Warrants, for which the Company recognized a liability of \$29.8 million (US \$21.8 million) (March 31, 2024 - \$44.9 million; US \$33.1 million). For the three month period ended June 30, 2024, a gain of \$15.6 million (June 30, 2023 – \$17.5 million) on change in the fair value of the warrant liability is presented in the condensed interim consolidated statements of net income. The Warrants will expire on the fifth anniversary of the merger transaction which was completed on October 19, 2021.

**26. EARNOUT LIABILITY**

As at June 30, 2024, 1,176,157 earnout rights remain outstanding with an estimated fair value of US \$6.96 per unit based on the market price of the Company's common shares, for which the Company recognized a liability of \$11.2 million (US \$8.2 million) (March 31, 2024 - \$13.8 million; US \$10.2 million). For the three month period ended June 30, 2024, earnout rights were settled for 20,000 common shares. For the year ended March 31, 2024, earnout rights were settled for cash totalling \$2.5 million. Gain on change in the fair value of the earnout liability for the three month period ended June 30, 2024 of \$2.5 million is presented in the condensed interim consolidated statements of net income (June 30, 2023 – \$2.0 million).

Continuity of earnout rights are as follows:

	<b>Three month period ended June 30, 2024</b>	Year ended March 31, 2024
Opening balance	<b>1,196,157</b>	1,537,184
Dividend equivalents and other adjustments	—	37,534
Vested and settled	<b>(20,000)</b>	<b>(378,561)</b>
Ending balance	<b><u>1,176,157</u></b>	<b><u>1,196,157</u></b>

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 27. SHARE-BASED PAYMENT COMPENSATION LIABILITY

*Replacement Long Term Incentive Plan (“LTIP”) Awards*

As at June 30, 2024, 2,776,868 Replacement LTIP Awards remain outstanding with an estimated fair value of US \$6.96 per unit based on the market price of the Company’s common shares, for which the Company recognized a liability of \$26.5 million (US \$19.3 million) (March 31, 2024 - \$31.9 million; US \$23.6 million) in share-based payment compensation liability on the condensed interim consolidated statements of financial position. For the three month period ended June 30, 2024, there were no Replacement LTIP units settled (March 31, 2024 – 356,900 units were settled). Gain on change in the fair value of the share-based payment compensation liability for the three month period ended June 30, 2024 of \$5.8 million is presented in the condensed interim consolidated statements of net income (June 30, 2023 – \$4.0 million).

Continuity of Replacement LTIP units are as follows:

	<b>Three month period ended June 30, 2024</b>	Year ended March 31, 2024
Opening balance	<b>2,776,868</b>	3,059,643
Dividend equivalents and other adjustments	—	74,126
Vested and settled	—	(356,900)
Ending balance	<b><u>2,776,868</u></b>	<b><u>2,776,868</u></b>

## 28. KEY MANAGEMENT PERSONNEL

The Company’s key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company and include the executive leadership team (ELT) and the Board of Directors.

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

<u>Three month period ended</u>	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Salaries and benefits	<b>\$ 2.4</b>	<b>\$ 1.6</b>
Director fees	<b>0.4</b>	0.8
Share-based compensation (Note 29)	<b>0.5</b>	0.6
	<b><u>\$ 3.3</u></b>	<b><u>\$ 3.0</u></b>

## 29. 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.

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 29. SHARE-BASED COMPENSATION (continued)

*Deferred share units*

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

For the three month period ended June 30, 2024, the Company recorded a share-based payment compensation expense of \$0.5 million (June 30, 2023 - \$0.4 million) in administrative and selling expense on the condensed interim consolidated statements of net income and contributed deficit on the condensed interim consolidated statements of financial position. For the three month period ended June 30, 2023, the Company converted 35,379 DSUs to capital stock upon the resignation of a director.

Continuity of deferred share units are as follows:

	<b>Three month period ended June 30, 2024</b>	Year ended March 31, 2024
Opening balance	<b>344,768</b>	215,628
Granted	<b>48,278</b>	187,549
Dividend equivalents and other adjustments	—	12,511
Vested and settled	—	(70,920)
Ending balance	<b><u>393,046</u></b>	<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 vested 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.

## Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)

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

## 29. SHARE-BASED COMPENSATION (continued)

For the three month period ended June 30, 2024, the Company recorded share-based payment compensation expense of \$0.2 million in administrative and selling expenses on the condensed interim consolidated statements of net income and contributed deficit on the condensed interim consolidated statements of financial position (June 30, 2023 - \$0.3 million).

## 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 will 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.

For the three month period ended June 30, 2024, the Company recorded share-based payment compensation expense of \$0.4 million in administrative and selling expenses on the condensed interim consolidated statements of net income and contributed deficit on the condensed interim consolidated statements of financial position (June 30, 2023 - nil).

Continuity RSUs are as follows:

	Three month period ended June 30, 2024	Year ended March 31, 2024
Opening balance	607,252	144,682
Granted based on achievement of service and performance conditions	—	457,935
Dividend equivalents and other adjustments, net of cancellations and forfeitures	—	4,635
Ending balance	<u>607,252</u>	<u>607,252</u>

Continuity of PSUs are as follows:

	Three month period ended June 30, 2024	Year ended March 31, 2024
Opening balance	231,898	178,407
Granted based on achievement of service and performance conditions	—	78,821
Dividend equivalents and other adjustments, net of cancellations and forfeitures	—	(25,331)
Ending balance	<u>231,898</u>	<u>231,898</u>

## 30. DIVIDENDS

On June 18, 2024, the Board of Directors declared a dividend of US\$0.05 per common share for shareholders of record at market close on July 2, 2024. At June 30, 2024, a dividend payable of \$7.1 million (US \$5.2 million) was recorded as a distribution through retained earnings (June 30, 2023 - \$7.0 million; US \$5.2 million).