STELCO INC.
QUARTER 1, 2004
REPORT TO THE SHAREHOLDERS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the Management's Discussion and Analysis (MD&A) and the annual audited Consolidated Financial Statements and Notes contained in the Corporation's 2003 Annual Report, and with the Interim Financial Statements and Notes contained in this report. This discussion of the Corporation's business may include forward-looking information with respect to the Corporation, including its business and operations and strategies, as well as its financial performance and conditions. Such statements can generally be identified by the use of forward-looking words such as, "may," "will," "expect," or similar variations. Although management believes that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties including the risk factors discussed in the MD&A of the Corporation's 2003 Annual Report, as well as the risks associated with the restructuring process referred to below. Actual results may differ from expected results.

Creditor Protection and Restructuring

On January 29, 2004 (the "Filing Date"), Stelco Inc. obtained an order (the "Initial Order") from the Ontario Superior Court of Justice (the "Court") granting creditor protection under the Companies' Creditors Arrangement Act ("CCAA"). The order may be amended throughout the CCAA proceedings on motions from Stelco Inc., its creditors, and other interested stakeholders. On the same date, Stelco Inc. made a concurrent petition for recognition of the CCAA order and ancillary relief under Section 304 of the U.S. Bankruptcy Code. The Canadian proceedings include Stelco Inc. and its wholly owned subsidiaries, Stelwire Ltd. (Stelwire), Stelpipe Ltd. (Stelpipe), CHT Steel Company Inc. (CHT Steel), and Welland Pipe Ltd. (Welland Pipe), which are collectively referred to as the "Applicants". The U.S. proceedings include Stelco Inc., Stelwire, and Stelpipe. Welland Pipe was closed on March 7, 2003 (see Note 8). The Corporation's other subsidiaries and joint ventures are not included in the proceedings (see Note 6). During the stay period, the Applicants are authorized to continue operations. Ernst & Young Inc. (the "Monitor") has been appointed by the Court as Monitor in the Canadian proceedings and will be reporting to the Court from time to time on the Applicants' cash flow and other developments during the proceedings.

The Canadian Court order and the U.S. proceedings have provided for an initial stay period of 30 days, which has subsequently been extended to May 28, 2004, and potentially to such later dates as the Court may order. The purpose of the Initial Order and stay of proceedings is to provide the Applicants with relief designed to stabilize their operations and business relationships with their customers, suppliers, employees, and creditors.

The Corporation is in the process of developing its revised business plan, which will serve as the basis for discussions with stakeholders. During the proceedings, the Corporation will seek input from its creditors, labour unions, and other stakeholders, with a view to developing a comprehensive restructuring plan to return the Corporation to viability. The restructuring plan will likely include strategic, operational, financial, and corporate elements. As part of the restructuring plan, a formal CCAA plan of arrangement (the "Plan") will be prepared and submitted to affected creditors, who will vote on the Plan, and to the Court for approval. Under the CCAA plan of arrangement, claims against the Applicants will be divided into classes, and each class will vote on the Plan as it pertains to that class. No determinations or rulings have been made to date as to the classification of affected creditors.

On February 13, 2004, certain locals of the United Steelworkers of America ("USWA") brought a motion seeking to rescind the Initial Order and dismiss the application of the Applicants for access to the protection of the CCAA on the basis that the Applicants were not insolvent. The Court dismissed the motion pursuant to written reasons released on March 22, 2004. On March 29, 2004, the USWA served a Notice of Motion seeking leave to appeal of the decision. Pursuant to an order of the Court of Appeal, expediting the motion, the Court of Appeal will consider the motion for leave to appeal during the week of May 3, 2004.

The CCAA proceedings have triggered defaults under substantially all debt obligations of the Applicants (see Notes 10 and 11). The Order generally stays actions against the Applicants including steps to collect indebtedness incurred by the Applicants prior to the Filing Date and actions to exercise control over the Applicants' property. The Order grants the Applicants the authority to pay outstanding and future wages, salaries, employee pension contributions and benefit payments, and other obligations to employees; the costs of goods and services, both operating and capital, provided or supplied after the date of the Order; rent payments under existing arrangements payable after the date of the filing; and principal, interest, and other payments to holders of security in respect of the property of the Applicants if the amount secured by such security is, in the reasonable opinion of the applicable Applicant with the concurrence of the Monitor, less than or equal to the fair value of such security, having regard to, among other things, the priority of such security.

The Corporation plans to apply to the Court to extend the stay period beyond May 28, 2004, in order to obtain further time to consult with stakeholders and develop its Plan. Should the stay period and any subsequent extensions, if granted, not be sufficient to develop and present its Plan, or should the USWA motion to rescind the Initial Order be successful, or should the Plan not be accepted by the affected creditors and, in any such case, the Applicants lose the protection of the stay of proceedings, substantially all debt obligations will then be due and payable immediately, or subject to acceleration, creating an immediate liquidity crisis which would in all likelihood lead to the liquidation of the Applicants' assets.

An Accommodation Agreement, which provides for the continued access to the Applicants' $350 million credit facility, and a $75 million Debtor-In-Possession (DIP) Credit Agreement were finalized in March 2004. Further information regarding the terms of these agreements is contained in Note 1 to the Consolidated Financial Statements.

Financial and Operational Summary

Stelco Inc. *(Unaudited)*
(Under Creditor Protection as of January 29, 2004 – Note 1)
*($ in millions, except as indicated *)*

		Three months ended March 31		
			Restated (Note 3)	Favourable
		2004	**2003**	(Unfavourable)
Net sales	$	**774**	693	81
Costs		**740**	694	(46)
Amortization of property, plant, and equipment		**31**	34	3
Operating earnings (loss)		**3**	(35)	38
Reorganization items ***(Note 4)***		**(23)**	–	(23)
		(20)	(35)	15
Financial expense				
Interest on long-term debt		**(11)**	(10)	(1)
Other interest – net		**(5)**	(2)	(3)
Loss before income tax from continuing operations		**(36)**	(47)	11
Income tax expense (recovery)				
Current		**–**	1	1
Future		**(7)**	(10)	(3)
Future income tax asset valuation allowance		**6**	–	(6)
Net loss from continuing operations		**(35)**	(38)	3
Net loss from discontinued operations *(Note 8)*		**(1)**	(6)	5
Net loss	$	**(36)**	(44)	8
Loss per common share from continuing operations ***(Note 15)***	*$	**(0.35)**	(0.40)	0.05
Loss per common share ***(Note 15)***	*$	**(0.36)**	(0.46)	0.10
Average revenue per ton	*$	**609**	594	15
Cost per ton	*$	**582**	595	13
Semi-finished steel production (thousands of net tons)		**1,366**	1,301	65
Shipments (thousands of net tons)		**1,271**	1,166	105

Strong market demand, low customer inventories, and consolidation in the U.S. steel industry resulted in improved steel pricing in the first quarter of 2004. Unprecedented increases in the cost of scrap and coke resulted in the industry enacting selling price surcharges. Selling price surcharges are expected to continue in the second quarter but may ease somewhat as scrap prices are currently decreasing. Due to the strong demand and a lack of steel availability, the higher Canadian dollar did not negatively impact selling prices when compared to first quarter 2003. Market demand is expected to outpace supply in the second quarter 2004. The Integrated Steel segment continues to solidify its base sales as contract business approaches 60% of total sales (43% at the start of 2003).

Net sales and costs

Net sales of $774 million for the quarter were 12% higher than in the same quarter 2003. Steel shipments of 1,271,000 tons were 9% higher, including increased shipments to the automotive sector, while average revenue per ton of $609 was up $15 (3%). The first quarter increase in average revenue per ton was primarily due to:

- selling price increases due to improved market demand and consolidation in the U.S. steel industry
- selling price surcharges

Production of semi-finished steel in first quarter 2004 of 1,366,000 tons was 65,000 tons higher than the same quarter of 2003 due mainly to increased operations at Norambar (first quarter 2003 was ramping up after the strike, which ended January 6, 2003) and increased production at Stelco Hamilton (first quarter 2003 at reduced levels due to the sluggish economy).

Cost per ton of $582 in first quarter 2004 was down $13 (2%) compared with the same quarter of 2003 primarily due to:

- increased production at Stelco Hamilton and Norambar
- strengthening Canadian dollar
- lower natural gas prices

The above cost decreases were partially offset by:

- higher raw material costs, particularly scrap and coke
- higher pension and health care expense

First quarter costs do not reflect the total impact of the higher input costs, as a significant portion of these costs remained in inventory at the end of the quarter.

Amortization of property, plant, and equipment in first quarter 2004 was $3 million less than the same quarter of 2003 as some assets became fully amortized in 2003. Amortization of the cost of the Corporation's enterprise resource planning (ERP) systems began in 2003 when portions of the system went into operation.

Reorganization items

As a result of the CCAA filing, the Corporation has followed accounting policies applicable to an entity under creditor protection. As described in Notes 1 and 2, revenues, expenses, gains and losses, and provisions for losses that are directly associated with the reorganization and restructuring process have been reported on the Consolidated Statement of Earnings (Loss) as Reorganization items. In first quarter 2004, reorganization items of $23 million were recorded, as detailed in Note 4.

Financial expense

Other interest increased from first quarter 2003 due to higher levels of bank indebtedness and higher interest rates under the Accommodation Agreement.

Interest on debt obligations will continue to be recognized under Canadian generally accepted accounting principles (GAAP).

Future income taxes

In 2003, the Corporation recorded valuation allowances against its future income tax assets due to uncertainty regarding the availability of sufficient taxable income in carry-forward periods to allow realization of those future income tax assets. Given continued uncertainty and the restructuring process under CCAA, a valuation allowance of $6 million was recorded in first quarter 2004 against future income tax assets. The total valuation allowance at March 31, 2004 was $326 million. Net future income tax recoveries represent recognition of future income tax assets at entities that are not Applicants under the CCAA filing and where it is considered more likely than not that the benefit will be realized.

Quarter-to-Quarter Comparison

Stelco Inc. *(Unaudited)*
(Under Creditor Protection as of January 29, 2004 – Note 1)
*($ in millions, except as indicated *)*

		Quarter 1 2004	Restated (Note 3) Quarter 4 2003	Favourable (Unfavourable)
Net sales	$	**774**	697	77
Costs		**740**	716	(24)
Write-down of plate mill assets		**–**	87	87
Amortization of property, plant, and equipment		**31**	31	–
Amortization of intangible assets		**–**	1	1
Operating earnings (loss)		**3**	(138)	141
Reorganization items *(Note 4)*		**(23)**	–	(23)
		(20)	(138)	118
Financial expense				
Interest on long-term debt		**(11)**	(9)	(2)
Other interest – net		**(5)**	(4)	(1)
Loss before income tax from continuing operations		**(36)**	(151)	115
Income tax expense (recovery)				
Current		**–**	(5)	(5)
Future		**(7)**	(27)	(20)
Future income tax asset valuation allowance		**6**	304	298
Impact of income tax rate changes		**–**	(28)	(28)
Net loss from continuing operations		**(35)**	(395)	360
Net loss from discontinued operations *(Note 8)*		**(1)**	–	(1)
Net loss	$	**(36)**	(395)	359
Loss per common share from continuing operations *(Note 15)*	*$	**(0.35)**	(3.89)	3.54
Loss per common share *(Note 15)*	*$	**(0.36)**	(3.89)	3.53
Average revenue per ton	*$	**609**	548	61
Cost per ton	*$	**582**	562	(20)
Semi-finished steel production (thousands of net tons)		**1,366**	1,329	37
Shipments (thousands of net tons)		**1,271**	1,273	(2)

Net sales and costs

The net loss of $36 million in first quarter 2004 compared with a $395 million loss in fourth quarter 2003. The change was mainly due to the future tax asset valuation allowance difference of $298 million, the $87 million write-down of the plate mill assets, and a $54 million improvement in operating performance, partly offset by the $28 million impact of Ontario government income tax rate changes in fourth quarter 2003 and the recording of $23 million of Reorganization items (see Note 4) arising from the CCAA filing.

Net sales of $774 million for the quarter were 11% higher than fourth quarter 2003. Steel shipments of 1,271,000 tons were similar while average revenue per ton of $609 was up $61 (11%). The first quarter increase in average revenue per ton was primarily due to:

- selling price increases due to improved market demand and consolidation in the U.S. steel industry
- selling price surcharges
- a higher-value-added mix of sales due to increased shipments to the automotive sector

Cost per ton in first quarter 2004 of $582 was up $20 (4%) compared with fourth quarter 2003 primarily due to:

- higher raw material and energy costs
- higher pension and health care expense
- higher-value-added mix of sales

The above cost increases were partially offset by:

- increased production at Stelco Hamilton
- fourth quarter 2003 included the Stelco Lake Erie blast furnace repair

Segmented Information

In the following segment narratives, net sales, shipments, and average revenue per ton data exclude intersegment sales.

Integrated Steel segment

The Integrated Steel segment of the Corporation comprises those business units that include and are primarily associated with the Stelco Hamilton and Stelco Lake Erie integrated steel plants and their raw materials properties. The primary markets served by this segment are automotive, transportation, construction, manufacturing, pipe and tubular manufacturers, steel service centres, and steel fabricators. The segment provides a significant quantity of steel required by Stelco's Manufactured Products segment.

Net sales for the Integrated Steel segment in the first quarter were $563 million compared with $539 million in first quarter 2003. The 4% increase in net sales was primarily due to:

- higher average selling prices
- an increase in sales to the automotive sector
- a 3% increase in shipments with increased hot rolled and coated sales

Cost per ton decreased $5 in the quarter compared with the same quarter of 2003. The decrease was primarily due to:

- increased production at Stelco Hamilton
- strengthening Canadian dollar
- lower natural gas prices

The above cost decreases were partially offset by:

- higher raw material costs, particularly scrap and coke
- higher pension and health care expense

An operating loss of $7 million was recorded for this segment in first quarter 2004 compared with an operating loss of $28 million in the same quarter of 2003.

The coke ovens and blast furnace at Stelco Hamilton established new monthly production records. The Stelco Lake Erie hot strip mill facility established a quarterly production record.

Integrated Steel continues to solidify its base sales by increasing its proportion of contract business, principally with automotive customers. Contract business is approaching 60% of total sales (43% at the start of 2003). Contract business provides relatively stable pricing compared with spot market business during market cycles. Contract business often requires higher levels of finished goods inventory. Most contracts are renewed on December 31 and have a term of one year.

Trade

The overall level of steel imports remained near 40% of Canadian apparent steel consumption in first quarter 2004. During the quarter, a number of cases were reviewed by the Canadian Border Services Agency concerning several products sold by the Corporation, including hot rolled, cold rolled, and non-automotive corrosion-resistant steel sheet. In all cases, it was determined that dumping from offshore producers would likely resume if the findings currently in place were to be lifted. The Canadian International Trade Tribunal has scheduled hearings to determine if continuation of measures currently in place is necessary to prevent injury to the domestic industry. The Corporation remains actively involved in these proceedings in an attempt to prevent surges in unfairly priced imports that would negatively affect selling prices.

Labour Matters

The Stelco Lake Erie labour contract expires on July 31, 2004. Lake Erie's automotive customers may request Stelco to build additional finished goods inventory of up to 100,000 tons in advance of union contract negotiations. An inventory build of this magnitude would create a significant liquidity risk.

The Corporation has a 44.6% interest in the Wabush Mines, a Canadian iron ore property, which is a major supplier of iron ore pellets to the Integrated Steel operations. The Wabush labour contract expired on March 1, 2004, and the mine has continued normal operations during ongoing negotiations.

Mini-mill segment

The Mini-mill segment of the Corporation includes Norambar Inc. and AltaSteel Ltd. located in Contrecoeur, Quebec, and Edmonton, Alberta, respectively. These wholly owned subsidiaries comprise electric arc steelmaking, billet casting, and bar rolling facilities, and have combined steelmaking capacity of approximately 1,000,000 tons. This segment also includes the respective mini-mills' metal recyclers, 100%-owned Fers et Métaux Recyclés Ltée and 50%-owned GenAlta Recycling Inc. The primary markets served by this segment are automotive, construction, oil and gas, mining, manufacturing, and steel service centres.

Net sales for the Mini-mill segment in the first quarter were $96 million compared with $56 million in first quarter 2003. Shipments of 187,000 tons in the quarter were 62,000 tons higher than in the same quarter of 2003. The increase in sales revenue and shipments in first quarter 2004 was primarily due to:

- selling price increases due to improved market demand
- selling price surcharges
- Norambar shipments were low in first quarter 2003 as it returned to work after the strike

Average revenue per ton increased to $513 per ton in first quarter 2004 from $448 per ton in the same quarter of 2003 mainly due to higher selling prices with strong market place demand, and the application of raw material surcharges.

Overall demand for bars, rebar, and billets exceed Norambar's capabilities to meet all of the demands of its customers. This has resulted in major price increases that are not likely to be negatively impacted by any scrap cost reduction in the foreseeable future.

Cost per ton increased $56 in the quarter compared with the same quarter of 2003. The increase was primarily due to:

- an unprecedented increase in scrap prices
- Norambar steelmaking output restricted due to a scrap shortage caused by substantial exports (situation improving in March)
- higher electricity costs
- higher costs for additives and ferro-alloys

Operating earnings for this segment were $7 million, compared with break-even operating earnings in first quarter 2003.

The Canadian International Trade Tribunal (CITT) has initiated inquiries regarding the expiry of dumping findings on reinforcing bar. Norambar has responded indicating that the industry would be subject to serious dumping if the findings were allowed to expire. On April 28, the CITT ruled that it would conduct hearings to determine whether to continue the dumping findings.

The AltaSteel steelmaking facility set a quarterly production record.

An increase in the diversion of scrap may create local shortages and impact production and costs.

The current collective agreement at AltaSteel expires on July 31, 2004.

Manufactured Products segment

The Manufactured Products segment of the Corporation includes business units, both wholly and partially owned, involved in the manufacturing of value-added steel products. Products manufactured by units in this segment include a wide variety of wire and wire products, small- and large-diameter pipe and tubular products, and grinding balls.

Manufactured Products net sales of $115 million in first quarter 2004 compared with $98 million in first quarter 2003. The increase in net sales was primarily due to stronger market demand, resulting in an increase in small-diameter pipe and higher-value-added wire sales. Shipments at Stelwire were 11% lower than the same quarter 2003 due to the permanent loss of processed rod business.

Operating income of $3 million was recorded by this segment during first quarter 2004 compared with an operating loss of $7 million for first quarter 2003. The change was primarily due to stronger market conditions.

The current collective agreement at Stelpipe expires on September 30, 2004.

Liquidity and Capital Resources

The Corporation's liquidity and capital resources position is summarized as follows:

($ in millions)

		Mar. 31, 2004	Mar. 31, 2003	Dec. 31, 2003
Cash and cash equivalents	**$**	**78**	39	23
Available lines of credit *	**$**	**466** **	312	355
Lines of credit drawn down	**$**	**301**	141	215
Net liquidity	**$**	**243**	210	163

* After letters of credit usage
** Includes $75 million DIP facility

Information for the Applicants included in the above table at March 31, 2004 is Cash and cash equivalents - $55 million; available lines of credit - $412 million ($425 million less $13 million in letters of credit); lines of credit drawn down - $271 million; and net liquidity - $196 million.

Other Financing

AltaSteel Ltd.

On January 6, 2004, AltaSteel Ltd. arranged an extension to the end of May 2005 for its $15 million revolving line of credit.

Norambar Inc.

On January 28, 2004, previous financing was replaced with a three-year $30 million operating credit facility, available until January 28, 2007. The facility is collateralized by the accounts receivable, inventory, and other assets of Norambar Inc. and its wholly owned subsidiary, Fers et Métaux Recyclés Ltée. Norambar is required to maintain a minimum of $3 million of excess eligible collateral over its drawings and letters of credit. In addition, there are certain other covenants that Norambar must meet. Drawings can generally be made by way of Canadian or U.S. borrowings at a rate of 1.25% over the Canadian prime rate or the U.S. base rate. Borrowings under the new facility are disclosed as Bank indebtedness on the Consolidated Statement of Financial Position.

Accommodation Agreement and Debtor-In-Possession financing

An Accommodation Agreement and a Debtor-In-Possession Agreement were finalized in first quarter 2004. Further information regarding the terms of there agreements is contained in Note 1.

Cash flow

In first quarter 2004, net cash usage of $31 million resulted from a positive cash contribution from operations of $15 million, which was more than offset by cash required for the reduction of long-term debt ($23 million, including $16 million of refinancing related to Norambar), expenditures for capital assets ($13 million), and for the directors' and officers' trust ($10 million).

In first quarter 2003, net cash usage of $24 million resulted from a positive cash contribution from operations of $2 million, which was more than offset by cash required for the reduction in long-term debt ($12 million), expenditures for capital assets ($10 million), and interest paid on the convertible debentures ($4 million).

Changes in Accounting Policy

Asset retirement obligations

On January 1, 2004, a change in accounting policy was adopted by the Corporation to conform with the new CICA Handbook Section 3110, *Asset retirement obligations*. This section applies to legal obligations (i.e. existing or enacted law, statute, ordinance, or contract) associated with the retirement of tangible long-lived assets. This standard applies to the Corporation's mining interests in Wabush, Hibbing, and Tilden iron ore properties. The standard has been adopted retroactively, resulting in a restatement of 2003. On January 1, 2004, an obligation of approximately $10 million was recorded on the Consolidated Statement of Financial Position representing the Corporation's estimated asset retirement obligation for these properties, principally relating to the Wabush joint venture. A former participant in Wabush funded its share of estimated future mine closure costs at the time of its exit from the joint venture. The Corporation has reflected its share of these funds ($4 million) in Other non-current assets on the Consolidated Statement of Financial Position. The net charge of $6 million has been recorded directly to retained earnings (deficit). The accounting change will result in a non-cash charge to income of approximately $1.8 million in 2004, consisting primarily of the accretion of the liability.

Stock-based compensation

On January 1, 2004, the Corporation adopted the accounting changes as required in CICA Handbook Section 3870, *Stock-based compensation and other stock-based payments*. Under the new standard, the fair value of stock options is recorded as compensation cost by a charge to income over the vesting period of the grant. Previously, the fair value of stock options was calculated and disclosed as a note to the financial statements, since the options, when exercised, were settled in shares rather than cash. The calculation of the fair value of the stock options under the new standard is identical to the method previously used and is described in Note 13. The new standard has been applied retroactively without restatement of prior periods, since the effect on prior periods was not material. Note disclosure of the effect on prior periods will continue. The impact on the Consolidated Statement of Financial Position at January 1, 2004 was a decrease to retained earnings of $1.6 million, and an increase to contributed surplus of $1.6 million. Based on options outstanding at January 1, 2004, the application of the policy will result in a charge to income of approximately $0.4 million in 2004. Application of the new standard will have no effect on the method presently used for accounting for grants made under the Deferred Share Unit (DSU) Plan. Since awards made under the DSU plan are settled in cash, their fair value has been recorded as a compensation cost, and is disclosed in Note 13.

Impairment of long-lived assets

A new CICA Handbook Section 3063, *Impairment of long-lived assets*, came into effect on January 1, 2004, replacing the write-down provisions in Section 3061, *Property, plant, and equipment*. The new section provides guidance on the recognition, measurement, and disclosure related to the impairment of long-lived assets. This section requires that an impairment loss be recognized when the carrying value of a long-lived asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is the amount by which the carrying value of the asset exceeds its fair value. The impact of this section, if any, in 2004 and subsequent years will be dependent upon future events.

Restructuring Developments

Discussions between the applicants and stakeholders

The Applicants and their advisors have initiated discussions with Stelco's major stakeholders and their representatives to begin the development of a framework that will allow the Applicants to commence the restructuring process. These discussions have led to the Court granting representation orders relating to certain of the Applicants' active salaried employees and retired salaried employees.

The Applicants are also in active discussions with the legal advisors for certain of the holders of its senior unsecured debentures.

The Applicants, with the assistance of the Chief Restructuring Officer (the "CRO"), have assembled a presentation and information book to be presented to stakeholders (collectively the "Stakeholder Presentation").

The Applicants, the Monitor, and the CRO met with the representatives of the Applicants' active salaried employees and retired salaried employees, along with their legal counsel, on April 5, 2004, to present the Stakeholder Presentation and respond to questions. The Applicants, the Monitor, and the CRO also met with representatives of the lenders under the Existing Financing Agreement with their legal counsel and financial advisor on April 6, 2004, to present the Stakeholder Presentation and respond to questions.

The Applicants' executive management met with representatives of a local of the Canadian Auto Workers ("CAW") on March 29, 2004. The CAW represents the hourly workers of Stelpipe Ltd. The purpose of the meeting was to provide an update to the CAW on the CCAA process and to discuss Stelco's plans for its Stelpipe subsidiary.

During the week ending April 2, 2004, two separate meetings were held between Stelco's executive management and representatives of Locals 1005, 8782, 5328, and 8460 of the United Steelworkers of America ("USWA"). The purpose of these meetings was to provide information to the USWA on the CCAA process and to attempt to establish a process to enable the Applicants to share information with respect to the Applicants' financial position and business forecast with the USWA and commence restructuring discussions. On April 26, 2004, a meeting was held between Stelco's executive management and representatives of Locals 1005, 8782, 5328, and 8460 to present certain information from the Stakeholder Presentation.

On February 13, 2004, certain locals of the USWA brought a motion seeking to rescind the Initial Order and dismiss the application of the Applicants for access to the protection of the CCAA on the basis that the Applicants were not insolvent. The Court dismissed the motion pursuant to written reasons released on March 22, 2004. On March 29, 2004, the USWA served a Notice of Leave to Appeal of the decision. On May 5, 2004, the Court of Appeal denied the motion for leave to appeal.

Executive management met with representatives of the Ontario government on April 23 and members of the media on April 27 to present certain information from the Stakeholder Presentation.

Other restructuring activities

Stelco has engaged Hatch Consulting to assist it in preparing a long-term strategic plan for its business and operations. In addition, Stelco's review of possible cost reduction measures in its current operations continues. A number of teams have been established across the Corporation to identify cost-reduction opportunities.

In the matter of construction liens under the Construction Liens Act, and on consent of Stelco and the Monitor, the Court lifted the stay of proceedings to enable a number of lien claimants to register and so preserve those lien claims. Under the Court Orders, the lien claimants are not to take any further steps against Stelco to enforce their lien claims during the stay period without leave of the Court.

On April 13, 2004, Stelco obtained an Order allowing it to postpone the time within which to hold its annual general meeting of shareholders to three months from the date of the termination of the stay period.

Outlook

On January 29, 2004, Stelco Inc. announced that it was initiating a Court-supervised restructuring in order to restore its financial health and competitive position in the North American steel industry. The granted Order covers Stelco Inc. and its subsidiaries, Stelpipe Ltd., Stelwire Ltd., CHT Steel Company Inc., and Welland Pipe Ltd. Other subsidiaries, including AltaSteel Ltd., Norambar Inc., and Stelfil Ltée, are not participating in the process.

A thorough financial and strategic review has concluded that Stelco has a serious viability issue. The problems include a high cost structure, a deteriorating cash position, and an inability to compete against other steel companies that have benefited from their own restructurings. Stelco needs to reduce its liabilities and costs, improve productivity, and focus on key operations and products to become more competitive. In addition, the Corporation requires additional funding to complete strategically critical capital projects at its Stelco Hamilton and Stelco Lake Erie business units. Stelco is developing a number of cost reduction measures and strategic initiatives to implement in the near future.

Selling prices for steel have risen significantly during the first part of 2004. However, the Corporation believes that these increases in steel prices are not sustainable and therefore are not expected to be sufficient to offset growing cost issues. The large quantity of steel capacity built in China during the last five years, and new capacity in China currently under construction or planned for construction, creates additional uncertainties and risks regarding the sustainability of North American steel prices in 2004 and beyond. Further strengthening of the Canadian dollar may have an additional negative impact on Stelco.

Steel industry conditions are expected to remain strong in the near term with a favourable supply/demand balance. The risk of imports flooding the market in the near term is low due to high freight rates and continuing strong demand in China.

Stelco intends to emerge from the restructuring process as a more efficient and competitive company, however, there is a risk that failure to implement a plan of arrangement and obtain sufficient exit financing within the time granted by the Court will result in substantially all debt obligations being due and payable immediately, or subject to immediate acceleration, creating an immediate liquidity crisis, which would in all likelihood lead to the liquidation of the Applicants' assets.

HAMILTON, ONTARIO
May 6, 2004

Courtney Pratt
President and Chief Executive Officer

William E. Vaughan
Senior Vice President – Finance
and Chief Financial Officer

CONSOLIDATED STATEMENT OF EARNINGS (LOSS) *(Unaudited)*
(Under Creditor Protection as of January 29, 2004 – Note 1)
(in millions – except per share amounts)

	Three months ended March 31	
	2004	Restated (Note 3) **2003**
Net sales	**$ 774**	$ 693
Costs	**740**	694
	34	(1)
Amortization of property, plant, and equipment	**31**	34
Operating earnings (loss)	**3**	(35)
Reorganization items *(Note 4)*	**(23)**	–
	(20)	(35)
Financial expense		
Interest on long-term debt	**(11)**	(10)
Other interest – net	**(5)**	(2)
Loss before income taxes from continuing operations	**(36)**	(47)
Income tax expense (recovery)		
Current	**–**	1
Future	**(7)**	(10)
Future income tax asset valuation allowance	**6**	–
Net loss from continuing operations	**(35)**	(38)
Net loss from discontinued operations *(Note 8)*	**(1)**	(6)
Net loss	**$ (36)**	$ (44)
Loss per common share *(Note 15)*		
Basic and fully diluted		
Continuing operations	**$ (0.35)**	$ (0.40)
Net loss	**$ (0.36)**	$ (0.46)
Weighted average common shares outstanding – millions	**102.2**	102.2

See Notes to Consolidated Financial Statements

OPERATIONS *(thousands of net tons) (Unaudited)*		
Production of semi-finished steel	**1,366**	1,301
Shipments	**1,271**	1,166

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT) *(Unaudited)*
(Under Creditor Protection as of January 29, 2004 – Note 1)
(in millions)

	Three months ended March 31	
	2004	Restated (Note 3) **2003**
Balance at beginning of year as previously reported	**$ (444)**	$ 130
Retroactive adjustment on implementation of changes in accounting policy *(Note 3)*	**(8)**	(5)
Balance at beginning of year as restated	**(452)**	125
Net loss	**(36)**	(44)
Convertible debentures charges *(Note 11)*	**(1)**	(3)
Balance at end of period	**$ (489)**	$ 78

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Unaudited)*
(Under Creditor Protection as of January 29, 2004 – Note 1)
(in millions)

	At March 31		At December 31
			Restated (Note 3)
	2004	2003	2003
Current assets			
Cash and cash equivalents	**$ 78**	$ 39	$ 23
Accounts receivable	**480**	421	381
Inventories	**552**	715	575
Prepaid expenses	**38**	11	22
Future income taxes	**–**	55	–
	1,148	1,241	1,001
Current liabilities			
Current liabilities not subject to compromise			
Bank indebtedness *(Note 9)*	**301**	141	215
Accounts payable and accrued	**213**	415	322
Employee future benefits	**49**	50	49
Income and other taxes	**17**	18	12
Long-term debt due within one year *(Note 10)*	**44**	51	50
	624	675	648
Working capital	**524**	566	353
Other assets			
Property, plant, and equipment	**1,070**	1,260	1,095
Intangible assets	**64**	43	61
Deferred pension cost	**253**	283	274
Future income taxes	**2**	74	2
Assets held for sale *(Note 8)*	**3**	–	–
Other	**27**	15	13
	1,419	1,675	1,445
Total investment	**1,943**	2,241	1,798
Other liabilities			
Other liabilities not subject to compromise			
Employee future benefits	**888**	846	875
Long-term debt *(Note 10)*	**59**	416	395
Future income taxes	**77**	5	77
Asset retirement obligations *(Note 7)*	**11**	9	10
	1,035	1,276	1,357
Liabilities subject to compromise *(Note 5)*	**578**	–	–
Shareholders' equity	**$ 330**	$ 965	$ 441
Derived from:			
Convertible debentures (*Note 11*)	**–**	70	74
Convertible debentures conversion option (*Note 11*)	**23**	23	23
Capital stock *(Note 12)*	**781**	781	781
Contributed surplus *(Note 3)*	**15**	13	13
Retained earnings (deficit)	**(489)**	78	(450)
	$ 330	$ 965	$ 441

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS *(Unaudited)*
(Under Creditor Protection as of January 29, 2004 – Note 1)
(in millions)

CASH PROVIDED BY (USED FOR)

	Three months ended March 31	
	2004	Restated (Note 3) **2003**
Operating activities		
Net loss from continuing operations	**$ (35)**	$ (38)
Adjustments for items not affecting cash		
Reorganization items *(Note 4)*	**17**	–
Amortization of property, plant, and equipment	**31**	34
Future income taxes	**(7)**	(10)
Future income tax asset valuation allowance	**6**	–
Employee pension and other future benefits	**38**	19
Other	**1**	1
	51	6
Changes in operating elements of working capital *(see below)*	**(30)**	(1)
Other – net	**(3)**	(1)
Discontinued operations *(Note 8)*	**(3)**	(2)
	15	2
Investing activities		
Directors' and officers' trust *(Note 1)*	**(10)**	–
Expenditures for capital assets	**(13)**	(10)
	(23)	(10)
Financing activities		
Increase (decrease) in bank indebtedness	**86**	(4)
Interest paid on convertible debentures	**–**	(4)
Reduction of long-term debt *(Notes 9 and 10)*	**(23)**	(12)
	63	(20)
Cash and cash equivalents		
Net increase (decrease)	**55**	(28)
Balance at beginning of period	**23**	67
Balance at end of period	**$ 78**	$ 39
Changes in operating elements of working capital		
Accounts receivable	**$ (98)**	$ (37)
Inventories	**24**	53
Prepaid expenses	**(16)**	–
Accounts payable and accrued	**55**	(17)
Income and other taxes	**5**	–
	$ (30)	$ (1)

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)*

1. CREDITOR PROTECTION AND RESTRUCTURING

On January 29, 2004 (the "Filing Date"), Stelco Inc. obtained an order (the “Initial Order”) from the Ontario Superior Court of Justice (the “Court”) granting creditor protection under the Companies’ Creditors Arrangement Act (“CCAA”). The order may be amended throughout the CCAA proceedings on motions from Stelco Inc., its creditors, and other interested stakeholders. On the same date, Stelco Inc. made a concurrent petition for recognition of the CCAA order and ancillary relief under Section 304 of the U.S. Bankruptcy Code. The Canadian proceedings include Stelco Inc. and its wholly owned subsidiaries, Stelwire Ltd. (Stelwire), Stelpipe Ltd. (Stelpipe), CHT Steel Company Inc. (CHT Steel), and Welland Pipe Ltd. (Welland Pipe), which are collectively referred to as the “Applicants”. The U.S. proceedings include Stelco Inc., Stelwire, and Stelpipe. Welland Pipe was closed on March 7, 2003 (see Note 8). The Corporation’s other subsidiaries and joint ventures are not included in the proceedings (see Note 6). During the stay period, the Applicants are authorized to continue operations. Ernst & Young Inc. (the “Monitor”) has been appointed by the Court as Monitor in the Canadian proceedings and will be reporting to the Court from time to time on the Applicants’ cash flow and other developments during the proceedings.

The Canadian Court order and the U.S. proceedings have provided for an initial stay period of 30 days, which has subsequently been extended to May 28, 2004, and potentially to such later dates as the Court may order. The purpose of the Initial Order and stay of proceedings is to provide the Applicants with relief designed to stabilize their operations and business relationships with their customers, suppliers, employees, and creditors.

The Corporation is in the process of developing its revised business plan, which will serve as the basis for discussions with stakeholders. During the proceedings, the Corporation will seek input from its creditors, labour unions, and other stakeholders, with a view to developing a comprehensive restructuring plan to return the Corporation to viability. The restructuring plan will likely include strategic, operational, financial, and corporate elements. As part of the restructuring plan, a formal CCAA plan of arrangement (the “Plan”) will be prepared and submitted to affected creditors, who will vote on the Plan, and to the Court for approval. Under the CCAA plan of arrangement, claims against the Applicants will be divided into classes, and each class will vote on the Plan as it pertains to that class. No determinations or rulings have been made to date as to the classification of affected creditors.

On February 13, 2004, certain locals of the United Steelworkers of America (“USWA”) brought a motion seeking to rescind the Initial Order and dismiss the application of the Applicants for access to the protection of the CCAA on the basis that the Applicants were not insolvent. The Court dismissed the motion pursuant to written reasons released on March 22, 2004. Pursuant to an order of the Court of Appeal, expediting the motion, the Court of Appeal will consider the motion for leave to appeal during the week of May 3, 2004.

The CCAA proceedings have triggered defaults under substantially all debt obligations of the Applicants (see Notes 10 and 11). The Order generally stays actions against the Applicants including steps to collect indebtedness incurred by the Applicants prior to the Filing Date and actions to exercise control over the Applicants’ property. The Order grants the Applicants the authority to pay outstanding and future wages, salaries, employee pension contributions and benefit payments, and other obligations to employees; the costs of goods and services, both operating and capital, provided or supplied after the date of the Order; rent payments under existing arrangements payable after the date of the filing; and principal, interest, and other payments to holders of security in respect of the property of the Applicants if the amount secured by such security is, in the reasonable opinion of the applicable Applicant with the concurrence of the Monitor, less than or equal to the fair value of such security, having regard to, among other things, the priority of such security.

The Corporation plans to apply to the Court to extend the stay period beyond May 28, 2004, in order to obtain further time to consult with stakeholders and develop its Plan. Should the stay period and any subsequent extensions, if granted, not be sufficient to develop and present its Plan, or should the USWA motion to rescind the Initial Order be successful, or should the Plan not be accepted by the affected creditors and, in any such case, the Applicants lose the protection of the stay of proceedings, substantially all debt obligations will then be due and payable immediately, or subject to acceleration, creating an immediate liquidity crisis which would in all likelihood lead to the liquidation of the Applicants’ assets.

On January 27, 2004, to indemnify the directors and officers of the Stelco Group against claims and liabilities that may arise as a result of their association with the Stelco Group, the Corporation transferred $10 million to an in-trust account. The amount has been excluded from Cash and cash equivalents and is included in Other assets on the Consolidated Statement of Financial Position.

An administrative charge was created as a first priority lien to the extent of $5 million on the Applicants’ assets pursuant to the initial CCAA order. This is intended to secure the payment of the fees and disbursements for the Monitor, the Chief Restructuring Officer, counsel to the Monitor, independent counsel to the Board of Directors of Stelco Inc., and the Applicants’ legal counsel.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

1. CREDITOR PROTECTION AND RESTRUCTURING *(continued)*

Contributing factors

The Corporation has incurred significant operating and cash losses in 2003. The Corporation believes that it will exhaust available sources of liquidity consistent with the projections at the time of the CCAA filing.

Costs have risen dramatically for inputs such as natural gas and electricity and raw materials, such as coal, coke, and scrap. The cost of employee future benefits – pensions and health care – are also increasing due to improved pension benefits negotiated in contracts with unionized employees, increasing health care costs, lower returns on pension plan assets, and the effect of lower interest rates on the discount factors used to determine the Corporation's liabilities under the pension and other benefit plans.

Global steelmaking overcapacity has exerted downward pressure on selling prices due to significant and continued import penetration of the Canadian market by steel products offered, in management's opinion, at unfairly low prices over the last several years. The appreciation in the value of the Canadian dollar during 2003 has further negatively affected selling prices. Selling prices have strengthened in the early part of 2004, due in part to increased demand, particularly in China. However, the Corporation believes that these price increases are not sustainable and therefore are not expected to be sufficient to offset growing cost issues. Several North American steel producers have emerged from court-supervised bankruptcy protection with a cost structure that is more competitive than that of the Corporation. The Corporation cannot compete effectively in this new environment unless it takes steps to reduce its liabilities and lower its overall costs.

In addition, the Corporation requires additional funding to complete strategically critical capital projects at its Hamilton and Lake Erie business units. The Corporation is unable to raise additional funds to complete these projects.

As a result of the above, the Corporation concluded it had a serious viability issue and that it did not and will not have the liquidity needed to operate without a Court-supervised restructuring. Failure to implement a plan of arrangement and obtain sufficient exit financing within the time granted by the Court will result in substantially all debt obligations being due and payable immediately, or subject to immediate acceleration, creating an immediate liquidity crisis, which would in all likelihood lead to the liquidation of the Applicants' assets.

Basis of presentation and going concern issues

These financial statements have been prepared using the same Canadian generally accepted accounting principles as applied by the Corporation prior to the filing for CCAA. While the Corporation and certain of its subsidiaries have filed for and been granted creditor protection, these financial statements continue to be prepared using the going concern concept, which assumes that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The creditor protection proceedings provide the Corporation with a period of time to stabilize its operations and financial condition and develop a plan of arrangement. During the period, Debtor-In-Possession (DIP) financing, as described below, has been approved by the Court and is available if required, subject to borrowing conditions. Management believes that these actions make the going concern basis appropriate. However, it is not possible to predict the outcome of these proceedings and accordingly substantial doubt exists as to whether the Corporation will be able to continue as a going concern. Further, it is not possible to predict whether the actions taken in any restructuring will result in improvements to the financial condition of the Corporation sufficient to allow it to continue as a going concern. If the going concern basis is not appropriate, adjustments may be necessary to the carrying amounts and/or classification of assets and liabilities, and expenses in these financial statements.

While the Corporation is under creditor protection, the Corporation will make adjustments to the financial statements to isolate assets, liabilities, revenues, and expenses related to the reorganization and restructuring activities so as to distinguish these events and transactions from those associated with the ongoing operation of the business (see Note 2 – Accounting Policies and Methods). Further, allowed claims arising under the CCAA proceedings may be recorded as liabilities and presented separately on the Statement of Financial Position. If a restructuring occurs and there is substantial realignment of the equity and non-equity interests in the Corporation, the Corporation will be required, under Canadian generally accepted accounting principles ("GAAP"), to adopt "fresh start" reporting. Under fresh start reporting, the Corporation will undertake a comprehensive revaluation of its assets and liabilities based on the reorganization value as established and confirmed in the Plan. The financial statements do not present any adjustments that may be required under fresh start reporting.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

1. CREDITOR PROTECTION AND RESTRUCTURING *(continued)*

In accordance with generally accepted accounting principles appropriate for a going concern, property, plant, and equipment is carried at the lower of cost less accumulated amortization and net recoverable amount. This carrying amount is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Net recoverable amount is the sum of undiscounted cash flows from operations and cash flow from disposal of the property, plant, and equipment. The Corporation's filing for creditor protection under CCAA triggered an impairment review. In estimating future cash flows from operations of the Corporation's property, plant, and equipment, the Corporation made certain assumptions about the reductions in operating costs and its liabilities that could be achieved in the restructuring of its operations. The Corporation believes that these assumptions are consistent with use of the going concern assumption in the preparation of these financial statements. In connection with the CCAA proceedings, any compromise of liabilities will require the approval of affected creditors and any changes to collective agreements agreed to with labour unions, will require the approval of the applicable employees. There can be no assurance that such agreement or cost reductions will be reached and that future cash flows will be sufficient to recover the carrying amount of property, plant, and equipment. Under the Corporation's existing cost structure, management estimates that future cash flows from operations is likely to be negative over the foreseeable future. This situation would result in the write-down of the Corporation's property, plant, and equipment to liquidation value. The Corporation believes that this situation is equivalent to the liquidation basis of accounting which is not consistent with the going concern basis of accounting.

Financing during CCAA proceedings

Debtor-In-Possession (DIP) financing

The Corporation has finalized the negotiation of a Debtor-In-Possession (DIP) Credit Agreement secured financing dated March 8, 2004. This financing is with the same Lenders, participating in the same percentages, as in the revolving operating credit facility dated November 20, 2003 (see 2003 Annual Report - Note 7 to the Consolidated Financial Statements).

The Agreement includes Stelco Inc., (the "Borrower"), Stelwire Ltd., Stelpipe Ltd., Welland Pipe Ltd., and CHT Steel Company Inc. (the "Applicant Subsidiary Companies") and is for $75 million as a revolving line of credit to fund the ordinary course of operations of the above group of businesses during the CCAA proceedings. The DIP is secured by a second charge on the receivables and inventory and a first charge on property, plant, and equipment. Additionally, the DIP is secured by a first pledge of the shares of certain subsidiaries of Stelco Inc.

Each of the Applicant Subsidiary Companies has guaranteed payment of the Borrower's obligations and provided Lenders' liens on all their assets as security.

Interest rates are Canadian prime rate plus 4%, U.S. base rate plus 4%, or unused facility fee margin of 0.5%. A commitment fee of 3% of the revolving line of credit is due as follows: (i) 2% on acceptance of the commitment letter; (ii) 0.5% on the earlier of 60 days from the initial CCAA order or the first revolving loan; (iii) the remaining 0.5% to be paid at the time of the first drawing on this loan.

The DIP facility (the "DIP facility") has a maximum term that extends to the earliest of (i) one year from March 22, 2004; (ii) the termination of the Corporation's $350 million revolving operating credit facility; and (iii) the effective date of the Plan under the CCAA proceedings. However, repayments of amounts owed under the DIP facility and termination of the DIP facility may be earlier than the term indicated above if an event of default occurs under the DIP facility, the Accommodation Agreement, and the $350 million revolving operating credit facility (the "Credit Agreements"). Events of default under the Credit Agreements include: (i) the Court Order for CCAA protection is rescinded; (ii) there is a failure to make required payments or abide by the terms of the Credit Agreements; (iii) the Borrower fails to obtain Court and creditor approval of a plan of arrangement by December 29, 2004; (iv) any plan of arrangement fails to become effective and fully implemented by January 29, 2005.

Accommodation Agreement

The CCAA filing was an event of default of the Corporation's $350 million revolving operating credit facility (see 2003 Annual Report - Note 7 to the Consolidated Financial Statements).

Under the Accommodation Agreement dated January 29, 2004, CIT Business Credit Canada Inc., General Electric Capital Canada Inc., and Fleet Capital Canada Corporation (the "Lenders") have agreed (i) to continue to make the credit facilities available; (ii) to make certain amendments to the revolving operating credit facility; and (iii) to forbear exercising remedies under the revolving operating credit facility as a result of the CCAA filing event of default.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)* *(continued)*

1. CREDITOR PROTECTION AND RESTRUCTURING *(continued)*

This Accommodation Agreement (and the term of the $350 million revolving operating credit facility) will expire at the earliest of (i) 12 months from January 29, 2004; (ii) implementation of a plan of arrangement or reorganization under the CCAA; (iii) termination of the DIP facility; and (iv) the date at which the Lenders shall have terminated the forbearance under the terms of the Accommodation Agreement due to a further event of default.

Interest rates under the Accommodation Agreement are (i) prime rate loans – prime rate plus 2.50%; (ii) U.S. base rate loans – U.S. base rate plus 2.50%; (iii) LIBOR loans – LIBOR plus 4%; (iv) Banker's acceptance drawing fee – 4%; (v) issuance of any letter of credit – 4%. A non-refundable forbearance fee of $1.5 million was paid upon finalization of the Accommodation Agreement.

2. ACCOUNTING POLICIES AND METHODS

These financial statements have been prepared using the same generally accepted accounting principles as applied to the Corporation prior to certain entities of the Corporation filing for creditor protection, except as described below. Accordingly, interim financial statements have been prepared in accordance with the accounting policies and methods used in the most recent annual financial statements as described on pages 36 to 38 of the Corporation's 2003 Annual Report, except for the policies described in Note 3 below, which were changed effective January 1, 2004. The financial statements and notes presented in this interim report should be read in conjunction with the most recent annual financial statements. Uncertainties arose upon the filing under CCAA on January 29, 2004, which are described in Note 1 – Creditor Protection and Restructuring – Basis of preparation and going concern issues. As stated in Note 1, these financial statements are prepared using the going concern concept.

Certain 2003 comparative figures have been reclassified to conform to the disclosure adopted for 2004.

Accounting policies applicable to an entity under Creditor Protection

As a result of the filings as described in Note 1, the Corporation will follow accounting policies, including disclosure items, applicable to entities that are under creditor protection. In addition to Canadian GAAP, the Corporation is applying the guidance in the American Institute of Certified Public Accountants Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" (SOP 90-7). While SOP 90-7 refers specifically to Chapter 11 in the U.S., its guidance, in management's view, is also applicable to an entity restructuring under CCAA, where it does not conflict with Canadian GAAP.

Consistent with Canadian GAAP, SOP 90-7 does not change the manner in which financial statements are prepared. However, SOP 90-7 does require that the financial statements for periods subsequent to the filing distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Revenues, expenses, gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the business are reported separately as Reorganization items (see Note 4). The timing of the recognition of Reorganization items is consistent with generally accepted accounting principles. Cash flows related to Reorganization items have been disclosed separately in Note 4.

While no payments will be made on liabilities subject to compromise, including long-term debt, interest on debt obligations will continue to be recognized under Canadian GAAP, consistent with Canadian legal requirements. Interest is not a Reorganization item. The Consolidated Statement of Financial Position distinguishes pre-filing liabilities subject to compromise from both those pre-filing liabilities that are not subject to compromise and from post-filing liabilities (see Note 5). Liabilities that may be affected by the Plan have been reported at the amounts estimated to be allowed, even if they may be settled for lesser amounts. At this point in time, a claims procedure has not been established and a plan of arrangement has not been proposed. Resulting adjustments to the estimated allowed claims may be material and may be recorded as a reorganization adjustment. Consolidated Financial Statements that include one or more entities in reorganization proceedings and one or more

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

2. ACCOUNTING POLICIES AND METHODS *(continued)*

entities not in reorganization proceedings are required to include disclosure of Condensed Combined Financial Statements of the entities in reorganization proceedings, including disclosure of the amount of intercompany receivables and payables therein between Applicants and non-Applicants (see Note 6).

SOP 90-7 has been applied effective January 29, 2004, and for subsequent reporting periods while the Corporation continues to operate under creditor protection.

The resulting changes in reporting are described in Note 4 (Reorganization items), and Note 5 (Liabilities subject to compromise), and Note 6 (Condensed Combined Financial Statements).

3. CHANGES IN ACCOUNTING POLICY

Asset retirement obligations

On January 1, 2004, a change in accounting policy was adopted by the Corporation to conform with the new CICA Handbook Section 3110, *Asset retirement obligations*. This section applies to legal obligations (i.e. existing or enacted law, statute, ordinance, or contract) associated with the retirement of tangible long-lived assets. This standard applies to the Corporation's mining interests in Wabush, Hibbing, and Tilden iron ore properties. The standard has been adopted retroactively, resulting in a restatement of 2003. On January 1, 2004, an obligation of approximately $10 million was recorded on the Consolidated Statement of Financial Position representing the Corporation's estimated asset retirement obligation for these properties, principally relating to the Wabush joint venture. A former participant in Wabush funded its share of estimated future mine closure costs at the time of its exit from the joint venture. The Corporation has reflected its share of these funds ($4 million) in Other non-current assets on the Consolidated Statement of Financial Position. The net charge of $6 million has been recorded directly to retained earnings (deficit). The accounting change will result in a non-cash charge to income of approximately $1.8 million in 2004, consisting primarily of the accretion of the liability.

Stock-based compensation

On January 1, 2004, the Corporation adopted the accounting changes as required in CICA Handbook Section 3870, *Stock-based compensation and other stock-based payments*. Under the new standard, the fair value of stock options is recorded as compensation cost by a charge to income over the vesting period of the grant. Previously, the fair value of stock options was calculated and disclosed as a note to the financial statements, since the options, when exercised, were settled in shares rather than cash. The calculation of the fair value of the stock options under the new standard is identical to the method previously used and is described in Note 13. The new standard has been applied retroactively without restatement of prior periods, since the effect on prior periods was not material. Note disclosure of the effect on prior periods will continue. The impact on the Consolidated Statement of Financial Position at January 1, 2004 was a decrease to retained earnings of $1.6 million, and an increase to contributed surplus of $1.6 million. Based on options outstanding at January 1, 2004, the application of the policy will result in a charge to income of approximately $0.4 million in 2004. Application of the new standard will have no effect on the method presently used for accounting for grants made under the Deferred Share Unit (DSU) Plan. Since awards made under the DSU plan are settled in cash, their fair value has been recorded as a compensation cost, and is disclosed in Note 13.

Impairment of long-lived assets

A new CICA Handbook Section 3063, *Impairment of long-lived assets*, came into effect on January 1, 2004, replacing the write-down provisions in Section 3061, *Property, plant, and equipment*. The new section provides guidance on the recognition, measurement, and disclosure related to the impairment of long-lived assets. This section requires that an impairment loss be recognized when the carrying value of a long-lived asset exceeds the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is the amount by which the carrying value of the asset exceeds its fair value. The impact of this section, if any, in 2004 and subsequent years will be dependent upon future events (see Note 1).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

4. REORGANIZATION ITEMS

Reorganization items represent post-filing revenues, expenses, gains and losses, and provisions for losses that can be directly associated with the reorganization and restructuring of the Applicants. The cash flow related to reorganization and restructuring items since the date of filing amounts to approximately $6 million including Accommodation Agreement and DIP financing fees.

(in millions)	**Three months ended Mar. 31, 2004**
Professional fees	$ 6
Write-off of deferred financing costs on compromised debt (i)	1
Adjustment of convertible debenture balance to anticipated claim amount (ii)	15
Amortization of Accommodation and DIP financing fees	1
Total reorganization items	$ 23

(i) As a result of certain long-term debt being classified as subject to compromise, all related deferred financing costs have been written off.

(ii) To adjust principal element of convertible debentures from $75 million to $90 million (see Note 11).

5. LIABILITIES SUBJECT TO COMPROMISE

Liabilities subject to compromise refers to liabilities incurred prior to the filing date that may be dealt with as affected claims under a CCAA plan of arrangement in the CCAA proceedings, as well as claims arising out of any repudiated leases, contracts, and other arrangements. At this point in time, a claims procedure has not been established and a plan of arrangement has not been proposed. It is possible that financial statement items not currently included below as claims subject to compromise will be added to this category of liabilities at a later date. The amounts below are the Corporation's estimate of known and expected claims in this category and are subject to future adjustment as a result of negotiations, Court orders, proofs of claim, and other events. Any additions to this category of liabilities and any adjustments may be material and, depending on their nature, may be recorded as a reorganization adjustment. The plan of arrangement will determine how a particular class of affected claims will be settled, including payment terms, if applicable.

(in millions)	**Mar. 31, 2004**
Accounts payable and accrued liabilities	$ 148
Accrued interest payable	18
Long-term debt *(Note 10)*	322
Convertible debentures *(Note 11)*	90
	$ 578

The Corporation continues to accrue for interest on unsecured debt that is subject to compromise. No interest has been paid on unsecured debt of the Applicants subsequent to January 29, 2004, the date of the CCAA filing.

6. CONDENSED COMBINED FINANCIAL STATEMENTS

As stated in Note 2, Consolidated Financial Statements should provide disclosure of Condensed Combined Financial Statements of the entities in reorganization proceedings (Applicants), including disclosure of the amount of intercompany receivables and payables between Applicants and non-Applicants. Following are the Condensed Combined Financial Statements of the Applicants and non-Applicants for the first quarter of 2004.

Intercompany receivables and payables are disclosed on a net basis and will be subject to the claims procedure order when established by the Court. Resulting adjustments may be material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

6. CONDENSED COMBINED FINANCIAL STATEMENTS *(continued)*

Entities not in reorganization proceedings include AltaSteel Ltd., Norambar Inc., Stelfil Ltée, Stelco Holding Company, and their wholly owned subsidiaries and joint ventures.

Condensed Combined Statement of Earnings (Loss)
(in millions)

	Three months ended March 31, 2004			
	Entities in Reorganization Proceedings	**Entities not in Reorganization Proceedings**	**Eliminations**	**Consolidated Totals**
Net sales	$ 656	174	(56) *1*	774
Costs	649	147	(56) *2*	740
	7	27	–	34
Amortization of property, plant, and equipment	22	9	–	31
Operating earnings (loss)	(15)	18	–	3
Intercompany income (expense)	(1)	1	– *3*	–
Reorganization items *(Note 4)*	(23)	–	–	(23)
	(39)	19	–	(20)
Financial expense	(13)	(3)	–	(16)
Earnings (loss) from continuing operations before income taxes	(52)	16	–	(36)
Income tax (recovery) expense	1	(2)	–	(1)
Earnings (loss) from continuing operations	(53)	18	–	(35)
Net loss from discontinued operations *(Note 8)*	(1)	–	–	(1)
Net earnings (loss)	$ (54)	18	–	(36)

1 Intercompany sales
2 Intercompany sales and profit elimination
3 Intercompany interest, foreign exchange, and management fees

Condensed Combined Statement of Cash Flows
(in millions)

	Three months ended March 31, 2004		
	Entities in Reorganization Proceedings	**Entities not in Reorganization Proceedings**	**Consolidated Totals**
Net cash provided by operating activities	$ (4)	19	15
Investing activities			
Directors' and officers' trust *(Note 1)*	(10)	–	(10)
Expenditures for capital assets	(3)	(10)	(13)
	(13)	(10)	(23)
Financing activities			
Increase (decrease) in bank indebtedness	70	16	86
Reduction of long-term debt *(Note 10)*	–	(23)	(23)
	70	(7)	63
Cash and cash equivalents			
Net increase (decrease)	53	2	55
Balance at beginning of period	3	20	23
Balance at end of period	$ 56	22	78

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)* *(continued)*

6. CONDENSED COMBINED FINANCIAL STATEMENTS *(continued)*

Condensed Combined Statement of Financial Position
(in millions)

At March 31, 2004

	Entities in Reorganization Proceedings	**Entities not in Reorganization Proceedings**	**Eliminations**	**Consolidated Totals**
Current assets	$ 902	246	–	1,148
Intercompany receivables	42	368	(410) *1*	–
Current assets	944	614	(410)	1,148
Current liabilities	436	188	-	624
Intercompany payables	37	42	(79) *1*	–
Current liabilities	473	230	(79)	624
Working Capital	471	384	(331)	524
Other Assets				
Property, plant, and equipment	747	323	–	1,070
Intangible assets	64	–	–	64
Deferred pension cost	233	20	–	253
Future income taxes	–	2	–	2
Assets held for sale *(Note 8)*	3	–	–	3
Intercompany investments and loans	287	(91)	(196) *2*	–
Other	13	14	–	27
	1,347	268	(196)	1,419
Total investment	1,818	652	(527)	1,943
Other liabilities				
Employee future benefits	745	143	–	888
Other liabilities not subject to compromise	21	126	–	147
	766	269	–	1,035
Liabilities subject to compromise *(Note 5)*	909	–	(331) *1*	578
Shareholders' equity	$ 143	383	(196)	330
Derived from:				
Convertible debentures *(Note11)*	–	–	–	–
Convertible debentures conversion option *(Note 11)*	23	–	–	23
Capital stock *(Note 12)*	781	196	(196) *2*	781
Contributed surplus *(Note 3)*	15	–	–	15
Retained earnings (deficit)	(676)	187	–	(489)
	$ 143	383	(196)	330

1 Intercompany receivables and payables
2 Intercompany investment at cost

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

7. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations (see Note 3) pertain to the Corporation's mining interests in Wabush, Tilden, and Hibbing iron ore properties. On January 1, 2004, an obligation of approximately $10 million was recorded on the Consolidated Statement of Financial Position representing the Corporation's estimated retirement obligation for these properties, principally relating to the Wabush joint venture. A former participant in Wabush funded its share of estimated future mine closure costs at the time of its exit from the joint venture. The Corporation has reflected its share of these funds ($4 million) in Other non-current assets on the Consolidated Statement of Financial Position. The total undiscounted amounts of the estimated cash flow required to settle the obligation is $84 million which is expected to be spent between 2013 and 2050. In determining the obligation, a credit-adjusted, risk-free interest rate of 16.65% was used. No additional liabilities were incurred in first quarter 2004, no liabilities were settled, and no revision to the estimated cash flows was made. An accretion expense of $0.4 million was recorded in Costs for first quarter 2004 ($0.4 million for first quarter 2003 as restated).

8. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Welland Pipe Ltd.

On March 7, 2003, the Corporation permanently closed its wholly owned subsidiary, Welland Pipe, a manufacturer of large-diameter pipe located in Welland, Ontario. The decision to permanently close the facility was based on a lack of order prospects. A pre-tax charge of $7 million ($5 million net of tax) was recorded in 2003, principally related to employee future benefits. In first quarter 2004, Welland Pipe made wind-up payments of $3 million to the pension plan covering its hourly employees, increasing deferred pension cost on the Consolidated Statement of Financial Position. Welland Pipe is an Applicant under the CCAA proceedings described in Note 1.

Welland Pipe Ltd. has been excluded from the Manufactured Products reportable segment.

Losses from discontinued operations recorded in 2003 and 2004 are as follows:

($ millions)

	Three months ended March 31	
	2004	**2003**
Net sales	**$ –**	$ –
Loss before income taxes	**(1)**	(1)
Income taxes	**–**	–
Net loss	**(1)**	(1)
Net loss related to closure of operations	**–**	(5)
Net loss from discontinued operations	**$ (1)**	$ (6)
Net loss per common share	**$ (0.01)**	$ (0.06)

Included in the Consolidated Statement of Financial Position are the following amounts related to discontinued operations:

($ millions)

	At March 31		At December 31
	2004	**2003**	**2003**
Working capital	**$ (5)**	$ (1)	$ (2)
Property, plant, and equipment	**–**	–	–
Deferred pension cost	**9**	5	6
Future income taxes	**–**	6	–
Other assets of discontinued operations	**$ 9**	$ 11	$ 6
Employee future benefits – non-current	**$ 17**	$ 14	$ 17

CHT Steel Company Inc.

The Corporation announced the closure of CHT Steel, a wholly owned subsidiary located in Richmond Hill, Ontario, on February 18, 2004. CHT Steel is an Applicant under the CCAA proceedings described in Note 1. CHT Steel processed plate sourced from the Stelco Hamilton plate mill. The only asset of CHT steel is property, plant, and equipment, the sale of which is being actively pursued. Accordingly, the net book value of these assets ($3 million) has been classified as assets held for sale on the Consolidated Statement of Financial Position. No impairment of the value of the assets has been recorded, based on a third-party appraisal of the value of the assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

9. BANK INDEBTEDNESS

(in millions)	Three Months Ended March 31	
	2004	**2003**
Applicants	**$ 271**	$ 135
Non-Applicants	**30**	6
Total Bank indebtedness	**$ 301**	$ 141

AltaSteel Ltd.

On January 6, 2004, AltaSteel Ltd. arranged an extension to the end of May 2005 for its $15 million revolving line of credit.

Norambar Inc.

On January 28, 2004, a previous financing was replaced with a three-year $30 million operating credit facility, available until January 28, 2007. The facility is collateralized by the accounts receivable, inventory, and other assets of Norambar Inc. and its wholly owned subsidiary, Fers et Métaux Recyclés Ltée. Norambar is required to maintain a minimum of $3 million of excess eligible collateral over its drawings and letters of credit. In addition, there are certain other covenants that Norambar must meet. Drawings can generally be made by way of Canadian or U.S. borrowings at a rate of 1.25% over the Canadian prime rate or the U.S. base rate. Borrowings under the new facility are disclosed as Bank indebtedness on the Consolidated Statement of Financial Position.

Accommodation Agreement and Debtor-In-Possession financing

An Accommodation Agreement and a Debtor-In-Possession financing were finalized in first quarter 2004. Further information regarding the terms of these agreements is contained in Note 1.

10. LONG-TERM DEBT

(in millions)	Three Months Ended March 31	
	2004	**2003**
10.4% retractable unsecured debentures due November 30, 2009	**$ 125**	$ 125
Notes payable at weighted average interest rate of 10.2%	**–**	15
8% retractable unsecured debentures due February 15, 2006	**150**	150
Computer system financing	**47**	27
	$ 322	$ 317
Long-term debt of Applicants subject to compromise	**$ 322**	
Long-term debt of non-Applicants	**103**	150
	103	467
Less amount due within one year	**44**	51
Total Long-term debt	**$ 59**	$ 416

On March 10, 2004, the Corporation did not make the quarterly installment on the term loan associated with the Stelco Hamilton plate mill. This debt is held by a wholly owned subsidiary of Stelco Inc. which is not an Applicant under the CCAA filing described in Note 1. The total debt is $26 million. The long-term portion of the debt ($9 million) has been reclassified to long-term debt due within one year on the Consolidated Statement of Financial Position. Unamortized issue expense on this debt ($0.4 million) has been expensed. Interest is being calculated in accordance with the terms of the credit agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

11. CONVERTIBLE DEBENTURES

On January 21, 2002, the Corporation issued $90 million of 9.5% Convertible Unsecured Subordinated Debentures (“Debentures”) due February 1, 2007, for net proceeds of $87 million. The effective interest rate on the Debentures is 16.65%. The Debentures are convertible at the option of the holder into Series A Convertible Common Shares (“Shares”) of the Corporation at any time prior to the maturity date at a conversion price of $4.50 per share. The Debentures are redeemable by the Corporation, under certain circumstances, on and after February 1, 2005. The Corporation has the option to pay interest in cash, or by the issuance to a Trustees of Shares, the proceeds of the sale of which would be used to discharge the interest payment to the holder. The Corporation has the option to repay the principal amount of the Debentures, at redemption or maturity, in cash or by the issuance of Shares directly to the holder. The Debentures have been classified as a component of shareholders’ equity with an initial allocation of $67 million to the principal element and $23 million allocated to the value of the debenture holders’ conversion option at the date of issue.

The CCAA filing is an event of default under the terms of the convertible debenture agreement and these debentures are immediately due and payable on demand subject to the provisions of the Initial Order (see Note 1). As a result, the Corporation is restricted in its ability to settle the convertible debentures through the issuance of shares and accordingly, the $75 million principal element of the debentures has been reclassified as debt. The conversion option continues to be classified as share capital.

(in millions)	Three Months Ended March 31	
	2004	**2003**
Opening balance	**$ 97**	$ 92
Accretion	**1**	1
	$ 98	$ 93
Balance comprised of:		
Principal element	**$ 75**	$ 70
Conversion option	**23**	23

As a further result of the filings described in Note 1, the Corporation has recorded a reorganization charge of $15 million in order to reflect the convertible debenture balance at the principal amount of $90 million (see Note 4) and the convertible debentures have been classified as liabilities subject to compromise (see Note 5). Subsequent to the reclassification of the convertible debentures, interest expense of $1 million was recorded.

12. CAPITAL STOCK

Convertible Common Shares

	Mar. 31, 2004	**Mar. 31, 2003**	**Dec. 31, 2003**
Series A	**101,490,302**	102,136,218	101,908,302
Series B	**758,898**	112,985	340,901
Total	**102,249,200**	102,249,203	102,249,203

The Corporation has been granted creditor protection under the CCAA. It is unlikely that the existing Common Shares of the Corporation will have any material value in a restructuring plan of arrangement. There is a risk such shares could be cancelled.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

13. STOCK-BASED COMPENSATION

Key Employee Stock Option Plan (KESOP)

On January 5, 2004, 1,000,000 options were granted at $2.469. These options vest 1/3 each year in the first three years after the date of the grant and mature on January 5, 2014.

Under the Corporation's KESOP the following options were outstanding:

	Mar. 31, 2004	**Mar. 31, 2003**	**Dec. 31, 2003**
Exercisable	**3,882,383**	3,404,393	3,050,380
Unexercisable	**1,901,966**	2,747,621	2,020,635
Total	**5,784,349**	6,152,014	5,071,015

Effective January 1, 2004, the Corporation adopted the new standard concerning Stock-based compensation and other stock-based payments as described in Note 3. Accordingly, a compensation cost of $0.3 million has been included in Cost for first quarter 2004. In first quarter 2003, prior to the adoption of the new standard, the corresponding compensation cost of $0.2 million was not included in Cost under the settlement method and is disclosed for comparative purposes. Financial results for 2003 were not restated for the new standard as the effect was not material.

The compensation cost for the grants made under the KESOP was determined at the grant dates using the fair value method by applying the Black-Scholes option-pricing model using the following assumptions:

Grant date	**Jan. 5, 2004**	**Nov. 25, 2003**	**Feb. 5, 2003**
Expected volatility	30%	30%	23%
Risk-free interest rate	3.60%	3.75%	4.0%
Expected life	4-6 years	4-6 years	4-6 years
Expected dividends	Nil	Nil	Nil

Deferred Share Unit Plan (DSUP)

	Three months ended March 31			
	2004		**2003**	
	DSUs	Weighted average price	DSUs	Weighted average price
Outstanding at beginning of period	**429,740**	**$ 2.182**	269,977	$ 3.810
Granted	**3,153**	**0.773**	68,773	3.927
Exercised	**(70,863)**	**2.279**	(9,156)	4.250
Balance at end of period	**362,030**	**0.773**	329,594	$ 3.335
Compensation cost (gain) *($ in millions)*		**$ (0.5)**		$ 0.1

The Corporation has been granted creditor protection under the CCAA. It is unlikely that the KESOP and DSUP of the Corporation will have any material value in a restructuring plan of arrangement.

14. EMPLOYEE FUTURE BENEFITS

In first quarter 2004, an expense of approximately $66 million ($49 million in first quarter 2003) was recorded in Costs pertaining to defined benefit pension and other future benefit plans of the Corporation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited)* *(continued)*

15. LOSS PER COMMON SHARE

Basic loss per common share is calculated including charges to retained earnings related to the convertible debentures. Fully diluted loss per common share is calculated by applying the treasury stock method for the potential exercise of stock options, and assuming the dilutive effect of the conversion of all outstanding convertible debentures at the stated conversion price (see Note 11).

($ in millions)

	Three months ended March 31	
	2004	Restated (Note 3) **2003**
Net loss	**$ (36)**	$ (44)
Convertible debentures – net charge to retained earnings (deficit)	**(1)**	(3)
	$ (37)	$ (47)
Weighted average number of common shares outstanding – basic	**102,249,200**	102,249,203
Incremental number of common shares assumed to be issued on the exercise of stock options	**–**	68,247
Common shares issued on the assumed conversion of convertible debentures	**20,000,000**	20,000,000
Weighted average number of common shares outstanding – fully diluted	**122,249,200**	122,317,450
Options to purchase common shares not included in the above calculation *	**5,784,349**	5,104,678

** exercise prices were greater than the average market price of the common shares during the periods*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Unaudited) (continued)*

16. SEGMENTED INFORMATION

Financial information for Welland Pipe Ltd. has been excluded from the Manufacturing Products reportable segment for 2004 and 2003 (see Note 8).

($ in millions)

	Three months ended March 31	
	2004	Restated (Note 3) **2003**
Net sales – trade		
Integrated Steel	**$ 613**	$ 575
Mini-mill	**105**	70
Manufactured Products	**115**	98
Intersegment sales		
Integrated Steel	**(50)**	(36)
Mini-mill	**(9)**	(14)
Manufactured Products	**–**	–
	$ 774	$ 693
Shipments – trade *(thousands of net tons)*		
Integrated Steel	**1,052**	998
Mini-mill	**205**	165
Manufactured Products	**127**	116
Intersegment shipments		
Integrated Steel	**(95)**	(73)
Mini-mill	**(18)**	(40)
Manufactured Products	**–**	–
	1,271	1,166
Operating earnings (loss)		
Integrated Steel	**(7)**	(28)
Mini-mill	**7**	–
Manufactured Products	**3**	(7)
	$ 3	$ (35)
Assets		
Integrated Steel	**2,096**	2,456
Mini-mill	**227**	212
Manufactured Products	**235**	236
	$ 2,558	$ 2,904
Amortization of capital assets		
Integrated Steel	**28**	31
Mini-mill	**2**	2
Manufactured Products	**1**	1
	$ 31	$ 34
Expenditures for capital assets		
Integrated Steel	**12**	15
Mini-mill	**1**	–
Manufactured Products	**–**	–
	$ 13	$ 15
Geographic segments		
Net sales		
Canada	**643**	581
United States	**115**	97
Other	**16**	15
	$ 774	$ 693
Capital assets – net		
Canada	**1,078**	1,236
United States	**56**	67
	$ 1,134	$ 1,303

INVESTOR INFORMATION

Questions and comments regarding Stelco Inc. or any information appearing in the quarterly reports or any other corporate publication may be directed to:

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