



ALGOMA

— STEEL INC. —

Earnings Call Presentation
For the Quarter ending December 31st, 2021

February 11th, 2022

in Canadian dollars unless otherwise noted

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This presentation 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”). Forward-looking statements and information generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans”, “continue” or similar expressions suggesting future outcomes or events. Forward-looking statements and information include, but are not limited to, statements regarding the operations, business, financial condition, expected financial results, performance, opportunities, strategies, outlook and guidance of the Company and the transformation to electric arc furnace steelmaking (the “EAF Transformation”).

Although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information because they involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, which may cause the actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements and information. The material factors or assumptions that were applied by us in drawing conclusions or making forecasts or projections set out in the forward-looking statements and information, and those risks, uncertainties and other factors that could cause actual results to differ materially from the forward-looking statements and information, include, but are not limited to: global and North American product demand, production levels and capacity utilization; our production levels and capacity utilization; the risks associated with the steel industry generally; the ability of the Company to implement and realize its business plans, including the EAF Transformation; the risk of downturns and a changing regulatory landscape in the Company’s highly competitive and cyclical industry; future results of operations; future cash flow and liquidity; future capital investment; the impact of the foregoing items on our debt service obligations; 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; plant operating performance; upgrades to our facilities and equipment; our research and development activities; our ability to source raw materials and other inputs at a competitive cost; debt financing, government or regulatory accommodation for key operational inputs and other current or future compliance requirements; our ability to supply to new customers and markets; our ability to effectively manage costs; our ability to attract and retain key personnel and skilled labour; our ability to obtain and maintain existing financing on acceptable terms; changes in environmental, tax and other laws, rules and regulations, including international trade regulations; growth in steel markets and industry trends; significant domestic and international competition; increased use of competitive products; a protracted fall in steel prices; plant operating performance; product mix; level of contract sales; excess capacity, resulting in part from expanded production in China and other developing economies; low-priced steel imports, import levels and government actions or lack of actions with regard to imports; protracted declines in steel consumption caused by poor economic conditions in North America or by the deterioration of the financial condition of our key customers; increases in annual funding obligations resulting from our under-funded pension plans; supply and cost of raw materials and energy; natural gas prices and usage; currency fluctuations, including an increase in the value of the Canadian dollar against the United States dollar; environmental compliance and remediation; unexpected equipment failures and other business interruptions; a protracted global recession or depression; North American and global economic performance and political developments; and changes in general economic conditions, including as a result of the COVID-19 pandemic.

The foregoing list of factors is not exhaustive and readers should also consider the other risks and uncertainties set forth in the section entitled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” in the prospectus filed by Algoma with the Ontario Securities Commission and the Form S-1 registration statement filed with the Securities and Exchange Commission.

Given these risks, uncertainties and other factors, readers should not place undue reliance on forward-looking statements or information as a prediction of actual results. The forward-looking statements and information reflects management’s current expectations and beliefs regarding future events and operating performance and is based on information currently available to management. Although we have attempted to identify important factors that could cause actual results to differ materially from the forward-looking statements and information contained herein, there are other factors that could cause results not to be as anticipated, estimated or intended. The forward-looking statements and information contained herein is current as of the date hereof and, except as required under applicable law, we do not undertake to update or revise it to reflect new events or circumstances.

Certain information in this presentation may be considered as “financial outlook” within the meaning of applicable securities legislation. The purpose of this financial outlook is to provide readers with disclosure regarding the Company’s reasonable expectations as to the anticipated results of its proposed business activities for the periods indicated. Readers are cautioned that the financial outlook may not be appropriate for other purposes.

PRESENTATION OF FINANCIAL INFORMATION

The Company’s fiscal year runs from April 1st to March 31st. The Company and its subsidiaries’ functional currency is the United States dollar (“US dollar” or “US\$”). The US dollar is the currency of the primary economic environment in which the Company and subsidiaries operate. The items included in the condensed interim financial statements are measured using the US dollar.

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

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). IFRS differs in certain material respects from U.S. generally accepted accounting principles (“U.S. GAAP”). As such, the Company’s financial statements are not comparable to the financial statements of U.S. companies prepared in accordance with U.S. GAAP.

This presentation should be read in conjunction with, the Company’s December 31, 2021 condensed interim consolidated financial statements and the accompanying notes of the Company and the March 31, 2021 audited consolidated financial statements and the accompanying notes of the Company.



Today's Presenters:



Michael McQuade
Chief Executive Officer



Rajat Marwah
Chief Financial Officer

Safety Performance

EAF Conversion

Financial Performance

Market Update

Strategic Update / Capital Allocation

Questions & Answers

Continued Focus and Improvement in Lost Time Injury Frequency Rate (LTIFR)



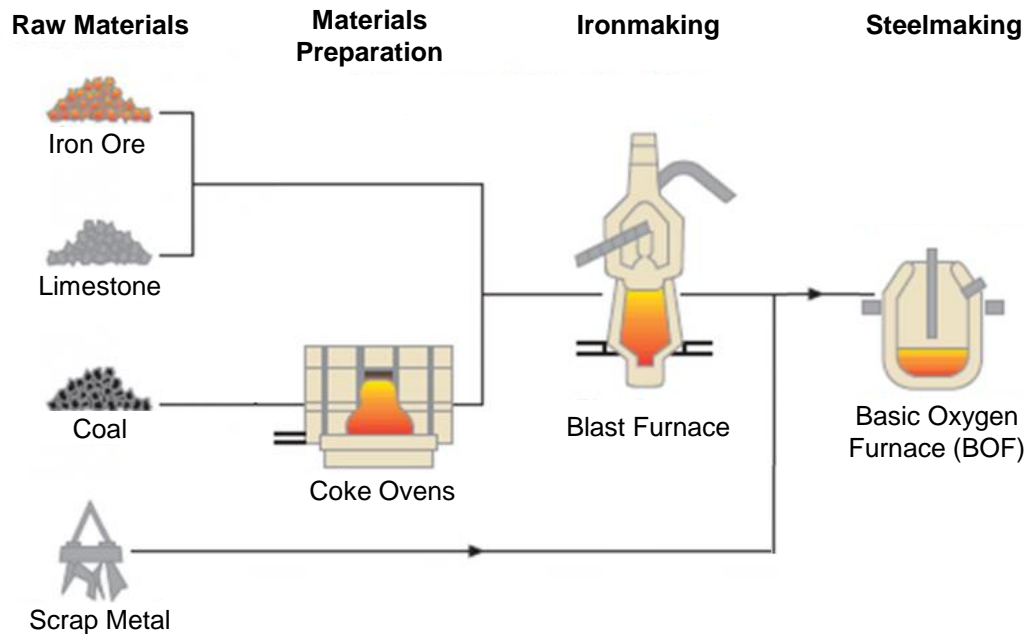
Health & Safety Performance

- Ongoing commitment to superior Health & Safety performance has led to sustained improvement of safety metrics over time
- Health & safety remains our highest priority and to further the Company's efforts to improve, we are implementing an ISO 45001 Safety Management System
- Algoma employs a cooperative Joint Health and Safety System to provide a healthy and safe workplace
- Proud participants in the WSIB Health & Safety Excellence Program, joining businesses from across Ontario in the exchange of best practices, training and development.

Safety is Top Priority for Algoma

Algoma's EAF Conversion Project: a generational opportunity

**Blast Furnace Mill
(Algoma Today)**



Capacity

2,800kt⁽¹⁾



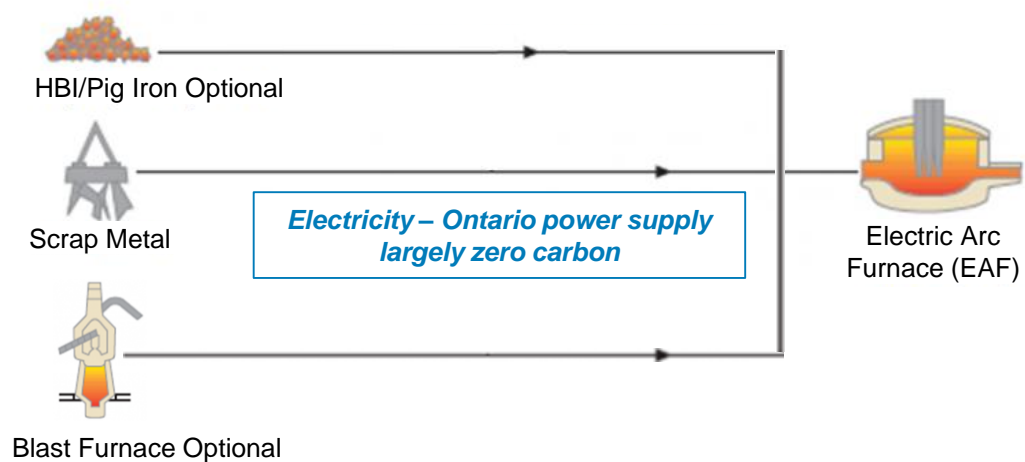
3,700kt

Expected Benefits of EAF

- ✓ ~Adds ~700kt of finished steel capacity aligning steelmaking capacity to rolling capacity
- ✓ Reduced conversion cost vs integrated
- ✓ ~70% fewer total CO2 emissions (annual reduction of 3 million tonnes of CO2)
- ✓ Elimination of coal as an input to steelmaking process
- ✓ Reduces long-term reliance on volatile iron ore market
- ✓ More flexible operations capable of responding dynamically to market conditions
- ✓ Lower fixed costs and incremental volume driving cost absorption
- ✓ Reduced sustaining CapEx
- ✓ Improves employee productivity (as measured in tons per employee)

Transforms Algoma into one of leading producers of green steel in North America

**EAF Mill
(Algoma 2024)**



Source: Company information.

(1) Excludes BF#6 which is currently idled.

Q3 FY 2022 - Ended December 31, 2021

- **Shipment volume** was 553K NT in Q3 FY 2022, down 6% from 587K NT in Q2 FY 2022 and up 1% from 548K NT in Q3 FY 2021
- **Steel Revenue:** was \$1,010 million in Q3 FY 2022, up 8% from \$937 million in Q2 FY 2022 and up 163% from \$384 million in Q3 FY 2021
- **Adjusted EBITDA** was \$457 million in Q3 FY 2022 a quarterly record and up 6% from \$431 million in Q2 FY 2022 and up from \$12 million in Q3 FY 2021
- **Net Income** was \$123 million in Q3 FY 2022, down from \$288 million in Q2 FY 2022 and up from a net loss of \$74 million in Q3 FY 2021
- **Cash position** was \$588 million at the end of Q2 FY 2022 with full availability of \$291 million under the Revolving Credit Facility

FY 2022

1,750 kNT
Shipments

\$2,669 million
Steel Revenue

\$1,169 million
Adjusted EBITDA

Adjusted EBITDA margin for quarter ended December 31stth, 2021 was 43%



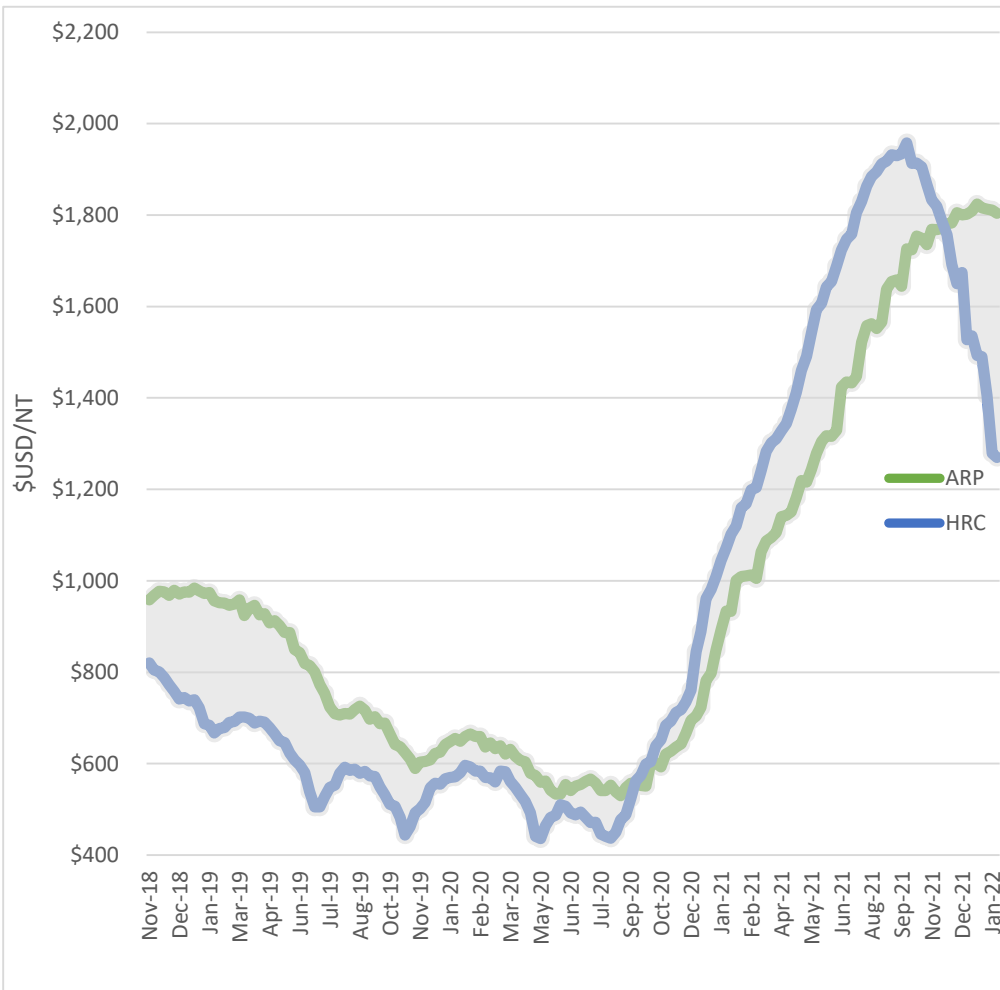
Third Quarter Financial Highlights

	Q3 FY 2022	Q3 FY 2021		Q2 FY 2022	
Shipping volume ('000s tons)	553	548	1%	587	-6%
Net Sales Realization per ton (\$/ton)	1,827	701	161%	1,594	15%
Steel Revenue(\$ million)	1,010	384	163%	937	8%
Cost of Steel Products Sold (\$/NT)	946	647	46%	857	10%
Adjusted EBITDA (\$ million)	457	12	3806%	431	6%
Net Income (\$ million)	123	-74	+	288	-57%

Algoma Q3 FY 2022 record quarterly Adjusted EBITDA

North American HRC and Plate prices peaked but remain above previous all-time highs

Historical Hot Rolled Coil (HRC) and As Rolled Plate Prices (ARP) (US\$/ton)



Key Market Drivers

- HRC steel prices have experienced price declines and shorter mill lead times, however ARP spread over HRC have continued to grow since late 2021
- North American steel capacity utilization has remained largely steady over the course of 2021 into early 2022, signaling supply control
- Service center inventory expected to normalize as underlying product demand remains strong, including automotive sector
- s232 tariffs on European and Japanese producers introduce tariff rate quota system, deemed a positive measure for import control in N.A
- Further sentiment for a Carbon Border adjustment for imported steel products seen as a replacement to s232 tariffs

Committed to our path forward, creating a track record of success

Strategic Direction

<p>1</p> <p>Operational & Capital Improvements</p> <p>Algoma has developed and executed numerous operational and capital projects that add long term value to the business</p>	<p>DSPC Automation Upgrade</p> <p>Improves grade range and product offering</p> <p>June 2020</p>	<p>Ladle Met Furnace #2</p> <p>debottlenecks operations and increases capacity</p> <p>Feb 2021</p>	<p>Project Aurora</p> <p>\$50M annualized efficiency improvement across the steel works</p> <p>Ongoing</p>	<p>Plate Mill Modernization</p> <p>Enhancing capability and production on Canada's only discrete plate mill</p> <p>2021-2022</p>	<p>EAF Approval</p> <p>Received board approval to begin construction of Electric Arc Furnace</p> <p>Nov 2021</p>	<p>EAF Project</p> <p>Construction started</p> <p>Vendors selected :</p> <p>Danieli – EAF equip GE – Power upgrade PTI -Transformers Dec / Jan</p>
<p>2</p> <p>Financial Discipline</p> <p>Algoma is has focused on streamlining its balance sheet, finding effective sources of capital to fund its strategic initiatives and providing long term value to stakeholders</p>	<p>De-levered balance sheet</p> <p>Upon emergence from CCAA</p> <p>Nov 2018</p>	<p>\$420M Federal Financing</p> <p>announcement for EAF Project</p> <p>July 2021</p>	<p>Return to Public Markets</p> <p>including Equity injection of \$306M USD</p> <p>Oct 2021</p>	<p>Debt pay down</p> <p>Algoma extinguished all of its \$358M USD Sr. Secured debt</p> <p>Nov 2021</p>	<p>Regular Dividend</p> <p>Algoma to commence quarterly dividend of \$.05 / share</p> <p>Mar 2022</p>	<p>Normal Course Issuer Bid</p> <p>Algoma intends to launch NCIB for share repurchases</p> <p>2022/23</p>
<p>3</p> <p>Strategic Partnerships</p> <p>Algoma continues to develop partnerships focused on de-risking the organization and creating long term value for stakeholders</p>	<p>New Iron Ore Supply contract with USS</p> <p>De-risking supply of largest input</p> <p>May 2020</p>	<p>New Joint Venture</p> <p>JV with Triple M Metals for supply of scrap and metallic units to meet needs</p> <p>Nov 2021</p>	<p>PUC Transmission</p> <p>PUC to construct local 230KV power line to support Algoma's EAF transformation.</p> <p>2022-2025</p>	<p>Suncoke Coke Contract</p> <p>5 Year contract to facilitate the migration to EAF operations</p> <p>2022-2026</p>		
<p>4</p> <p>ESG Focus</p> <p>Algoma is committed to initiatives geared at driving performance, reducing risk and developing a culture of organizational excellence that improve our ESG performance</p>	<p>Secured Algoma's Legacy Environmental Action Plan</p> <p>Nov 2018</p>	<p>Focus on Safety</p> <p>Including zero lost time incidents for the past 2 Fiscal Quarters</p> <p>Apr – Sep 2021</p>	<p>Newly Constituted Board</p> <p>diversity of experience, thought and perspective</p> <p>Oct 2021</p>	<p>Performance Management</p> <p>Implemented a robust performance management system</p> <p>May 2019</p>	<p>Enterprise Risk Management</p> <p>Develop a culture of risk management</p> <p>Nov 2019</p>	<p>Emission Reduction</p> <p>EAF project expects to reduce emissions 70% and improve GHG performance</p> <p>2024</p>

We are positioning Algoma to be a next generation steel maker, well capitalized and focused on enhancing our position, both operationally and financially, to make critical investments in our business that we expect will create a compelling value proposition for our shareholders both current and prospective

Annex: Revenue and Cost of Sales

	October 1 to December 31			April 1 to December 31		
	change	FY 2022	FY 2021	change	FY 2022	FY 2021
<i>tons</i>						
Steel Shipments	↑ 0.9%	552,544	547,733	↑ 18.2%	1,749,942	1,480,243
<i>millions of dollars</i>						
Revenue		\$ 1,064.9	\$ 430.0		\$ 2,864.2	\$ 1,156.4
Less:						
Freight included in revenue		(41.2)	(36.7)		(124.9)	(103.1)
Non-steel revenue		(14.2)	(9.5)		(70.4)	(23.8)
Steel revenue	↑ 163.0%	\$ <u>1,009.5</u>	\$ <u>383.8</u>	↑ 159.2%	\$ <u>2,668.9</u>	\$ <u>1,029.5</u>
Cost of steel revenue		\$ 544.3	\$ 385.9		\$ 1,513.3	\$ 1,034.7
Amortization included in cost of steel revenue		(21.4)	(22.7)		(64.0)	(65.2)
Carbon tax included in cost of steel revenue		(0.1)	(8.6)		1.0	(11.6)
Cost of steel products sold	↑ 47.4%	\$ <u>522.8</u>	\$ <u>354.6</u>	↑ 51.4%	\$ <u>1,450.3</u>	\$ <u>957.9</u>
<i>dollars per ton</i>						
Revenue per ton of steel sold	↑ 145.5%	\$ 1,927	\$ 785	↑ 109.6%	\$ 1,637	\$ 781
Cost of steel revenue per ton of steel sold	↑ 39.8%	\$ 985	\$ 705	↑ 23.7%	\$ 865	\$ 699
Average net sales realization on steel sales (i)	↑ 160.6%	\$ 1,827	\$ 701	↑ 119.4%	\$ 1,525	\$ 695
Cost per ton of steel products sold	↑ 46.2%	\$ 946	\$ 647	↑ 28.1%	\$ 829	\$ 647

(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.

Annex: Adjusted EBITDA Reconciliation

<i>millions of dollars</i>	October 1 to December 31		April 1 to December 31	
	FY 2022	FY 2021	FY 2022	FY 2021
Net income (loss)	\$ 123.0	\$ (73.5)	\$ 614.1	\$ (176.2)
Amortization of property, plant and equipment and amortization of intangible assets	21.5	22.8	64.3	65.5
Finance costs	14.5	16.4	44.3	52.6
Interest on pension and other post-employment benefit obligations	2.9	4.3	8.7	12.9
Income taxes	99.2	-	221.6	-
Foreign exchange loss (gain)	2.0	35.4	(2.0)	66.6
Finance income	(0.1)	(0.3)	(0.1)	(1.1)
Inventory write-downs (<i>amortization on property, plant and equipment in inventory</i>)	-	(2.0)	-	0.3
Carbon tax	0.1	8.6	(1.0)	11.6
Change in fair value of warrant liability	(6.8)	-	(6.8)	-
Change in fair value of earnout liability	(33.6)	-	(33.6)	-
Change in fair value of share-based compensation liability	(2.9)	-	(2.9)	-
Transaction costs	12.3	-	21.5	-
Listing expense	235.6	-	235.6	-
Share-based compensation	(10.4)	-	5.0	-
Adjusted EBITDA	\$ 457.3	\$ 11.7	\$ 1,168.7	\$ 32.2
Net Income (Loss) Margin	11.5%	-17.1%	21.4%	-15.2%
Net Income (Loss) / ton	\$ 222.57	\$ (134.19)	\$ 350.93	\$ (119.03)
Adjusted EBITDA Margin	42.9%	2.7%	40.8%	2.8%
Adjusted EBITDA / ton	\$ 827.60	\$ 21.36	\$ 667.84	\$ 21.75

(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.

Annex: Selected Quarterly Information

(millions of dollars, except where otherwise noted)

As at and for the three months ended ¹	2022			2021			2020	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial results								
Total revenue	\$ 1,064.9	\$ 1,010.2	\$ 789.1	\$ 638.5	\$ 430.0	\$ 377.0	\$ 349.4	\$ 502.2
Steel products	1,009.5	936.5	722.9	585.6	383.8	335.3	310.4	441.7
Non-steel products	14.2	31.8	24.4	5.6	9.5	6.9	7.4	8.8
Freight	41.2	41.9	41.8	47.3	36.7	34.8	31.6	51.7
Cost of sales	599.9	578.7	510.2	476.0	432.2	389.8	339.7	499.3
Administrative and selling expenses	18.9	29.4	26.7	32.5	15.5	11.9	12.5	13.7
Income (loss) from operations	446.1	402.1	252.2	130.0	(17.7)	(24.7)	(2.8)	(10.8)
Net income (loss)	123.0	288.2	203.3	100.1	(73.5)	(60.0)	(42.7)	19.4
Adjusted EBITDA (loss)	\$ 457.3	\$ 430.6	\$ 280.8	\$ 166.9	\$ 11.7	\$ 0	\$ 20.5	\$ 11.8
Per common share (diluted)³								
Net income (loss)	\$ 0.92	\$ 4.02	\$ 2.83	\$ 1.40	\$ (1.02)	\$ (0.84)	\$ (0.59)	\$ 0.27
Financial position								
Total assets	\$ 2,520.7	\$ 2,185.7	\$ 1,697.2	\$ 1,553.9	\$ 1,541.9	\$ 1,554.4	\$ 1,731.6	\$ 1,829.7
Total non-current liabilities	640.1	1,038.8	1,002.5	1,031.5	1,184.7	1,236.2	1,220.1	1,094.5
Operating results								
Average NSR per nt2	\$ 1,827	\$ 1,594	\$ 1,185	\$ 942	\$ 701	\$ 649	\$ 746	\$ 712
Adjusted EBITDA per nt2	827.6	733.1	460.3	268.2	21.4	0.0	49.2	19.0
Shipping volume (in thousands of nt)								
Sheet	481	514	541	543	470	444	336	529
Plate	72	73	69	79	78	72	80	91

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 Agreement with Legato as described in the "Merger Transaction" section of this MD&A, the Company effected a reserve 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



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