

## AUDITORS' REPORT

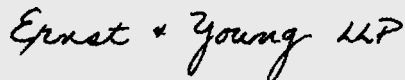
### TO THE SHAREHOLDERS OF ALGOMA STEEL INC.

We have audited the consolidated statements of financial position of Algoma Steel Inc. as at December 31, 2001 and 2000 and the consolidated statements of loss and retained earnings (deficit) and cash flow for each of the years in the three-year period ended December 31, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian and United States generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and 2000 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

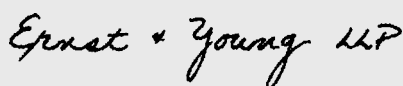
As disclosed in notes 11, 10 and 12 to the financial statements, the Corporation adopted new methods for accounting for earnings (loss) per share effective January 1, 2001 and for pensions and post-employment benefits and future income taxes effective January 1, 2000.



Ernst & Young LLP  
Chartered Accountants  
Toronto, Canada,  
February 1, 2002

## COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA-U.S. REPORTING DIFFERENCES

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by conditions and events that cast substantial doubt on the Corporation's ability to continue as a going concern such as those described in note 1 to the financial statements. Although we conducted our audits in accordance with both Canadian and United States generally accepted auditing standards, our report to the shareholders dated February 1, 2002 is expressed in accordance with Canadian reporting standards that do not permit a reference to such events and conditions in the auditors' report when these are adequately disclosed in the financial statements.



Ernst & Young LLP  
Chartered Accountants  
Toronto, Canada,  
February 1, 2002

## Consolidated Statements of LOSS AND RETAINED EARNINGS (DEFICIT)

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS.

	2001	2000	1999
<b>Sales</b>	<b>\$ 912</b>	\$ 1,106	\$ 1,122
<b>Operating expenses</b>			
Cost of sales	<b>963</b>	964	1,045
Administrative and selling	<b>38</b>	39	41
Depreciation and amortization	<b>70</b>	73	67
	<b>1,071</b>	1,076	1,153
<b>Income (loss) from operations</b>	<b>(159)</b>	30	(31)
<b>Financial expenses (notes 8 and 9)</b>			
Interest on long-term debt	<b>16</b>	64	64
Foreign exchange loss on First Mortgage Notes	<b>8</b>	6	5
Other interest	<b>69</b>	17	13
	<b>93</b>	87	82
Loss before the following	<b>(252)</b>	(57)	(113)
Gain on demutualization of insurance provider (note 4)	<b>19</b>	-	-
Reorganization expenses (note 13)	<b>(104)</b>	-	-
Loss before income taxes	<b>(337)</b>	(57)	(113)
Provision for (recovery of) income taxes (note 12)	<b>56</b>	3	(31)
<b>Net loss</b>	<b>\$ (393)</b>	\$ (60)	\$ (82)
<b>Net loss per common share</b>	<b>\$ (7.33)</b>	\$ (1.13)	\$ (1.55)
<b>Retained earnings (deficit)</b>			
Balance, beginning of year	<b>\$ 129</b>	\$ 149	\$ 231
Net loss	<b>(393)</b>	(60)	(82)
Pension and income tax adjustment (notes 10 and 12)	<b>-</b>	40	-
<b>Balance, end of year</b>	<b>\$ (264)</b>	\$ 129	\$ 149

See accompanying notes.

# Consolidated Statements of FINANCIAL POSITION

AS AT DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS.

	2001	2000
<b>Assets</b>		
<b>Current</b>		
Accounts receivable [net of allowance for doubtful accounts of \$6 million (2000 – \$6 million)] (note 4)	\$ 144	\$ 162
Inventories (note 5)	241	306
Prepaid expenses	9	4
	<u>394</u>	<u>472</u>
Fixed assets, net (notes 6 and 9)	834	885
Deferred charges (notes 9 and 13)	-	37
Future income tax asset (note 12)	-	51
	<u>\$ 1,228</u>	<u>\$ 1,445</u>
<b>Liabilities and shareholders' equity (deficiency)</b>		
<b>Current</b>		
Liabilities not subject to compromise		
Bank indebtedness (note 8)	\$ 148	\$ 107
Accounts payable and accrued liabilities (note 7)	93	167
Income and other taxes payable	8	10
Current portion of long-term debt (note 9)	1	1
Liabilities subject to compromise (note 3)	698	-
	<u>948</u>	<u>285</u>
Liabilities not subject to compromise		
Long-term debt (note 9)	2	496
Accrued pension liability (note 10)	12	277
Accrued post-employment benefit obligation (note 10)	10	151
Liabilities subject to compromise (note 3)	413	-
	<u>437</u>	<u>924</u>
<b>Contingencies and commitments (note 14)</b>		
<b>Shareholders' equity (deficiency)</b>		
Capital stock (note 11)	188	188
Shareholders' deficiency on restructuring	(81)	(81)
Retained earnings (deficit)	(264)	129
	<u>(157)</u>	<u>236</u>
	<u>\$ 1,228</u>	<u>\$ 1,445</u>

See accompanying notes.

On behalf of the Board:



Benjamin Duster  
Director



Patrick Lavelle  
Director

## Consolidated Statements of CASH FLOW

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS.

	2001	2000	1999
<b>Operating activities</b>			
<b>Net loss</b>	<b>\$ (393)</b>	\$ (60)	\$ (82)
Adjustments and items not affecting cash			
Depreciation and amortization	<b>70</b>	73	67
Future income tax expense (recovery) (note 12)	<b>54</b>	1	(34)
Pension and other post-employment benefit expense in excess of payments (note 10)	<b>6</b>	5	14
Reorganization expenses (note 13)	<b>90</b>	-	-
Other non-cash adjustments	<b>10</b>	11	4
	<b>(163)</b>	30	(31)
Changes in operating working capital components affecting cash (note 16)	<b>144</b>	(22)	46
	<b>(19)</b>	8	15
<b>Investing activities</b>			
Fixed asset expenditures	<b>(22)</b>	(52)	(36)
Proceeds on sale of fixed assets	-	-	2
Cash used in investing activities before escrow	<b>(22)</b>	(52)	(34)
Amount released from escrow	-	-	1
	<b>(22)</b>	(52)	(33)
<b>Financing activities</b>			
Repayment of long-term debt	-	-	(2)
Increase in bank indebtedness	<b>41</b>	43	19
Net proceeds from common shares issued	-	1	1
	<b>41</b>	44	18
<b>Cash</b>			
Change during year	-	-	-
Balance, beginning of year	-	-	-
<b>Balance, end of year</b>	<b>\$ -</b>	\$ -	\$ -
<b>Supplementary information</b>			
Income taxes paid	<b>\$ -</b>	\$ 1	\$ -
Interest paid	<b>\$ 48</b>	\$ 74	\$ 73

See accompanying notes.

# Notes to CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS EXCEPT AS NOTED.

## 1. Financial reorganization and basis of presentation

### Financial reorganization

On April 23, 2001 (the Filing Date), Algoma Steel Inc. (the Corporation) obtained protection under the Companies' Creditors Arrangement Act (CCAA) in the Ontario Superior Court of Justice (the Court). The Court subsequently granted extensions of the CCAA protection until January 31, 2002. This allowed the Corporation to continue operating its business as it negotiated a restructuring plan with its stakeholders by preventing legal action being brought against the Corporation and by staying substantially all unsecured and under-secured claims as of the Filing Date (note 3). Additional financing was obtained providing for continuing operations through the anticipated restructuring period (note 8).

On October 24, 2001, the Corporation filed an initial Plan of Arrangement and Reorganization with the Court. A second and third amended and restated Plan of Arrangement and Reorganization were filed on November 8, 2001 and December 10, 2001, respectively. The third amended Plan was voted upon and approved by each Class of Affected Creditors on December 10 and December 17, 2001. On December 19, 2001, the Court issued a Final Order sanctioning the third amended Plan. The Corporation subsequently emerged from CCAA protection on January 29, 2002 (the Implementation Date). The significant provisions of the third amended Plan are as follows:

- the cancellation of all currently outstanding common shares and employee voting shares for no consideration and the issuance of new common shares as set out below;
- the cancellation of the First Mortgage Notes (U.S. \$349 million) and related interest obligation (U.S. \$43 million) in exchange for U.S. \$187.5 million of new debt and 15 million new common shares;
- a cash payment of \$0.8 million and 1 million new common shares in satisfaction of all claims of the unsecured creditors;
- options for 4 million new common shares issued to employees for nominal consideration and new collective bargaining agreements which include wage and benefit reductions, reduced vacation, pension benefit changes and manning reductions. The pension obligations were restructured through the new collective bargaining agreements and an arrangement with the Superintendent of the Financial Services Commission of Ontario;
- new financing facilities (note 8) and a \$50 million loan guarantee provided by the Government of Canada; and
- a new Board of Directors comprised of 7 nominees of the holders of the First Mortgage Notes and 3 nominees of the United Steelworkers of America.

These consolidated financial statements do not reflect any adjustments relating to the third amended Plan.

The Corporation is conducting a revaluation of its assets and liabilities and will adjust the results to reflect the value of the Corporation as an entity established by the capital reorganization. The revaluation adjustments will be presented in the 2002 first quarter consolidated statement of financial position. The Corporation's balance sheet after January 29, 2002 will be presented on a "fresh start" basis after giving effect to both the financial reorganization and this revaluation. The following table summarizes the impact of the financial reorganization adjustments on the liabilities included in the December 31, 2001 consolidated statement of financial position and does not include any revaluation adjustments in respect of "fresh start" accounting.

	<b>Dec. 31, 2001</b>		
	<b>Balance prior</b>	<b>Reorganization</b>	<b>Balance after</b>
	<b>to reorganization</b>	<b>adjustments</b>	<b>adjustments</b>
<b>Current liabilities</b>			
Liabilities not subject to compromise			
Bank indebtedness	\$ 148	\$ (50) (a)	\$ 98
Accounts payable and accruals	93	(5) (e, f)	88
Income and other taxes payable	8	2 (b)	10
Current portion of long-term debt	1	20 (a)	21
Liabilities subject to compromise	698	(695) (b, c)	3
	<u>948</u>	<u>(728)</u>	<u>220</u>
<b>Long-term liabilities</b>			
Liabilities not subject to compromise			
Long-term debt	2	234 (a, c)	236
Accrued pension liability	12	-	12
Post-employment benefit obligation	10	-	10
Liabilities subject to compromise	413	(262) (d)	151
Other long-term liabilities	-	3 (b)	3
	<u>\$ 1,385</u>	<u>\$ (753)</u>	<u>\$ 632</u>

#### **Summary of reorganization adjustments**

- a) Refinancing of bank indebtedness into a \$50 million term loan repayable in \$10 million quarterly instalments beginning September 30, 2002 (note 8).
- b) Claims of unsecured and under-secured creditors are settled in exchange for \$0.8 million in cash and 1 million new common shares. The Municipal Claim in respect of taxes owing to the City of Sault Ste. Marie is compromised in exchange for \$5 million payable in two equal instalments on December 31, 2002 and 2003.
- c) First Mortgage Note principal plus accrued interest are settled in exchange for \$199 million (U.S. \$125 million) of 11% Notes due 2009, U.S. \$62.5 million of 1% convertible Notes due 2030 and 15 million new common shares. As required by Canadian generally accepted accounting principles, the 1% convertible Notes have been separated into debt and equity components for financial statement presentation purposes. The debt component is recorded at \$5 million (U.S. \$3 million) which is the net present value of the annual interest payments for the years 2002 to 2009 using a discount rate of 11%.
- d) Adjust pension liability for new collective bargaining agreements, elimination of pension indexing benefits and the arrangement with the Superintendent of the Financial Services Commission of Ontario.
- e) Accrued vacation liability is reduced by \$13 million as a result of reduced vacation entitlements contained in the new collective bargaining agreements. The agreements also include wage and benefit reductions, pension benefit changes, manning reductions and the issuance to employees of options for 4 million new common shares for nominal consideration.
- f) Accrual for additional reorganization expenses of \$8 million.

It is anticipated that the financial reorganization adjustments will significantly reduce the amount of unutilized tax loss carryforwards at December 31, 2001 (note 12).

# Notes to CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS EXCEPT AS NOTED.

## 1. Financial reorganization and basis of presentation, continued

### Basis of presentation

The consolidated financial statements have been prepared by the Corporation on a “going concern” basis in accordance with Canadian generally accepted accounting principles. This assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. These consolidated financial statements do not reflect any adjustments that would be necessary if the “going concern” principle was not appropriate. Subsequent to December 31, 2001, the Corporation emerged from CCAA protection and significant adjustments were made to the carrying values of the liabilities presented in the consolidated financial statements at December 31, 2001. Under the terms of its lending agreements, compliance with various covenants is necessary but not assured. The Corporation is dependent upon continued strengthening in the North American steel market and improving financial results.

Management is required to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Management believes that the estimates utilized in preparing the consolidated financial statements are reasonable, however, actual results could differ from these estimates.

## 2. Summary of significant accounting policies

The Corporation’s significant accounting policies comply, in all material respects, with those generally accepted in the United States, except as described in note 17. Significant accounting policies are summarized below:

### Basis of consolidation

The consolidated financial statements include the accounts of the Corporation, its wholly-owned subsidiaries and the proportionate share of the assets, liabilities and results of operations from its joint venture interest in the Tilden Mining Company L.C. (see note 18).

### Inventories

Inventories are valued at the lower of average cost and estimated net realizable value.

### Fixed assets

Fixed assets are recorded at their historical cost.

Interest incurred in connection with the construction of major new facilities is capitalized until the asset is ready for its intended use.

Depreciation of fixed assets acquired from The Algoma Steel Corporation, Limited on June 1, 1992 is calculated using the straight-line method over 9-1/2 years. The straight-line method is also generally used for manufacturing fixed assets acquired subsequent to June 1, 1992 using an estimated life of 20 years.

Depreciation for major new facilities is calculated using a unit of production basis until a commercial level of production is reasonably sustained, and using a straight-line method thereafter. Depreciation on the Direct Strip Production Complex is calculated using a straight-line method commencing July 1, 1999.

Plant and equipment at raw material properties are depreciated on a straight-line basis over their estimated useful lives of 5 to 30 years.

Cost of mill rolls is amortized over their estimated lives based on usage. The cost of relining the blast furnace is amortized over its estimated life on a unit of production basis.

**Income taxes**

In fiscal 2000, the Corporation adopted the liability method of tax allocation in accounting for income taxes in accordance with the new recommendations of The Canadian Institute of Chartered Accountants. Future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using substantively enacted tax rates that will be in effect in the future.

In previous years, the Corporation followed the deferral method of tax allocation in accounting for income taxes. Under this method, timing differences between reported and taxable incomes resulted in deferred income taxes that were measured at the tax rate in effect in the year the differences originated.

**Issue costs relating to financing**

Financing costs associated with the issue of debt and entering into debt facilities are deferred and amortized over the term of the debt or debt facility as a component of interest expense. Financing costs related to equity issues are accounted for as a reduction of share capital.

**Translation of foreign currencies**

Foreign currency monetary assets and liabilities of domestic operations and integrated U.S. subsidiaries are translated at year-end exchange rates. All non-monetary assets and liabilities are translated using historical rates. Revenue and expenses are translated using average exchange rates prevailing during the year, except for depreciation and amortization, which are translated at historical rates. Gains and losses on foreign currency denominated long-term debt are included as deferred charges and amortized on a straight-line basis over the remaining life of the debt. Effective January 1, 2002, gains and losses on foreign currency denominated long-term debt will be recorded in the consolidated statement of loss and retained earnings (deficit) as incurred. All other gains and losses resulting from foreign currency translations are recorded in the consolidated statement of loss and retained earnings (deficit) as incurred.

**Pensions and other post-employment benefits**

The costs of pension benefits earned by employees are determined using the projected benefit method prorated on service. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the expected average remaining service lives of active employees. Values of the pension fund assets are based on year-end market. Pension benefit obligations are determined by independent actuaries using funding assumptions in accordance with relevant legislation.

The Corporation also provides for other post-employment benefits upon retirement for employees and their dependants. The costs of these benefits are accrued over the service lives of the employees based on actuarial estimates.

**Environmental costs**

For environmental liabilities that can be estimated, the Corporation accrues based upon the Corporation's best estimates of the costs to be incurred. These liabilities have been discounted at a risk-free rate of 5.4%. Changes in future conditions could require a change in these accruals.

**Fair value of financial instruments**

The fair value of the Corporation's First Mortgage Notes is based on current market prices. The carrying value of accounts receivable, accounts payable and accrued liabilities not subject to compromise, income and other taxes payable, bank indebtedness and capital leases approximates fair value due to the short-term nature of these instruments. The fair value of accounts payable and accrued liabilities subject to compromise are not determinable.

## Notes to CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS EXCEPT AS NOTED.

### 3. Liabilities subject to compromise

All unsecured and under-secured liabilities as of the Filing Date are subject to compromise or other treatment under the Third Amended and Restated Plan of Arrangement and Reorganization. For financial reporting purposes, these liabilities have been segregated and classified as liabilities subject to compromise. Two unsecured creditors filed claims for \$13.7 million for which the Corporation has not recognized a liability. The resolution of these claims will have an impact on the pro-rata distribution of the 1 million new common shares among the unsecured creditors. The liabilities subject to compromise at December 31, 2001 are as follows:

#### Current

First Mortgage Notes (U.S. \$349 million) (note 9)	\$ 556
Accrued interest on First Mortgage Notes (U.S. \$43 million) (note 7)	69
Accounts payable and accrued liabilities (note 7)	73
	<u>698</u>

#### Other

Accrued pension liability (note 10)	266
Accrued post-employment benefit obligation (note 10)	147
	<u>413</u>
	<u>\$ 1,111</u>

In addition, legal claims prior to November 2, 2001 have also been compromised.

### 4. Accounts receivable

During 2001, a \$16 million receivable from a customer who had filed for and received CCAA protection from its creditors was written off and charged to cost of sales.

The December 31, 2001 balance includes \$19 million that was received in January 2002 related to the demutualization of a former insurance provider. The Corporation is of the view that it is entitled to the entire proceeds and that any claim based on funding of the benefits would be unlikely to succeed.

### 5. Inventories

	2001	2000
Raw materials and supplies	\$ 138	\$ 158
Work in process	49	78
Finished products	54	70
	<u>\$ 241</u>	<u>\$ 306</u>

### 6. Fixed Assets

	2001	2000
<b>Property, plant and equipment</b>		
Manufacturing	\$ 1,180	\$ 1,170
Raw material properties	224	221
Construction in progress	34	37
	<u>1,438</u>	<u>1,428</u>
<b>Accumulated depreciation and amortization</b>		
Manufacturing	409	351
Raw material properties	195	192
	<u>604</u>	<u>543</u>
	<u>\$ 834</u>	<u>\$ 885</u>

## 7. Accounts payable and accrued liabilities

	2001		2000
	Not subject to compromise	Subject to compromise (note 3)	Not subject to compromise
Trade payables	\$ 28	\$ 54	\$ 57
Accrued liabilities	16	19	25
Wages and employee deductions payable	15	-	18
Accrued vacation pay	34	-	37
Accrued interest on First Mortgage Notes	-	69	30
	<u>\$ 93</u>	<u>\$ 142</u>	<u>\$ 167</u>

## 8. Borrowing facilities

### Revolving credit facility

The Corporation has a revolving credit facility (Senior Facility) with a banking syndicate that was to expire on December 31, 2001. The banking syndicate extended the Senior Facility until the Implementation Date of the Third Amended and Restated Plan of Arrangement and Reorganization (the third amended Plan). The Corporation defaulted on certain covenants in the first quarter of 2001 and remained in default throughout the remainder of the year. The banking syndicate agreed to forbear from acting upon its rights and remedies, subject to certain conditions, through an "Amendment and Accommodation Agreement". The agreement reduced the availability to the lesser of \$180 million and a borrowing base determined by the levels of accounts receivable and inventories, less certain reserves. The Senior Facility is collateralized by a first charge on accounts receivable and inventories.

Borrowings can be made in either Canadian or United States (U.S.) funds at 2.5% to 4.5% over either the Canadian or U.S. prime bank rate or, at the Corporation's option, at 5.5% over the bankers' acceptance rate or London interbank offering rate (LIBOR) for \$U.S. loans. During 2001, 2000 and 1999, borrowings were based primarily on either Canadian prime bank rates or bankers' acceptance rates.

The Senior Facility bears fixed annual fees as well as fees based on the unused availability during the course of a given month. In 2001, these fees totalled \$1 million (2000 and 1999 – \$1 million).

At December 31, 2001, the Corporation had drawn \$127 million on the Senior Facility (2000 – \$103 million). There was no unused availability under the Senior Facility at December 31, 2001 (2000 – \$74 million unused availability). For financial statement presentation, bank indebtedness was reduced by \$5 million of cash on hand in excess of outstanding cheques (2000 – increased by \$4 million of outstanding cheques in excess of cash on hand).

### Debtor-In-Possession facility

In conjunction with filing for CCAA protection on April 23, 2001, the banking syndicate made available a Debtor-In-Possession Facility (DIP Facility) that provided for financing to a maximum of \$50 million until December 31, 2001. The Corporation defaulted on certain covenants in the fourth quarter, but the banking syndicate agreed to forbear from acting upon its rights and remedies by way of a "Limited Forbearance and Accommodation Agreement". The covenant defaults resulted in the availability under the DIP Facility being limited to between \$30 and \$40 million during certain periods in the fourth quarter. The banking syndicate extended the DIP Facility until the Implementation Date of the third amended Plan. The DIP Facility is collateralized by a first charge on fixed assets and a second charge on accounts receivable and inventories.

Borrowings can be made in either Canadian or United States (U.S.) funds at 2.5% to 4.5% over either the Canadian or U.S. prime bank rate or, at the Corporation's option, at 4.5% to 6.5% over the bankers' acceptance rate or London interbank offering rate (LIBOR) for \$U.S. loans. During 2001 borrowings were based on Canadian prime bank rates.

The DIP Facility bears fees based on the unused availability during the course of a given month.

At December 31, 2001, \$26 million was borrowed under the DIP Facility out of a total availability of \$40 million. The DIP Facility can be used only when the full availability of the Senior Facility is exhausted.

## Notes to CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS EXCEPT AS NOTED .

### 8. Borrowing facilities, continued

#### New facilities

In conjunction with the January 29, 2002 implementation of the third amended Plan of Arrangement, the Corporation entered into a new agreement with the existing banking syndicate. The new agreement, which expires on December 30, 2003, provides the Corporation with a \$50 million term loan and a revolving credit facility for up to \$180 million. The term loan is repayable in \$10 million quarterly instalments commencing September 30, 2002. The term loan is collateralized by a first charge on fixed assets, a government guarantee of \$50 million and a second charge on accounts receivable and inventories. The revolving credit facility provides availability equal to the lesser of \$180 million and a borrowing base determined by levels of accounts receivable and inventories, the government guarantee, less certain reserves. The revolving credit facility is collateralized by a first charge on accounts receivable and inventories and a second charge on the government guarantee.

### 9. Long-term debt

	2001	2000
<b>Algoma Steel Inc. 12.375% First Mortgage Notes</b>		
Principal value U.S. \$349 million, maturing July 12, 2005	\$ 556	\$ 524
Unamortized discount	-	(29)
	<u>556</u>	<u>495</u>
<b>Cannelton Iron Ore Company</b>	<b>3</b>	<b>2</b>
	<u>559</u>	<u>497</u>
Less: current portion subject to compromise (note 3)	<u>556</u>	-
current portion not subject to compromise	<u>1</u>	<u>1</u>
	<u>557</u>	<u>1</u>
	<u>\$ 2</u>	<u>\$ 496</u>

The First Mortgage Notes (the Notes) were issued by public offerings on July 12, 1995 and April 26, 1996. They were issued under a Trust Indenture and are collateralized by substantially all of the Corporation's fixed assets, subject to the collateral for the DIP Facility (note 8). The Indenture requires that the Corporation meet the financial covenants under the revolving credit facility (note 8). The Corporation has been in violation of the covenants since March 2001 resulting in the Notes being classified as a current liability subject to compromise under the CCAA (note 3).

As a result of the Notes being classified as a current liability, unamortized foreign exchange losses, issue costs and original issue discount of \$53 million, \$7 million and \$30 million, respectively, were charged to operations as reorganization expenses (note 13). Foreign exchange gains and losses on the translation of the Notes are now recorded in the consolidated statement of loss and retained earnings (deficit) as incurred and interest accrued on the Notes after March 31, 2001 of \$53 million is classified as other interest.

At December 31, 2000, unamortized foreign exchange losses of \$30 million and issue costs of \$7 million are included as deferred charges in the consolidated statement of financial position.

Interest on the Notes is payable semi-annually on January 15 and July 15. The Corporation did not make the July 15, 2001 payment. At December 31, 2001 accrued and unpaid interest of \$69 million (U.S. \$43 million) is classified as a liability subject to compromise (note 3).

The fair market value of the Notes at December 31, 2001 is \$139 million (U.S. \$87 million) based upon the quoted market price (2000 - \$183 million (U.S. \$122 million)).

### 10. Pension and other post-employment benefits

The Corporation and its U.S. joint venture operation maintain a number of non-contributory defined benefit pension plans that cover substantially all employees. The benefits for salaried and hourly employees are based on years of service and average earnings for a defined period prior to retirement.

Effective January 1, 2000, the Corporation changed its method of accounting for employee future benefits to conform with the recommendations of The Canadian Institute of Chartered Accountants. Under the new method, costs for employee future benefits are accrued over the periods in which employees earn the benefits. The discount rate used for determining current service cost and the liability for future benefits is the current interest rate on high quality fixed income investments with maturities that match the expected maturity of the obligations. In prior years, the discount rate used was management's estimate of the long-term interest rate.

The financial statements for the year ended December 31, 1999 have not been restated. As a result of the adoption, at January 1, 2000, the accrued pension liability was increased by \$38 million, the accrued post-employment benefit liability was increased by \$2 million and retained earnings was decreased by \$40 million.

#### Components of pension expense

	2001	2000	1999
Service cost benefits earned	\$ 25	\$ 25	\$ 20
Interest cost on projected benefit obligation	94	91	93
Projected return on plan assets	(87)	(81)	(75)
Recognized net actuarial loss	1	-	-
Amortization of prior service costs	-	1	7
Amortization of actuarial gains	(1)	(1)	(6)
<b>Pension expense</b>	<b>\$ 32</b>	<b>\$ 35</b>	<b>\$ 39</b>

#### Changes in projected pension benefit obligation

	2001	2000	1999
Projected benefit obligation at the beginning of year	\$ 1,388	\$ 1,235	\$ 1,185
Service cost	25	25	20
Interest cost	94	91	93
Actuarial losses	159	61	17
Measurement date change	-	61	-
Benefits paid	(96)	(85)	(87)
Plan amendments	-	-	7
<b>Projected benefit obligation at the end of year</b>	<b>\$ 1,570</b>	<b>\$ 1,388</b>	<b>\$ 1,235</b>

#### Change in pension plan assets

	2001	2000	1999
Fair value of plan assets at the beginning of year	\$ 1,101	\$ 1,081	\$ 998
Actual return on plan assets	(18)	130	139
Employer contributions	31	26	31
Benefits paid	(96)	(85)	(87)
Measurement date change	-	(51)	-
<b>Fair value of plan assets at the end of year</b>	<b>\$ 1,018</b>	<b>\$ 1,101</b>	<b>\$ 1,081</b>

#### Reconciliation of pension funding status

	2001	2000	1999
Funded status	\$ (552)	\$ (287)	\$ (154)
Unrecognized actuarial losses (gains)	267	3	(139)
Employer contributions after measurement date	3	3	-
Unrecognized net pension obligation	(2)	(3)	(3)
Unrecognized prior service costs	6	7	61
<b>Accrued pension liability</b>	<b>\$ (278)</b>	<b>\$ (277)</b>	<b>\$ (235)</b>

## Notes to CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS EXCEPT AS NOTED.

### 10. Pension and other post-employment benefits, continued

#### Statement of financial position classification

	<b>2001</b>
Accrued pension liability subject to compromise	<b>\$ (266)</b>
Accrued pension liability not subject to compromise	<b>(12)</b>
	<b><u>\$ (278)</u></b>

The pension fund assets principally include marketable equity securities and corporate and government debt securities that are selected by professional investment managers.

The discount rate and expected rate of return used in determining the actuarial present value of the projected benefit obligation for the Canadian plan is 6.5% for 2001 (2000 – 7%; 1999 – 8%). The respective rates for the U.S. plan range between 7.5% and 9%.

In determining the accrued pension liability at December 31, 2001, 2000 and 1999, the rate of increase in compensation levels for 2001 and beyond has been estimated at rates of 2% to 4% for both Canadian and U.S. plans.

#### Funding information

Total pension funding during 2001 was \$31 million (2000 – \$29 million; 1999 – \$31 million). The Corporation was not required to make solvency deficiency payments in 2001 due to its qualifying plan election under the Pension Benefits Act made on October 1, 1996. Payments made for other post-employment benefits were \$13 million in 2001 (2000 – \$12 million; 1999 - \$9 million), and are on a pay-as-you-go basis.

#### Components of post-employment benefit expense

	<b>2001</b>	2000	1999
Service cost	<b>\$ 3</b>	\$ 2	\$ 2
Interest cost on accumulated benefit obligation	<b>15</b>	13	12
Amortization of actuarial loss	<b>1</b>	-	-
Amortization of net asset obligation	<b>1</b>	-	1
<b>Post-employment benefit expense</b>	<b><u>\$ 20</u></b>	<u>\$ 15</u>	<u>\$ 15</u>

The increase in the per capita cost of benefits has been projected at rates declining from 6.5% in 2001 to 4.5% in 2003 and beyond for the Canadian plan and 7.5% in 2001 to 5% in 2008 and beyond for the U.S. plan. Increasing the trend by 1% would change the accumulated benefit obligation as of December 31, 2001 by approximately \$35 million and the post-employment benefit expense for 2001 by approximately \$3 million. Decreasing the trend by 1% would change the accumulated benefit obligation as of December 31, 2001 by approximately \$29 million and the post-employment benefit expense for 2001 by approximately \$2 million.

#### Change in projected post-employment benefit obligation

	<b>2001</b>	2000	1999
Projected benefit obligation at the beginning of year	<b>\$ 206</b>	\$ 154	\$ 174
Service cost	<b>3</b>	2	2
Interest cost	<b>15</b>	13	12
Actuarial losses (gains)	<b>45</b>	34	(25)
Benefits paid	<b>(13)</b>	(12)	(9)
Measurement date change	<b>-</b>	15	-
<b>Projected benefit obligation at the end of year</b>	<b><u>\$ 256</u></b>	<u>\$ 206</u>	<u>\$ 154</u>

**Change in post-employment plan assets**

	<b>2001</b>	2000	1999
Fair value of plan assets at the beginning of year	\$ 10	\$ 9	\$ 6
Actual return on plan assets	-	-	2
Employer contributions	1	1	1
<b>Fair value of plan assets at the end of year</b>	<b>\$ 11</b>	<b>\$ 10</b>	<b>\$ 9</b>

**Reconciliation of post-employment funding status**

	<b>2001</b>	2000	1999
Funded status	\$ (245)	\$ (196)	\$ (145)
Unrecognized prior service costs	-	-	(1)
Unrecognized actuarial losses (gains)	75	32	(14)
Benefits paid after measurement date	1	1	-
Unrecognized net benefit obligation	12	12	13
<b>Accrued post-employment benefit obligation</b>	<b>\$ (157)</b>	<b>\$ (151)</b>	<b>\$ (147)</b>

**Statement of financial position classification**

	<b>2001</b>
Accrued post-employment benefit obligation subject to compromise	\$ (147)
Accrued post-employment benefit obligation not subject to compromise	(10)
	<b>\$ (157)</b>

The discount rate used in determining the actuarial present value of the post-employment benefit obligation at December 31, 2001 for the Canadian operations is 6.75% (2000 – 7%; 1999 – 8%) and between 7.5% and 9% for the U.S. joint venture.

**11. Capital Stock****Common shares**

Authorized - unlimited number

Issued and outstanding:

	<b>Number of shares (thousands)</b>	<b>Stated capital</b>
Outstanding at December 31, 1998	52,613	\$ 186
Issued during 1999 for cash	428	1
Outstanding at December 31, 1999	53,041	187
Issued during 2000 for cash	607	1
Outstanding at December 31, 2000	53,648	188
Issued during 2001 for cash	-	-
<b>Outstanding at December 31, 2001</b>	<b>53,648</b>	<b>\$ 188</b>

During the year, the Corporation did not issue any shares (2000 – 607,000 shares and 1999 – 428,000 shares for cash to employees under the employee share purchase plan).

The aggregate stated capital in respect of the common shares determined pursuant to the Ontario Business Corporations Act is \$448 million.

# Notes to CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS EXCEPT AS NOTED.

## 11. Capital Stock, continued

### Loss per share

In these financial statements, the Corporation has retroactively adopted the new recommendations for determining earnings (loss) per share issued by The Canadian Institute of Chartered Accountants. All prior periods have been restated to conform with the new recommendations. This change had no effect on net loss per share for the current and prior periods.

Net loss per common share has been determined by dividing net loss by the weighted average number of common shares outstanding during the year of 54 million (2000 – 53 million; 1999 – 53 million).

### Employee voting shares

There were 10,000 series A and 10,000 series B employee voting shares authorized, issued and outstanding at December 31, 2001, 2000, and 1999. The aggregate stated capital for each series of shares is a nominal amount.

The employee voting shares have the right to approve certain fundamental changes and investments relating to the Corporation and to elect a total of five representatives to the Board of Directors.

## 12. Income taxes

Effective January 1, 2000, the Corporation changed its method of accounting for income taxes from the deferral method to the liability method of tax allocation as required by The Canadian Institute of Chartered Accountants' section 3465, Accounting for Income Taxes. As permitted under the new rules, the financial statements for 1999 have not been restated. The cumulative effect of this change as of January 1, 2000, was to increase opening retained earnings by \$80 million.

The provision for income taxes is summarized as follows:

	Liability Method		Deferral Method
	2001	2000	1999
<b>Current</b>			
Canada	\$ 2	\$ 2	\$ 3
<b>Future</b>			
Canada	-	-	(34)
United States	54	1	-
	<u>54</u>	<u>1</u>	<u>(34)</u>
	<u>\$ 56</u>	<u>\$ 3</u>	<u>\$ (31)</u>

Future income taxes have been provided on the following temporary and timing differences:

	<b>Liability Method</b>		Deferral
	<b>2001</b>	2000	Method 1999
Increase in opening future income tax assets	\$ -	\$ (49)	\$ -
Tax depreciation less than book depreciation	(21)	(21)	(15)
Non-deductible reserves	(1)	1	-
Effect of rate reduction on opening future income tax assets	28	10	-
Loss carryforwards	(52)	-	(18)
Unrealized foreign exchange losses	(12)	-	-
Other	(10)	(5)	(1)
	<b>(68)</b>	(64)	(34)
Increase in valuation allowance	<b>122</b>	65	-
	<b>\$ 54</b>	\$ 1	\$ (34)

The geographical components of the loss before income taxes is as follows:

	<b>2001</b>	2000	1999
Canada	\$ (338)	\$ (77)	\$ (148)
United States	1	20	35
	<b>\$ (337)</b>	\$ (57)	\$ (113)

### Effective income tax rate

The following table explains the variation between the Corporation's provision for income taxes and the statutory income tax rate:

	<b>Liability Method</b>		Deferral
	<b>2001</b>	2000	Method 1999
Income tax provision based on the combined statutory rate of 43% (2000 - 44%; 1999 - 44%)	\$ (145)	\$ (25)	\$ (50)
Add (deduct):			
Non-deductible (taxable) items	12	(5)	(3)
Manufacturing and processing credit	27	7	10
Adjustment to future income tax assets and liabilities for enacted changes in tax rates	40	-	-
Increase in valuation allowance on future income tax assets	122	25	-
Benefit of loss carryforward not recognized	-	-	21
Benefit of prior years' losses previously not recognized	-	-	(8)
Large corporations tax	2	2	3
Foreign tax rate differential	-	(2)	(3)
Other, net	(2)	1	(1)
<b>Income tax expense (recovery)</b>	<b>\$ 56</b>	\$ 3	\$ (31)

## Notes to CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS EXCEPT AS NOTED.

### 12. Income taxes, continued

Income taxes allocated to future years are comprised of the following:

	2001		2000	
	Assets	Liabilities	Assets	Liabilities
<b>Current</b>				
Canadian taxes				
Accounting reserves not deductible for tax purposes	\$ 8	\$ -	\$ 7	\$ -
Valuation allowance	(8)	-	(7)	-
Total current	-	-	-	-
<b>Non-current</b>				
Canadian taxes				
Property, plant and equipment	20	-	18	13
Tax loss carryforwards	83	-	34	-
Unfunded pension benefits	81	-	92	-
Post-employment benefit obligation	44	-	49	-
Foreign exchange loss on U.S. First Mortgage Notes	15	-	5	-
Other	25	-	16	-
	268	-	214	13
Valuation allowance	(268)	-	(201)	-
	-	-	13	13
United States taxes				
Property, plant and equipment	28	-	26	-
Tax loss carryforwards	26	-	25	-
	54	-	51	-
Valuation allowance	(54)	-	-	-
	-	-	51	-
Total non-current	-	-	64	13
<b>Future income taxes</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 64</b>	<b>\$ 13</b>

Due to cumulative losses in recent years, a valuation allowance of \$330 million has been recorded against the future income tax assets at December 31, 2001. During the year the valuation allowance increased by \$122 million due primarily to the current year loss and a full valuation allowance being provided against the future income tax assets of Cannelton Iron Ore Company.

#### Loss carryforwards

At December 31, 2001, the Corporation has non-capital losses of \$263 million and \$294 million for Federal and Ontario tax purposes, respectively, that expire between the years 2006 and 2008. The Corporation's U.S. subsidiary, Cannelton Iron Ore Company, has tax losses of approximately U.S. \$47 million that expire between 2006 and 2010.

In March 2000, the Corporation reached a favourable settlement regarding its appeal of a Federal reassessment in respect of its 1995 taxation year. The settlement affirmed the Corporation's position that it was entitled to an additional \$213 million of non-capital losses from its 1992 taxation year. Capital cost allowance claims for various years have been amended in order to utilize the additional losses.

Debts discharged under the CCAA for less than their principal amount are required to be applied, for tax purposes, to reduce tax attributes otherwise available to the Corporation including, but not limited to, tax loss carryforwards. It is anticipated that the amount of income tax loss carryforwards will be substantially reduced as a result of the financial reorganization subsequent to year end (note 1).

### 13. Reorganization expenses

The following costs have been charged to reorganization expense as a result of the CCAA process:

Unamortized exchange loss on First Mortgage Notes	\$ 53
Unamortized discount on First Mortgage Notes	30
Deferred debt issue costs	7
Professional fees and other expenses	14
	<u>\$ 104</u>

### 14. Contingencies and commitments

Contractual commitments at December 31, 2001 amounted to \$33 million relating to authorized capital projects.

Under operating leases for premises and equipment, the Corporation is obligated to make aggregate payments of \$18 million. These payments in each of the next five years, in millions of dollars, will be \$5, \$5, \$3, \$2, and \$2 and \$1 thereafter.

The Corporation has 1-1/2 years remaining in a 4-1/2 year agreement to source all coal requirements from a single supplier. The purchase commitment in each of the next two years, in millions of U.S. dollars, will be \$70 and \$35.

The Corporation has 13-1/2 years remaining on a contract with a single supplier for the purchase of oxygen, argon and nitrogen. The annual purchases under this contract approximate \$15 million.

### 15. Segmented information

The Corporation is viewed as a single business segment involving basic steel production for purposes of internal performance measurement and resource allocation by the Corporation's chief operating decision-maker. The revenue by product group is as follows:

	2001	2000	1999
Sheet and strip	\$ 659	\$ 806	\$ 725
Plate	226	236	259
Tubular	3	12	35
Structurals	-	-	32
Other	24	52	71
	<u>\$ 912</u>	<u>\$ 1,106</u>	<u>\$ 1,122</u>

Sales to customers in the United States were approximately \$118 million for 2001 (2000 - \$126 million; 1999 - \$136 million). Export sales to other countries were approximately \$18 million for 2001 (2000 - \$16 million; 1999 - \$12 million).

During 2001, one customer had purchases totalling 11% of total sales (2000 and 1999 - no customer represented 10% or more).

At December 31, 2001, two customers represented 16% and 10% respectively of the accounts receivable balance (2000 - two customers represented 14% and 13% of the accounts receivable balance).

## Notes to CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS EXCEPT AS NOTED.

### 16. Changes in operating working capital components affecting cash

	2001	2000	1999
Accounts receivable	\$ 18	\$ (3)	\$ (20)
Inventories	65	(11)	67
Prepaid expenses	(5)	(1)	1
Accounts payable and accrued liabilities	68	(8)	(26)
Income and other taxes payable	(2)	1	24
	<u>\$ 144</u>	<u>\$ (22)</u>	<u>\$ 46</u>

### 17. Significant differences between Canadian and United States generally accepted accounting principles [GAAP]

(a) Reconciliation of net loss between Canadian and United States GAAP

	2001	2000	1999
Net loss as reported	\$ (393)	\$ (60)	\$ (82)
Adjustments relating to foreign exchange on long-term debt deferred under Canadian GAAP, net of amortization	30	(13)	34
Adjustments relating to joint venture's change in accounting policy on pension assets	5	-	-
Adjustments relating to the liability method of accounting for income taxes	-	-	(34)
<b>Net loss in accordance with U.S. GAAP</b>	<u>\$ (358)</u>	<u>\$ (73)</u>	<u>\$ (82)</u>
Additional minimum pension liability	(7)	-	-
<b>Comprehensive loss in accordance with U.S. GAAP</b>	<u>\$ (365)</u>	<u>\$ (73)</u>	<u>\$ (82)</u>
<b>Net loss per common share</b>	<u>\$ (6.67)</u>	<u>\$ (1.38)</u>	<u>\$ (1.55)</u>
<b>Comprehensive loss per common share</b>	<u>\$ (6.80)</u>	<u>\$ (1.38)</u>	<u>\$ (1.55)</u>

(b) As a result of the Canadian/U.S. GAAP reconciliation and additional disclosure requirements under U.S. GAAP, the consolidated statements of financial position changes are:

	2001	2000
<b>[i] Shareholders' equity (deficiency)</b>		
Balance under Canadian GAAP	\$ (157)	\$ 236
Adjustments relating to joint venture's change in accounting policy on pension assets and additional minimum pension liability	(2)	-
Adjustments relating to foreign exchange losses on long-term debt	-	(30)
Balance under U.S. GAAP	<u>\$ (159)</u>	<u>\$ 206</u>

	<b>2001</b>	2000
<b>[ii] Deferred charges</b>		
Balance under Canadian GAAP	\$ -	\$ 37
Adjustments relating to foreign exchange losses on long-term debt	-	(30)
Balance under U.S. GAAP	<u>\$ -</u>	<u>\$ 7</u>

	<b>2001</b>	2000
<b>[iii] Current portion of long-term debt</b>		
Balance under Canadian GAAP (note 9)	\$ 557	\$ 1
Adjustment for reclassification of First Mortgage Notes	-	495
Balance under U.S. GAAP	<u>\$ 557</u>	<u>\$ 496</u>

In 2000, the Corporation successfully negotiated amendments to the covenants governing the revolving credit facility described in note 8 and was in compliance with these on December 31, 2000. However, under U.S. GAAP, the First Mortgage Notes would be classified as a current liability in view of questions about the Corporation's ability to continue to satisfy the covenants in the Trust Indenture referred to in note 9.

	<b>2001</b>	2000
<b>[iv] Accrued pension liability not subject to compromise</b>		
Balance under Canadian GAAP	\$ 12	\$ 277
Adjustments relating to joint venture's change in accounting policy on pension assets and additional minimum pension liability	7	-
Balance under U.S. GAAP	<u>\$ 19</u>	<u>\$ 277</u>

	<b>2001</b>	2000
<b>[v] Intangible asset</b>		
Balance under Canadian GAAP	\$ -	\$ -
Adjustments relating to joint venture's additional minimum pension liability	5	-
Balance under U.S. GAAP	<u>\$ 5</u>	<u>\$ -</u>

- (c) A new accounting standard, SFAS 143 "Asset Retirement Obligations", was recently issued in the United States. Under this new standard, legal obligations arising from the retirement of all tangible long-lived assets are recognized immediately when incurred and are measured at fair value. A corresponding amount is capitalized as part of the asset's carrying amount and depreciated over the asset's useful life using a systematic and rational allocation method. The Corporation has not yet determined the effect that the adoption of this standard in 2003 will have on the Corporation's financial statements.
- (d) A new accounting standard, SFAS 144 "Accounting for the Impairment or Disposal of Long-lived Assets", was issued in the United States. This standard retains the fundamental provisions for (a) recognition and measurement of long-lived assets to be held and used, and (b) measurement of long-lived assets to be disposed of. The new standard permits the presentation of a component of an entity, whether classified as held for sale or disposed of, as a discontinued operation and retains the requirement to report discontinued operations separately from continuing operations. These provisions are effective for fiscal years beginning after December 15, 2001. The Corporation has not yet determined the effect that the adoption of this standard in 2002 will have on the Corporation's financial statements.
- (e) Approximately 98% of the Corporation's employees are covered by collective bargaining agreements. The new collective bargaining agreements negotiated as part of the financial reorganization outlined in note 1 expire on July 31, 2004.

## Notes to CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31. EXPRESSED IN MILLIONS OF CANADIAN DOLLARS EXCEPT AS NOTED.

### 18. Subsequent event

On January 31, 2002, the Corporation's wholly-owned U.S. subsidiary, Cannelton Iron Ore Company (CIOC), completed an agreement with Cleveland-Cliffs Inc. (Cliffs) to transfer CIOC's 45% interest in the Tilden Mining Company L.C. (Tilden) in exchange for the assumption by Cliffs of CIOC's share of Tilden's liabilities and no cash consideration. As part of this arrangement, the Corporation has entered into an exclusive 15-year supply agreement with Cliffs for a minimum annual supply of 2.5 million tons of iron ore at market prices. If the Corporation defaults under the supply agreement prior to December 31, 2008, then 50% of the liabilities assumed by Cliffs will revert back to CIOC and the Corporation. These assumed liabilities may include contingent obligations, such as environmental costs, that are not reflected in Tilden's financial statements.

CIOC's proportionate share of Tilden's assets and liabilities included in the consolidated statements of financial position are as follows:

	<b>2001</b>	2000
<b>Assets</b>		
Current assets	<b>\$ 21</b>	\$ 22
Fixed assets, net	<b>29</b>	29
	<b><u>50</u></b>	<u>51</u>
<b>Liabilities</b>		
Current liabilities	<b>\$ 22</b>	\$ 25
Long-term debt	<b>2</b>	1
Accrued pension liability	<b>12</b>	9
Accrued post-employment obligation	<b>10</b>	7
	<b><u>\$ 46</u></b>	<u>\$ 42</u>

CIOC's proportionate share of Tilden's statement of operations is not material.

### 19. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2001 consolidated financial statements.

## DIRECTORS AND MANAGEMENT

### Directors

#### **William Aziz**

Former Senior Operating Executive with several Ontario Companies in Service, Retail, Transportation and Technology sectors  
Oakville, Ontario

#### **Michael Cahr (2, 3)**

President and Chief Executive Officer  
Ikadega Inc.  
Highland Park, Illinois

#### **Benjamin Duster**

Chairman of the Board  
Algoma Steel Inc.  
Head of Financial Restructuring,  
Leary Masson & Associates  
Atlanta, Georgia

#### **John Kallio (2)**

Loader, Plate and Strip Finishing  
Algoma Steel Inc.  
Sault Ste. Marie, Ontario

#### **Patrick Lavelle (1, 2, 4)**

Corporate Director  
Toronto, Ontario

#### **James Lawson (3, 4)**

Partner  
Torys LLP  
Oakville, Ontario

#### **Charles Masson (1, 3, 4)**

Partner  
Leary Masson & Associates  
New York, New York

#### **Murray Nott (1, 4)**

Senior Product Development Associate  
Algoma Steel Inc.  
Sault Ste. Marie, Ontario

#### **Doug Olthuis (1, 2, 3)**

Area Co-ordinator, Northwestern Ontario  
United Steelworkers of America and  
Union Co-Chair, Joint Steering Committee  
Sault Ste. Marie, Ontario

1. MEMBER, AUDIT COMMITTEE
2. MEMBER, HEALTH, SAFETY AND ENVIRONMENT COMMITTEE
3. MEMBER, HUMAN RESOURCES AND COMPENSATION COMMITTEE
4. MEMBER, CORPORATE GOVERNANCE COMMITTEE

### Principal Officers

#### **Benjamin Duster**

Chairman of the Board

#### **Alexander Adam**

President and Chief Executive Officer

#### **Stephen Bonifermo**

Vice President, Human Resources and  
Management Co-Chair, Joint Steering  
Committee

#### **Paul C. Finley**

General Counsel and Corporate Secretary

#### **Glen P. Manchester**

Vice President, Finance and  
Administration

#### **Armando Plastino**

Vice President, Operations

### Joint Steering Committee

#### **Stephen Bonifermo**

Management Co-Chair and  
Vice President, Human Resources

#### **Doug Olthuis**

Union Co-Chair and Area Co-ordinator,  
Northwestern Ontario  
United Steelworkers of America

#### **Tom Bonell**

President, Local 2251

#### **Bernie Bos**

Manager, Human Resources

#### **Krys Ferguson**

Unit Chair – Clerical, Local 2251

#### **Allan Gold**

General Manager,  
Manufacturing Services

#### **Ian Kersley**

President, Local 2724

#### **Joe Krmpotich**

Recording Secretary, Local 2251

#### **Glen Manchester**

Vice President, Finance and  
Administration

#### **Jim Nardi**

Financial Secretary, Local 2251

#### **David Pettalia**

Vice President, Local 2251

#### **Armando Plastino**

Vice President, Operations

#### **Bob Wilding**

Manager, Human Resources

#### **Tim Woods**

Treasurer, Local 2251

## SHAREHOLDER AND INVESTOR INFORMATION

### Share Listings

Algoma Steel Inc. trades on the Toronto Stock Exchange under the symbol AGA.

### Share Transfer Agent

Computershare Trust Company of Canada  
Shareholders Services  
100 University Avenue, 9th Floor  
Toronto, Ontario M5J 2Y1  
Telephone: 416 981-9500  
Facsimile: 416 981-9800  
email: [caregistryinfo@computershare.com](mailto:caregistryinfo@computershare.com)

### Trustee, Paying Agent and Registrar for 11% and 1% Notes

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Telephone: (302) 636-6023  
Facsimile: (302) 636-4143

### Auditors

Ernst & Young LLP, Toronto

### Legal Counsel

Torys LLP, Toronto

### Annual Meeting

The Algoma Steel Inc. Annual Meeting will be held:  
10:00 a.m., Thursday, May 23, 2002,  
Water Tower Inn,  
Sault Ste. Marie, Ontario

## CORPORATE INFORMATION

### Corporate Head Office

105 West Street  
Sault Ste. Marie ON P6A 7B4  
Telephone: 705 945-2351  
Facsimile: 705 945-2203  
Internet address: [www.algoma.com](http://www.algoma.com)  
Email address: [alglib@soonet.ca](mailto:alglib@soonet.ca)

### Sales Offices

5515 North Service Road  
3rd floor  
Burlington, Ontario L7L 6G4  
Telephone: 905 331-3400  
Canadian toll-free: 1 800 387-7850  
U.S. toll-free: 1 800 387-9495  
Facsimile: 905 331-3408

717 – 7th Avenue S.W., Suite 1450  
Calgary AB T2P 0Z3  
Telephone: 403 263-4102  
Facsimile: 403 233-0636  
Toll-free telephone in Alberta, British Columbia and Saskatoon, Saskatchewan:  
1-800-661-9234