



ALGOMA STEEL INC.

105 West Street

Sault Ste. Marie, Ontario, Canada P6A 7B4

NEWS RELEASE

Tuesday, March 7, 2006

TSX Symbol: AGA

**ALGOMA STEEL INC. AND PAULSON & CO. INC.
REACH AGREEMENT ON STRATEGIC DIRECTION**

SAULT STE. MARIE, ONTARIO - Algoma Steel Inc. and Paulson & Co. Inc. announced today that they had reached agreement on a strategic direction to maximize value for Algoma shareholders, including: (a) a distribution of \$200 million of excess capital to shareholders to be executed by the end of the second quarter, (b) the prompt appointment, through its normal governance process, of two new directors to the Algoma Board to be mutually agreed upon, and (c) a continuation of the strategic process, which involves the potential for value creation through a sale, merger, acquisition or further distributions of excess capital when appropriate. As part of this agreement, Paulson has agreed to withdraw its requisition for a special meeting of shareholders.

Given the current and short-term outlook for steel pricing, recently completed coal contracts, declining natural gas prices, and the increasing prospect of moderate increases in iron ore pricing in 2006, there is now a greater level of certainty to the Company's future cash position. This has allowed the Board to conclude that the Company will have \$200 million of excess cash to distribute by the end of the second quarter. This will bring total shareholder distributions to \$476 million in less than 12 months.

Algoma will make an application for a tax ruling respecting a corporate reorganization involving a return of paid-up capital to shareholders, which, if successful, would result in a reduction in adjusted cost base for shareholders and not dividend tax treatment.

The Company believes it is prudent, in the short-term, to maintain a significant cash balance along with existing debt capacity for potential strategic investment opportunities. Through the execution of strategic investments which enhance shareholder value and/or improve the Company's risk profile, the Company is committed to work towards a target capital structure of 25% debt to total capitalization over time. Cash that is excess to these needs will continue to be distributed to shareholders in a prudent manner.

Ben Duster, Chairman of Algoma's Board, said, "We are pleased to have alignment on the strategic direction of Algoma and look forward to focusing on building a stronger Company."

John Paulson, President of Paulson & Co. Inc., said, "We view Algoma's continued efforts to enhance shareholder value as a positive for shareholders. We also believe that greater value can be created by working constructively with Algoma's Board."

An updated version of the Company's investor presentation can be found on Algoma's website at www.Algoma.com under "Investors – Webcasts and Presentations".

Algoma Steel Inc. is an integrated steel producer based in Sault Ste. Marie, Ontario. Revenues are derived primarily from the manufacture and sale of rolled steel products including hot and cold rolled steel and plate.

Certain statements made in this News Release are forward-looking statements that involve risks and uncertainties, including those risks and uncertainties identified in the Company's Management Discussion and Analysis for the year ended December 31, 2005 available on SEDAR at www.sedar.com. These forward-looking statements reflect the Company's best judgment based on current information, and although the Company bases these statements on circumstances that it believed to be reasonable when made, there can be no assurance that future events will not affect the accuracy of such forward-looking information. As such, the forward-looking statements are not guarantees of future performance, and actual results may vary materially from the results and expectations discussed herein. All statements other than statements of historical facts included in this News Release are forward-looking statements. All forward-looking statements speak only as of the date of this News Release. Algoma does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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