



ALGOMA STEEL INC.

105 West Street
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NEWS RELEASE

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TSX Symbol: AGA

ALGOMA STEEL ANNOUNCES INTENT TO REPURCHASE UP TO \$200 MILLION OF ITS COMMON SHARES AND IRON ORE PRICING FOR 2006

SAULT STE. MARIE, ONTARIO - Algoma Steel Inc. today announced its intention to offer to repurchase for cancellation up to \$200 million worth of its common shares through a Dutch auction substantial issuer bid.

An issuer bid circular containing full details of the offer and procedures for tendering common shares is planned to be mailed to shareholders by the end of July, 2006. The pricing range will be established and announced by the Board at that time.

Ben Duster, Chairman of the Board, said, "The Company considered a number of alternatives to fulfill its commitment to distribute \$200 million to shareholders before deciding to announce its intent to proceed with a substantial issuer bid. The mailing of the circular by the end of July will allow shareholders to review Algoma's second quarter results, scheduled for release on August 2, before the expiry of the tender period under the substantial issuer bid."

Since August 2005, Algoma has paid a special dividend of \$238 million and, pursuant to its normal course issuer bid, has purchased for cancellation 2.83 million common shares at a total cost of \$78.0 million. Of these shares, 1.24 million at a cost of \$40.0 million have been purchased for cancellation since May 1, 2006.

The Company has been advised by its iron ore supplier that the price of iron ore purchased by Algoma in 2006 will decline by 3.25% from 2005 price levels, consistent with pricing settlements recently announced in the industry. The Company had been making cash payments for 2006 pellet purchases on the basis of an estimated increase of 15% for 2006. Cash payments in the second half of the year will be reduced to adjust for the overpayment during the first half of this year. During 2005, the Company purchased approximately US\$285 million of iron ore pellets.

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.

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