



ALGOMA STEEL INC.
105 West Street
Sault Ste. Marie, Ontario, Canada P6A 7B4

NEWS RELEASE

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TSX Symbol: AGA

ALGOMA STEEL ANNOUNCES COGENERATION POWER PROJECT

SAULT STE. MARIE, ONTARIO - Algoma Steel Inc. announced today that the proposal for a new cogeneration power facility by its wholly-owned Limited Partnership, Algoma Energy LP (AELP), has been accepted by the Ontario Power Authority (OPA). AELP's proposal was submitted in response to the OPA's Request for Proposals for Combined Heat and Power Generation. Pursuant to the proposal, AELP will construct and operate a new 70 MW cogeneration power facility at Algoma Steel's plant site, supported by a 20-year power purchase agreement with the OPA. The new facility will be fueled by blast furnace and coke oven gases from Algoma's steel plant operations and will generate electricity and process steam.

The facility is expected to be operational by the end of 2008. The capital cost of the facility is estimated at \$135 million. Based on the pricing formula in the power purchase agreement, the estimated cost of constructing and operating the facility and anticipated electricity and steam generation, Algoma expects the new facility to contribute approximately \$30 million of annual consolidated EBITDA when completed.

Denis Turcotte, Algoma's President and Chief Executive Officer, said, "This is an excellent opportunity to confer benefits to the Province, Algoma Steel and the local community. In addition to the direct economic benefits, the project will enhance the Province's energy profile and the environment through the addition of new power capacity utilizing currently flared industrial by-product gases."

On financing for the project, Denis Turcotte said, "Algoma is prepared to finance the facility out of cash reserves, however, AELP has been established to own and operate the facility and to explore the potential for alternative financing."

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 sheet and plate.

Certain statements made in this News Release are forward-looking statements that involve risks and uncertainties. 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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