



ALGOMA STEEL INC.

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

NEWS RELEASE

Thursday, December 28, 2006

TSX Symbol: AGA

**ALGOMA STEEL ANNOUNCES
PENSION PREPAYMENTS OF \$85 MILLION**

SAULT STE. MARIE, ONTARIO - Algoma Steel Inc. announced today that it made contributions totaling \$85 million to its pension plans in December in order to reduce 2006 cash income taxes, improve the funded position of the plans and generate higher returns on the pension plans' assets as compared to cash balances. This payment represents a prepayment of \$60 million towards expected 2007 funding requirements and a \$25 million special payment. Contributions will be split between the three pension plans with \$49.8 million contributed to the Hourly Plan, \$15.1 million to the Salary Plan and \$20.1 million to the Wrap Plan (for pre-2002 pensioners). As a result of the prepayment, the Company does not expect to resume regular monthly pension contributions until January 2008.

These payments are expected to reduce the income tax provision for the fourth quarter by approximately \$29 million due to the deductibility of these contributions. Since a future income tax asset has not been recognized in respect of these contributions, this will reduce the effective tax rate in the fourth quarter.

The Actuarial valuation of the pension plans as of September 1, 2006 has been completed and represents the basis for 2007 pension estimates.

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.

Company Contact:

Brenda Stenta
Manager, Corporate Communications
Phone: 705.945.2209
Email: bstenta@algoma.com