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NEWS RELEASE

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Essar Steel Algoma Reports Results for Second Quarter of Fiscal 2011

SAULT STE. MARIE, ONTARIO – Essar Steel Algoma reported a net loss of \$39.6 million for the quarter ended September 30, 2010, an improvement from the net loss of \$120.8 million for the comparable quarter ended September 30, 2009. The Company also reported EBITDA earnings, excluding exceptional items, of \$51.5 million for the quarter compared to EBITDA earnings of \$27.2 million for the comparable quarter in the prior year. EBITDA is a meaningful indicator of the Company's profitability. The improved results are primarily due to higher selling prices which were partially offset by higher cost of sales.

Shipments for the quarter were 617,911 tons, representing a 5.8% decrease from the same period in the prior year. Sales for the quarter were \$469.9 million.

The Company confirmed that its pricing dispute with its iron ore supplier, Cleveland Cliffs, remains unresolved such that the parties are proceeding to an arbitration hearing. The Company expects the arbitration will determine a pricing formula that when calculable will render a price for iron ore for the 2010 calendar year. The Company further expects that this calculation will have an adverse effect on the reported cost of sales, EBITDA, income from operations, net income and liquidity. The Company announced that no provisions in respect of these matters have been made in the financial statements, as neither the possible outcome of the arbitration nor the amount of any possible settlement can be reasonably estimated at this time.



A member of the Essar Group, Essar Steel Algoma Inc. is based in Sault Ste. Marie, Ontario. As a fully integrated steel producer, the Company derives its revenues primarily from the manufacture and sale of hot and cold rolled steel products including sheet and plate.

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