



NEWS RELEASE

September 23rd, 2016

Essar Steel Algoma Extends Stay of Proceedings and Debtor-in-Possession Financing

Confirms Secured Lenders Unite in Recapitalization Proposal

SAULT STE. MARIE - Essar Steel Algoma Inc. ("Essar Steel Algoma" or the "Company") obtained an Order today from the Ontario Superior Court of Justice extending the stay of proceedings under the *Companies' Creditors Arrangement Act* (CCAA) to January 31, 2017. The Court further approved an amendment and extension to the existing Debtor-in-Possession financing facility (the "DIP") with a corresponding maturity of January 31, 2017, which provides the Company with an additional USD \$35 million of liquidity.

Essar Steel Algoma further confirms that the majority of its Term Lenders and Senior Secured Noteholders have advised that they have reached agreement on a Recapitalization Proposal (the "Proposal") for the Company which contemplates either a restructuring plan or the acquisition of substantially all of the assets of Essar Steel Algoma. The Proposal contemplates an investment of up to US\$425 million, a reduction of the Company's funded debt by approximately US\$1.15 billion and a reduction in annual cash interest expense by approximately US\$125 million, thereby providing improved liquidity and financial flexibility.

Essar Steel Algoma Chief Executive Officer Kalyan Ghosh commented on today's developments, "We are very pleased to see an overwhelming majority of our secured lenders unifying to present a plan for the future of Algoma. This cooperation signals a collaborative approach and we look forward to working with them, the USW, the various levels of government, and all other stakeholders towards a final plan that achieves our shared goal of a stronger, more competitive Algoma. In the interim, the stay extension and the DIP amendment will provide the Company with the stability required to continue operations, secure its winter raw material build, and see this process through to a successful transaction."

The terms of the Recapitalization Proposal are described in the Restructuring Support Agreement, dated as of September 15, 2016, among the Consenting Lenders and the Consenting Noteholders.



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Essar Steel Algoma

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.

Essar Steel Algoma Inc. filed for creditor protection under the Companies Creditors Arrangement Act on November 9, 2015. The Sale and Investment Solicitation Process was launched on February 11, 2016. Relevant documents, including the Restructuring Support Agreement, can be found on the Monitor's website at www.ey.com/ca/essaralgoma and on the Prime Clerk website at <http://cases.primeclerk.com/EssarSteel>.

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