

Algoma Steel Inc.

Annual Information Form

Dated May 22, 2002

DESCRIPTION OF BUSINESS	1
INCORPORATION	1
CORPORATE STRUCTURE	1
DEVELOPMENT OF THE BUSINESS	2
BUSINESS OF ALGOMA	3
NORTH AMERICAN STEEL INDUSTRY	3
PRODUCTS AND MARKETS	4
COMPETITION	5
MARKETING INITIATIVES	6
TRADE	7
STEELMAKING FACILITIES	8
RAW MATERIALS AND ENERGY	9
ENVIRONMENT	9
RESEARCH AND DEVELOPMENT	10
EMPLOYEES	10
DEBT INSTRUMENTS	11
LEGAL PROCEEDINGS	12
SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION	13
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	16
DIRECTORS AND OFFICERS	16
MARKET FOR SECURITIES	18
ADDITIONAL INFORMATION	18

Unless otherwise stated, all dollar amounts referred to in this Annual Information Form are in Canadian currency.

Description of Business

Algoma Steel Inc. (“Algoma” or the “Company”) is a vertically integrated steel producer located in Sault Ste. Marie, Ontario and is Canada’s third largest integrated steel producer, accounting for approximately 13% of Canadian raw steel production. From its location in Sault Ste. Marie, Ontario, at the hub of three Great Lakes, the Company is well positioned to access the extensive steel markets within a 400-mile radius of its plant. In 2001, the Company produced approximately 2.2 million tons of raw steel and shipped approximately 1.9 million tons of finished products. Algoma’s principal product is sheet that represents 80% of Algoma’s annual shipments, with plate products accounting for the balance. The principal markets for Algoma’s products are steel service centres, the automotive industry, steel fabricators and manufacturers. Virtually all of Algoma’s production is sold in Canada and the United States, with approximately 12% of its steel sales to customers in the United States in 2001.

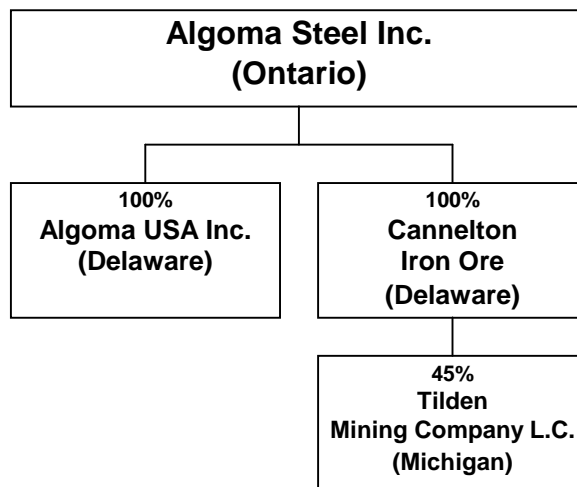
The registered and principal office of Algoma is located at 105 West Street, Sault Ste. Marie, Ontario, P6A 7B4.

Incorporation

Algoma Steel Inc. was incorporated under the laws of the Province of Ontario by articles of arrangement (the “Arrangement”) dated June 1, 1992. Pursuant to the Arrangement, Algoma acquired all of the assets and assumed certain liabilities of its predecessor company, The Algoma Steel Corporation, Limited (“Old Algoma”), that conducted a business originally established in 1901. On January 29, 2002, the Company’s articles were further revised pursuant to a Plan of Arrangement and Reorganization (the “Reorganization”).

Corporate Structure

The following chart details the intercorporate relationships between Algoma and its principal subsidiary companies and joint venture and their jurisdiction of incorporation or organization as at December 31, 2001. In early 2002, Cannelton Iron Ore Company transferred its interest in the Tilden Mining Company L.C. to Cleveland Cliffs.



Development of the Business

In 1997, the Company completed construction of a facility which converts liquid steel into hot rolled coils using a thin slab caster linked to a hot strip mill. The Direct Strip Production Complex (DSPC) was constructed at a cost of \$468 million and the first coil was produced in late 1997. The facility was expected to reduce production costs, increase capacity, improve quality and provide an expanded product range. The ramp-up of this facility took longer than planned, resulting in higher costs during the start-up and a significant delay in realizing the projected benefits. Despite the slow ramp-up, the DSPC has been recently operating at close to the planned production level of 1.6 million tons annually and is providing the expected cost savings and other benefits to the Company. The facility has an annual capacity of 2.2 million tons and a key objective will be the continued increase in production levels until the design capability is realized.

A number of facilities were closed in order to reduce costs and improve profitability. In 1998, the Algoma Ore Division which operated an iron ore mine in Wawa, Ontario was closed resulting in the sole sourcing of all of Algoma's ore needs from the lower cost Tilden Mine near Ishpeming, Michigan. Coincident with the restructuring in January 2002, Algoma transferred its interest in the Tilden Mine to Cleveland Cliffs in exchange for a long term supply agreement with Cleveland Cliffs. Algoma discontinued the production of structural products and tubular steel in 1999, enabling Algoma to use the liquid steel otherwise required for these low margin products in the production of higher margin sheet and plate. The combination of these closures and the implementation of other initiatives allowed Algoma to reduce its workforce from 5,200 in mid 1998 to 3,500 at December 31, 2001.

In late 2000, the Company completed, at a cost of \$23 million, the installation of a new Ladle Metallurgy Furnace (LMF) to increase steelmaking output and improve quality. The full benefits from the new LMF should be realized as market conditions improve to support higher production levels.

On April 23, 2001, the Company filed for court protection under the Companies' Creditors Arrangement Act (CCAA) to allow for the development of a restructuring plan. The CCAA filing was necessitated by the exhaustion of available liquidity and eroding support from suppliers and creditors. Additional financing was negotiated with the existing banking syndicate to provide the capital to fund estimated cash needs through a restructuring period.

The need for the CCAA filing developed due to several factors but particularly due to high levels of imported steel at dumped prices which disrupted steel markets in Canada and the U.S. In addition, the Company had a high level of debt due to the construction, in 1995 to 1997, of the DSPC. The slow ramp-up of the DSPC increased start-up costs and delayed the realization of benefits.

Intensive discussions and negotiations amongst the major stakeholders continued during the months following the CCAA filing culminating in a Plan of Arrangement and Reorganization (the "Reorganization") that was fully implemented on January 29, 2002. The Plan restructured the Company's long term debt. In addition, a new agreement, which runs to December 30, 2003, was reached with the existing banking syndicate that provides additional liquidity. These banking arrangements included a \$50 million term loan and a revolving credit facility totalling \$180 million with availability subject to a borrowing base calculation.

The Reorganization is projected to yield substantial reductions in operating costs and interest costs. The lower operating costs are due primarily to new collective agreements which expire in July 2004 and new pension arrangements. The labour cost savings are estimated at \$65 million in 2002 and include reductions to wages, benefits and manning levels. The estimated interest cost on the restructured long term debt is expected to decline to \$23 million annually from the previous annual cost of approximately \$65 million. Interest on the new Notes accrues but is not payable until December 2003 at the earliest.

The pension arrangements involving the Province of Ontario, pensioners and employees will avoid significant increases in pension funding which otherwise would have occurred. The Company's liability for future pension indexing has essentially been eliminated and other unfunded pension liabilities have been substantially reduced.

The Company intends to direct efforts to developing a more profitable product mix and a higher proportion of contract business to provide greater stability through the business cycle. Efforts will also be directed toward capitalizing on the competitive advantages found in the capability of Algoma's production facilities. The DSPC's ability to produce high quality sheet at light gauges, the capacity to produce heat treated plate and the capability of the 106" Hot Strip Mill to produce wide coils are examples of opportunities for Algoma to build a more profitable order book.

The Company intends to investigate strategic alliances or partnering initiatives that can provide profitable growth, reduce costs and enhance revenue.

Business of Algoma

North American Steel Industry

Total raw steel production in North America was 130 million tons in 2001, down 18 millions tons from the 2000 production level. The United States, Canada and Mexico accounted for 76%, 13% and 11% respectively. Canada has been a net importer of steel since 1997 and a net exporter in the six years prior to 1997. The majority of Canadian export production has historically been sold in the United States. The purchase and sale of North American steel is customarily based on prevailing prices in the U.S. market denominated in U.S. dollars. Accordingly, a key factor in the relative competitive position of Canadian and U.S. producers is the Canadian/U.S. dollar exchange rate.

The Company and two other integrated steel companies currently account for approximately 73% of the steel produced in Canada. Demand for steel in Canada is distributed across a number of processors, manufacturers and end-users, the automotive industry being the largest overall end-user of steel in Canada. The largest direct purchaser of steel is the service centre segment that acts as a product supplier to a number of end-users, primarily in the fabricating, manufacturing and automotive sectors.

The steel industry is cyclical in nature as indicated in the following table that sets out summary data with respect to steel shipments and consumption in Canada.

Year ended December 31, 2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	
(thousand of net tons)										
Total shipments from Canadian producers	15,657	16,446	16,482	15,496	15,981	15,576	14,699	14,778	14,675	13,456
Exports	5,063	5,531	5,234	5,207	5,253	5,304	5,108	4,871	5,414	5,381
Imports	6,132	8,710	6,748	7,425	6,291	3,972	4,082	4,288	2,635	2,291
Apparent steel consumption	16,726	19,625	17,996	17,714	17,019	14,244	13,673	14,195	11,896	10,366

Source: Statistics Canada

Products and Markets

The Company has streamlined operations over the last several years to focus on two principal product lines – sheet and plate.

Sheet

The Company produces sheet that is sold as coils, cut-to-length product and first-stage blanks. In 2001, 1.2 million tons were produced on the Direct Strip Production Complex. The DSPC has the capability to produce hot rolled sheet in thicknesses from .040" to .625" and in widths from 31" to 63". In 2001, sheet represented approximately 80% of the Company's shipments. Included in the sheet products made by Algoma are hot rolled bands, pickled coils, cold rolled coils and Quality Blanks. Sales in 2001 included 151,000 tons of cold rolled coils and 62,000 tons of Quality Blanks for the automotive industry.

The major end-users of sheet products are the automotive industry, welded pipe manufacturers, hollow structural product manufacturers and the light manufacturing and transportation industries.

Plate

Algoma's plate products consist of various carbon-manganese high-strength low-alloy grades that are produced in either the as rolled, normalized or quenched and tempered form. Plate widths vary from 32" to 152" and in thicknesses varying from 0.188" up to and including 2.75". The major end-user of plate is the fabrication industry in either the construction or manufacture of railcars, buildings, bridges, off-highway equipment, storage tanks, ships and large diameter pipelines.

Revenue by Major Product Line

In 2001, approximately 86% of the Company's steel sales were made in Canada, approximately 12% in the United States and the balance mainly in Mexico. Total steel revenue, excluding sales of slabs, accounted for by each of the Company's major product lines for the five years ended December 31, 2001 was as follows:

Year ended December 31,	2001	2000	1999	1998	1997
(millions of \$)	\$	\$	\$	\$	\$
North America					
Sheet	659	806	725	602	638
Plate	226	236	259	296	272
Structural Products	-	-	32	112	114
Seamless Tubular Products	3	12	35	140	162
	888	1,054	1,051	1,150	1,186
United States included above (principally sheet products)	109	126	126	116	122
Mexico included above (principally plate)	13	8	10	13	10

The distribution of total steel shipments by principal market for the five years ended December 31, 2001 was as follows:

Total North American Finished Steel Shipments by Major Markets

Year ended December 31,	2001		2000		1999		1998		1997	
(thousands of net tons)	Tons	%	Tons	%	Tons	%	Tons	%	Tons	%
Steel service centres (1)	1,118	58	952	47	1,044	50	829	42	948	47
Automotive including transportation	410	21	505	25	477	23	426	21	339	17
Fabricating and manufacturing	171	9	233	12	259	12	286	14	276	14
Pipe and seamless tubular product manufacturing	224	12	315	16	298	14	370	19	366	18
Oil and gas exploration	2	-	11	-	10	1	76	4	93	4
Total	1,925	100	2,016	100	2,088	100	1,987	100	2,022	100

(1) Management believes that the Company's shipments to service centres were predominantly resold to the automotive and the fabricating and manufacturing sectors.

Competition

The North American steel industry is a cyclical business that is subject to intense competition among producers with respect to price, service and quality.

The steelmaking business is also capital intensive and ongoing significant capital expenditures are required to achieve and maintain competitive levels of capacity, cost, productivity and product quality.

Offshore producers can be a significant competitive factor for the Company. Many offshore steel producers are controlled or subsidized by foreign governments whose decisions concerning production and exports may be influenced by political and economic policy considerations and not merely by the objective of profit maximization. As a result, many offshore producers may continue to ship steel products into the North American market even in times of relatively low steel prices and narrow profit margins, thereby exacerbating adverse market conditions.

Competition in the North American steel industry has intensified as a result of the restructuring of certain integrated steel producers under applicable bankruptcy laws. Following these reorganizations, these companies generally have had reduced costs and have become more effective competitors.

Integrated steel producers have lost market share to mini-mills in recent years. Mini-mills are efficient, low-cost producers that produce steel from scrap in electric arc furnaces, have lower environmental compliance costs, target regional markets and typically employ non-union workers. The relative competitive position of mini-mills against integrated producers is influenced significantly by scrap prices, which represent a significant production cost for mini-mills. During industry downturns, scrap prices have historically declined which have improved the competitive position of mini-mills. Thin slab casting technologies have allowed some mini-mill producers to enter sectors of the flat rolled markets that have traditionally been supplied by integrated producers.

Increases in the value of the Canadian dollar relative to the U.S. dollar make Canadian steel products and Canadian customers less competitive in U.S. markets. Therefore, a significant increase in the value of the Canadian dollar could reduce the advantages the Company obtains from its low-cost position in hot rolled sheet. A strong Canadian dollar relative to the U.S. dollar also improves the competitive position of U.S. producers exporting to

Canada. The impact of changes in the value of the Canadian dollar relative to other currencies may also have a significant effect on the degree of competition from producers outside North America. The negative effect of a stronger Canadian dollar on Algoma is mitigated by the purchase of the majority of raw materials in U.S. dollars and interest on the long term debt that is denominated in U.S. funds.

The Company's competitive position is affected by transportation costs to customers that are higher than those of other Canadian producers in the Canadian market which results in lower net selling prices. However, closer proximity to raw material sources results in lower costs to transport raw materials to Sault Ste. Marie in comparison to the other major Canadian steel producers.

Marketing Initiatives

The Company is continuing its efforts to maintain a balanced order book for its sheet business. However, these efforts were negatively effected by the weak financial position of the Company prior to the successful restructuring and the flood of unfairly traded steel that has entered the North American market from offshore in the past two years. The service centre component of sheet sales, which tends to be the most price and volume sensitive to prevailing economic conditions, continues to be high. However, the Company intends to develop a more balanced customer base over the next two years by entering into additional long-term contracts and accessing a higher level of sales with direct end users.

Prime North American Sheet Revenue by Market Sector

Year ended December 31,	2001	2000	1999	1998	1997
	%	%	%	%	%
Service centres	48	45	41	28	39
Automotive	34	31	35	40	30
Welded tubular	15	20	20	26	23
Manufacturing and fabrication	3	4	4	6	8
Total	100	100	100	100	100

A greater focus has been placed on marketing and improving product mix. A key component of the move is the development of expanded product capability on the DSPC. Algoma expects to sell higher levels of lighter-gauge steels and more value-added grades in the future.

Trade

Steel imports into Canada declined in 2001 to 37% of the apparent Canadian consumption from the record level in 2000 of 44%. The percentage of imports for 2001 was lower than the previous levels of 42% that occurred in 1998 and 44% in 2000. In the United States, imports made up 24% of the 2001 apparent consumption, down from 27% of the apparent consumption in 2000. The record levels of imports during the past four years have resulted in the initiation of safeguard trade actions in both countries.

In mid 2001, the United States International Trade Commission (ITC) commenced a global safeguard investigation under section 201 of the Trade Act of 1974 that covered most steel products. The investigation took several months and on March 5, 2002 President Bush announced a range of remedies including varying rates of tariffs and tariffs over certain quotas. All steel products from Canada have been excluded from the current remedies. However, Canadian (and other exempt) imports will be monitored to ensure that they do not 'surge'. It is not clear what constitutes a surge, but if import levels increase sufficiently, the President may impose remedies on Canadian imports. In response to the Section 201 action by the U.S., other jurisdictions such as the European Union and Mexico have implemented similar safeguard actions.

The Canadian industry is concerned that restrictions on the global importation of steel into the U.S. and other jurisdictions will cause diversion of that steel to Canada. In response to these concerns, the Government of Canada, under international agreements and Canadian law, has commenced a safeguard investigation into the importation of steel into Canada, similar to that completed by the U.S. government. A public hearing before the Canadian International Trade Tribunal (CITT) will be held commencing June 10, 2002 with an injury determination due by July 4. On August 19, the CITT will issue their reasons for any determination and any recommendations regarding remedy.

The following other Canadian trade cases involving product produced by Algoma continued in various forums in 2001:

In August, the CITT determined that certain hot-rolled carbon and alloy steel sheet products originating in or exported from Brazil, Bulgaria, China, Chinese Taipei, India, Macedonia, South Africa, Ukraine and Yugoslavia and the subsidizing of the goods originating in or exported from India have caused material injury to the domestic industry. As a result of the injury finding, dumping and countervailing duty (India only) will be applied to imports from those countries. The CITT also determined that imports from Korea, New Zealand and Saudi Arabia have not caused and were not threatening to cause injury to the domestic industry.

In a ruling in early October, the CITT determined that certain cold-rolled steel sheet products originating in or exported from Brazil, China, Chinese Taipei, Korea and South Africa have not caused injury or retardation and were not threatening to cause injury to the domestic industry.

An anti-dumping order covering imports of certain hot rolled carbon steel plate originating in or exported from Mexico, the People's Republic of China, the Republic of South Africa and the Russian Federation is due to expire in late October, 2002. The CITT has initiated an expiry review to determine whether the order should be renewed. This process will not be concluded until late in the year.

Steelmaking Facilities

The Company is a vertically integrated steelmaker in that it produces coke from purchased coal, converts iron ore to iron, iron to liquid steel and produces semi-finished steel products. The Company’s production facilities include three coke batteries, two blast furnaces (one currently idle), one basic oxygen steelmaking shop, continuous casting facilities and rolling and finishing mills. To facilitate a further understanding of the Company’s strategic response to technological changes in the steel industry, the following diagram illustrates the Company’s existing steelmaking process.

Physical Configuration

(Annual capacities in parentheses)

Process

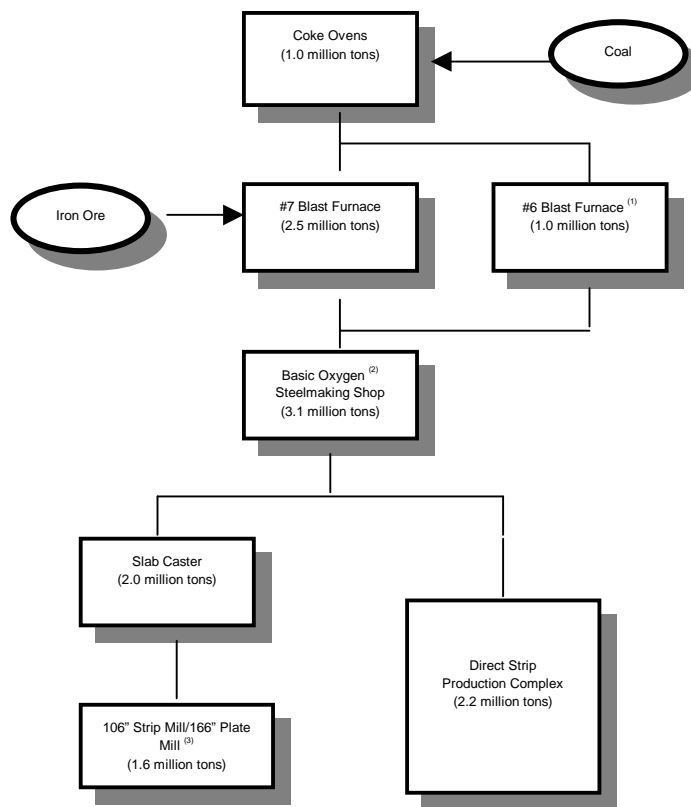
Cokemaking

Ironmaking

Steelmaking

Casting

Finished Products



- (1) *The #6 blast furnace is currently idle. This blast furnace is used for short-term backup during relines of #7 blast furnace.*
- (2) *Steelmaking shop capacity of 3.1 million tons is limited to capability of 2.9 million tons due to limitations on hot metal supply from ironmaking.*
- (3) *The existing hot strip and plate mill can be used to produce either sheet or plate subject to market conditions. In 2001, the hot mill operated at 56% capacity producing a total of 900,000 tons of finished sheet and plate product. The casting and rolling mill capacity exceeds ironmaking and steelmaking capacity by a substantial margin. The 106" strip mill will be focused primarily on sheet sizes and grades not supported by the DSPC.*

Raw Materials and Energy

Iron Ore Mining Operations and Reserves

All of the iron ore used by the Company is supplied through a wholly owned subsidiary of the Company, Cannelton Iron Ore Company ("Cannelton"). Cannelton has a 45% ownership interest in Tilden Mining Company L.C. ("Tilden") which owns iron ore reserves at a property known as the Tilden Mine located near Ishpeming, Michigan, approximately 260 kilometers by water from Sault Ste. Marie. The Tilden Mine is managed by Cleveland-Cliffs Iron Company ("Cliffs") and produces iron ore pellets from both fine-grain hematite and magnetite ore. The raw ore is sourced from large open pit mines and is subsequently crushed, processed into a concentrate and converted into pellets. Based on current production levels, Cannelton's interest in Tilden and related agreements will entitle the Company to 3.5 million tons of pellets annually. In consideration for this entitlement, Cannelton is obligated (such obligations being guaranteed by the Company) to pay the direct costs associated with the Company's entitlement to pellet production and 45% of the fixed costs of operation. It is estimated that the Company has sufficient captive ore reserves to meet its iron ore requirements for at least the next 20 years.

Production at the Tilden Mine in 2001 was 6.4 million tons, of which Algoma's share was 3.1 million tons. Algoma's iron ore costs per unit increased by 11% in 2001 due, in part, to lower production levels resulting from Algoma's reduced demand for iron ore and the weaker Canadian dollar.

On January 31, 2002, Cannelton completed an agreement with Cliffs to transfer Cannelton's 45% interest in Tilden in exchange for the assumption by Cliffs of Cannelton's share of Tilden's liabilities and no cash consideration. As part of this arrangement, the Corporation has entered into an exclusive 15-year supply agreement with Cliffs for a minimum annual supply of 2.5 million tons of iron ore at market prices. If the Corporation defaults under the supply agreement prior to December 31, 2008, then 50% of the liabilities assumed by Cliffs will revert back to Cannelton and the Corporation. These assumed liabilities may include contingent obligations such as environmental costs that are not reflected in Tilden's financial statements.

Coal

In 2001, the Company purchased its coal requirements from an independent supplier in the United States at prevailing market prices under a 4-1/2-year agreement entered into in December 1998.

Other Raw Materials

The Company purchases limestone, alloys and other raw materials for its manufacturing operation. The Company generates most of its scrap requirements internally and purchases any additional scrap as required.

Energy

Electricity has historically been supplied to Algoma exclusively by Great Lakes Power Limited, a private local utility regulated by the Province of Ontario. The deregulation of electric power in the province of Ontario in 2002 will change this traditional power sourcing. The Company purchases its natural gas requirements on both a fixed and spot basis. The Company's oxygen, nitrogen and argon supplies are provided by Praxair Canada Inc. ("Praxair") from its plant located at the Company's manufacturing facilities.

Environment

The Company's environmental policy is to conduct its business in a manner that ensures that it acts reasonably and responsibly with respect to the protection of the environment. Where appropriate, the Company has made responsibility for the environment a part of employee duties. The Company incurs substantial costs in implementing its environmental programs and providing appropriate environmental training.

Throughout 2001, Algoma Steel's environmental program was very successful in maintaining compliance with provincial and federal environmental legislation. The Company did not report any water quality exceedances or any contravention of existing Certificates of Approval. As a result, Algoma did not receive any orders / directives / charges from the Ontario Ministry of the Environment during the year.

Algoma Steel Inc. completed the first year of a five-year Environmental Management Agreement that was developed with the Ontario Ministry of the Environment and Environment Canada. To date, the Company has met the targets and timelines established in the Agreement, with the exception of the development of an implementation strategy for the Environment Canada - Environmental Code of Practice for Integrated Steel Mills. This aspect of the Agreement requires long term capital / process planning. During 2001, Algoma's financial condition did not allow for the preparation of an implementation schedule. This item will be revisited in 2002.

Algoma Steel Inc., the Ministry of the Environment and the Township of Michipicoten (Wawa) worked together to address the township's concerns regarding potential arsenic exposure. Arsenic was a trace element in the ore body mined at the Algoma Ore Division (ceased operation 1998) and arsenic deposition resulted from the iron ore sintering process. To date, three independent studies have been completed, which confirm that there is no increased health risk and there is no elevated population exposure to arsenic.

The Company has developed a Road Dust Reduction Program to reduce the off-site migration of particulate from the operations. The program includes a four-year paving plan, aggregate road dust suppression and flushing. The program will commence in 2002. It is anticipated that this initiative will reduce the off-site particulate emissions below the Ministry of the Environment's compliance levels.

The Company began the process of implementing the ISO 14001 Environmental Management System. The target date for registration is year-end 2002.

Research and Development

Algoma spent approximately \$300,000 on direct research and development in 2001. In addition, funds are being spent on research and development as part of capital expenditures associated with operations.

Employees

The Company employed approximately 3,500 people as at December 31, 2001 of which 98% are unionized and represented by two Locals of the United Steelworkers of America ("USWA").

As part of the Reorganization, the Company entered into new Collective Bargaining Agreements with the two USWA Locals running to July 31, 2004. The new Collective Agreements include a number of cost reduction measures including:

- wage reductions initially at 15% and gradually returning to pre-agreement levels on December 1, 2003;
- reduced vacation entitlements;
- reduced pension benefits;
- a commitment to reduce the workforce by 350; and
- a Retiree Transition Program under which eligible employees retire and return to work for a period of one to three years at 80% of the regular wage rate.

Under the Collective Agreements, payments of \$10 million are to be distributed among employees in June, 2004 and June, 2005 if certain conditions are met. Pursuant to the Reorganization, the employees received four million of the Company's new Common Shares.

The governance provisions in favour of employees contained in the Corporation's Articles since 1992 were eliminated on the Reorganization. Under the new Collective Agreements, the USWA has the right to nominate three directors to Algoma's Board. During the term of the Collective Agreements, the Company has agreed that it will not permanently close the 106"/166" Mill or decide not to proceed with the Blast Furnace reline if two of the three USWA-appointed directors have opposed any such action at the Board.

The Joint Steering Committee and Departmental Steering Committee structures established in previous Collective Agreements continue. These structures provide for a joint approach to a number of business processes and objectives and to improving productivity and reducing costs.

Algoma's joint system for ensuring a safe workplace for employees continues to be a success. The frequency of workplace injuries was maintained at record low levels in 2001. The Company's Health and Safety Program is developed and delivered jointly with the USWA and has a high level of involvement by employees.

Debt Instruments

As at December 31, 2001, the debt portion of the Company's capital structure was comprised of a revolving credit facility (the "Senior Credit Facility") and a Debtor-In-Process Facility (the "DIP Facility") with a group of financial institutions (the "Lenders"), US \$349 million (principal value) of First Mortgage Notes and \$3 million of capital leases.

Bank Facilities

The Senior Facility which was to expire on December 31, 2001 was extended by the Syndicate until the Restructuring implementation date of January 29, 2002. The Corporation defaulted on certain covenants in the first quarter of 2001 and remained in default throughout the remainder of the year. The Syndicate agreed to forbear from acting upon its rights and remedies, subject to certain conditions, through an Accommodation and Amendment Agreement. This agreement reduced the availability to the lesser of \$180 million and a borrowing base determined by the levels of accounts receivable and inventories less certain reserves. The Senior Facility is collateralized by first charge on accounts receivable and inventories.

At the time of the Company's filing for CCAA protection on April 23, 2001, the banking syndicate made available a DIP Facility that provided for financing to a maximum of \$50 million until December 31, 2001. The Corporation defaulted on certain covenants in the fourth quarter but the banking syndicate agreed to forbear from acting upon its rights and remedies by way of a "Limited Forbearance and Accommodation Agreement". The Syndicate extended the DIP Facility until the Implementation Date of January 29, 2002. The DIP Facility was collateralized by a first charge on fixed assets and a second charge on accounts receivable and inventories.

New Facilities

In conjunction with the Reorganization, the Company entered into a new agreement with the existing banking Syndicate. The new agreement, which expires on December 30, 2003, provides the Corporation with a \$50 million term loan and a revolving credit facility of up to \$180 million. The term loan is repayable in \$10 million quarterly installments commencing September 30, 2002. The term loan is collateralized by a first charge on fixed assets, a government guarantee of \$50 million and a second charge on accounts receivable and inventories. The revolving credit facility provides availability equal to the lesser of \$180 million and a borrowing base determined by levels of accounts receivable and inventories and the government guarantee, less certain reserves. The revolving credit facility is collateralized by a first charge on accounts receivable and inventories and a second charge on the government guarantee.

First Mortgage Notes

In July 1995, the Company completed a public offering of U.S. \$306 million (principal amount) First Mortgage Notes at a discount of 9.846% to their principal amount for net proceeds of approximately Canadian \$359.2 million. The First Mortgage Notes were to mature in July 2005, carry a coupon of 12 3/8% and were secured by a first priority lien on substantially all of the Company's fixed assets together with all assets acquired pursuant to the Capital Expenditure Program. In April 1996, Algoma completed an additional issue of U.S. \$34 million of First Mortgage Notes due July 2005 with net proceeds of approximately U.S. \$32 million. In addition, the liability of \$24.5 million for contingent value rights attached to common shares, issued as part of the consideration of preferred shares in 1995, was fully settled, partially through the issue of First Mortgage Notes with the balance paid in cash. The principal amount of the Notes outstanding at December 31, 2001 was U.S. \$349 million.

On January 29, 2002, as part of the Reorganization, the First Mortgage Notes were cancelled. In exchange for the First Mortgage Notes, the holders received U.S. \$125 million in 11% Notes due in 2009, U.S. \$62.5 million in 1% Convertible Notes due in 2030 and 15 million new common shares.

Legal Proceedings

Legal claims prior to November 2, 2001 were compromised under CCAA.

The Company from time to time has litigation matters pending that have arisen in the ordinary course of its business. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect on the financial condition of the Company.

Selected Consolidated Financial and Operating Information

The consolidated financial information for each of the past five years presented below has been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada and is derived from the Company's audited financial statements. In addition, certain information is presented in order to show the principal differences that would result from the application of U.S. GAAP to the Company's financial information. Such differences relate to the effects of taxation and foreign exchange and are more fully described in Note 17 to the Audited, Consolidated Financial Statements.

For the period ended December 31,	2001	2000	1999	1998	1997
(millions of \$ except for per share data)	\$	\$	\$	\$	\$
Income Statement Data:					
Sales	912	1,106	1,122	1,272	1,261
Cost of sales	963	964	1,045	1,127	1,060
Administrative and selling	38	39	41	40	38
Depreciation and amortization	70	73	67	61	60
Income from operations	(159)	30	(31)	44	103
Net financial expense	93	87	82	81	29
Loss on closure of seamless tubular and structural mills	-	-	-	(36)	-
Gain on demutualization of insurance provider	(19)	-	-	-	-
Reorganization expense	104	-	-	-	-
Provision for income taxes	56	3	(31)	(14)	22
Net income (loss) to common shareholders	(393)	(60)	(82)	(59)	52
Net income (loss) per common share	(7.33)	(1.13)	(1.55)	(1.13)	1.01
U.S. GAAP:					
Provision for income taxes	56	3	3	(76)	15
Net financial expense	116	100	48	109	47
Reorganization expense	51	-	-	-	-
Net income (loss) to common shareholders	(358)	(73)	(82)	(25)	41
Comprehensive net income (loss) to common shareholders	(365)	(73)	(82)	(25)	41
Net Income (loss) per common share	(6.67)	(1.38)	(1.55)	(0.49)	0.79
Comprehensive net income (loss) per common share	(6.80)	(1.38)	(1.55)	(0.49)	0.79
Other Financial Data:					
EBITDA (1)	(89)	103	36	105	163
Capital expenditures	22	52	36	90	276

For the period ended December 31,	2001	2000	1999	1998	1997
(millions of \$ except for per share and operating date)	\$	\$	\$	\$	\$
Operating Data:					
Average sales per ton shipped	474	549	537	640	624
Average cost of sales per ton shipped (3)	500	479	500	567	524
Average EBITDA per ton shipped (1)	(46)	51	17	53	81
Average income from operations per ton shipped	(82)	15	(15)	22	51
Ladle Steel capacity utilization (2)	79%	95%	94%	93%	93%
Net steel shipped (thousands of tons)	1,925	2,016	2,088	1,987	2,022
Number of employees	3,500	3,700	4,100	4,700	5,200
Balance Sheet Data					
Working capital (4)	(553)	188	209	274	278
Net fixed assets	834	885	905	936	932
Total assets	1,228	1,445	1,389	1,521	1,538
Total debt	150	603	538	549	470
Pensions and post-employment benefits	22	428	382	371	359
Common shareholders' equity	(157)	236	255	336	394
US. GAAP					
Total assets	1,233	1,415	1,423	1,521	1,515
Common shareholders' equity	(159)	206	319	400	424

(1) EBITDA means income from operations plus depreciation and amortization to the extent reflected in income from operations. The Company believes that EBITDA provides useful information regarding the Company's ability to generate cash flow, but should not be considered in isolation or as a substitute for net income or cash flow from operations as determined by GAAP. EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements.

(2) Capacity excludes idle facilities.

(3) Excludes selling and administrative expenses, depreciation and amortization.

(4) Excludes current portion of long term debt.

The Company has not paid any dividends on its common shares and does not presently anticipate paying any such dividends in the foreseeable future. In addition, certain of the Company's debt instruments substantially restrict the payment of dividends.

Twelve Quarters Ended December 31, 2001

	Sales	EBITDA(1)	Income (Loss) From Operations	Net Income (Loss)	Net Income (Loss) Per Share
(millions of \$ except per share data)	\$	\$	\$	\$	\$
2001					
4th quarter	212	(29)	(46)	(116)	(2.16)
3rd quarter	242	2	(16)	(62)	(1.16)
2nd quarter	231	(25)	(42)	(48)	(0.89)
1st quarter	227	(37)	(55)	(167)	(3.12)
	912	(89)	(159)	(393)	(7.33)
2000					
4th quarter	228	7	(11)	(33)	(0.62)
3rd quarter	270	22	4	(19)	(0.36)
2nd quarter	305	42	24	1	0.02
1st quarter	303	32	13	(9)	(0.17)
	1,106	103	30	(60)	(1.13)
1999					
4th quarter	266	25	9	(8)	(0.15)
3rd quarter	264	14	(5)	(17)	(0.32)
2nd quarter	296	1	(15)	(27)	(0.51)
1st quarter	296	(4)	(20)	(30)	(0.58)
	1,122	36	(31)	(82)	(1.55)

- 1) EBITDA means income from operations plus depreciation and amortization to the extent reflected in income from operations. The Company believes that EBITDA provides useful information regarding the Company's ability to generate cash flow, but should not be considered in isolation or as a substitute for net income or cash flow from operations as determined by GAAP. EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information contained in the Company's 2001 Annual Report is incorporated herein by reference:

- Management Discussion and Analysis of Financial Condition and Results of Operations on pages 12 to 18 inclusive; and
- Consolidated Financial Statements and Notes thereto on pages 19 to 40 inclusive.

Directors and Officers

The following are the names and municipalities of residence of the current directors and their offices and principal occupations. Directors are elected to serve until the next Annual Meeting of Shareholders.

Directors' Name	Director Since
<p>William Aziz Oakville, Ontario</p> <p>Senior operating executive with several Ontario companies in the service, retail, transportation and technology sectors, specializing in rebuilding situations.</p>	January 29, 2002
<p>Michael Cahr ^{(2) (3)} Highland Park, Illinois</p> <p>President and Chief Executive Officer, Ikadega, Inc., in Northbrook, Illinois, 2000–present; President, Sacony Consultants, 1999-2000; and Chairman, President and Chief Executive Officer, Allscripts, Inc., 1994-1999.</p>	January 29, 2002
<p>Benjamin Duster Atlanta, Georgia</p> <p>Chairman of the Board of the Corporation; Head of Financial Restructuring, Leary Masson & Associates, 2001-present; Managing Director, Mergers and Acquisitions, Wachovia Securities, 1997-2001; Mergers & Acquisitions/Merchant Banking/Venture Capital/Corporate Finance, Salomon Brothers, 1980-1997.</p>	January 29, 2002
<p>John Kallio ⁽²⁾ Sault Ste. Marie, Ontario</p> <p>Loader – Plate and Strip Finishing, 1999-present; Union Co-Chair, Tubular Business Unit, 1994-1999 - both positions at the Corporation.</p>	October 29, 1996
<p>Patrick Lavelle ^{(1) (2) (4)} Toronto, Ontario</p> <p>Corporate Director; and Chairman and CEO, Patrick J. Lavelle and Associates, a strategic management consulting firm.</p>	January 29, 2002

Directors' Name	Director Since
<p>James Lawson ^{(3) (4)} Oakville, Ontario</p> <p>Partner, Torys LLP, 2001–present; Senior Vice President – Corporate Development and General Counsel, XO Communications Canada Inc., 2000-2001; and Partner, Davies Ward & Beck, 1989-2000.</p>	January 29, 2002
<p>Charles Masson ^{(1) (2) (3)} New York, New York</p> <p>Partner, Leary, Masson & Associates, December 1998-present; and Partner, McCloud Partners, June 1993-December 1998.</p>	February 28, 2002
<p>Murray Nott ^{(1) (4)} Sault Ste. Marie, Ontario</p> <p>Senior Product Development Associate of the Corporation, 1994-present.</p>	June 1, 1992
<p>Doug Olthuis ^{(1) (2) (3)} Sault Ste. Marie, Ontario</p> <p>United Steelworkers of America – Area Co-ordinator for Northwestern Ontario, 1998-present; and Staff Representative - Canadian National Office Research Department, 1985-1998.</p>	January 29, 2002
<p>(1) Member of the Audit Committee. (2) Member of the Health, Safety and Environment Committee. (3) Member of the Human Resources Committee and Compensation Committee. (4) Member of the Corporate Governance Committee</p>	

Algoma does not have an Executive Committee.

Officers' Name	Office and Principal Occupation
Benjamin Duster Atlanta, Georgia	Chairman of the Board
Alexander Adam Sault Ste. Marie, Ontario	President and Chief Executive Officer
Stephen Boniferro Sault Ste. Marie, Ontario	Vice President, Human Resources and Management Co-Chair, Joint Steering Committee
Paul C. Finley Sault Ste. Marie, Ontario	General Counsel and Corporate Secretary
Glen P. Manchester Sault Ste. Marie, Ontario	Vice President, Finance and Administration
Armando Plastino Sault Ste. Marie, Ontario	Vice President Operations

As at the date hereof, the directors and senior officers of Algoma Steel Inc. as a group beneficially owned directly and indirectly less than 1% of the common shares of Algoma.

Market for Securities

The Common Shares of Algoma are listed for trading on The Toronto Stock Exchange under the trading symbol AGA.

Additional Information

Copies of the following documents may be obtained upon request from the Secretary of the Corporation, 105 West Street, Sault Ste. Marie, Ontario, P6A 7B4, telephone (705) 945-2788:

- (i) this Annual Information Form;
- (ii) the 2001 Annual Report of Algoma;
- (iii) the Management Information Circular of Algoma dated March 27, 2002;
- (iv) interim financial statements of Algoma for any period subsequent to December 31, 2001; and
- (v) any other documents that are incorporated by reference into a preliminary short form prospectus or a short form prospectus filed in respect of a distribution of securities of Algoma.

A copy of each of these documents may be obtained by any person without charge when securities of Algoma are in the course of distribution pursuant to a preliminary short form prospectus or a short form prospectus. At any other time, the documents referred to in (i) to (iv) above may be obtained by security holders of Algoma without charge and by any other person upon payment of a reasonable charge.

Additional information, including directors and officers remuneration and their indebtedness, principal holders of securities and options to purchase securities, is contained in the Management Information Circular dated March 27, 2002 and additional financial information is provided in the 2001 Consolidated Financial Statements set forth in the 2001 Annual Report of Algoma.