

MANAGEMENT INFORMATION CIRCULAR

Solicitation of Proxies

This Management Information Circular accompanies the Notice of Annual and Special Meeting of the holders of Common Shares of Algoma Steel Inc. (the "Corporation" or "Algoma") to be held on May 23, 2002 at 10:00 a.m. at the Water Tower Inn, 360 Great Northern Road, Sault Ste. Marie, Ontario and **is furnished in connection with the solicitation by the management of the Corporation of proxies for use at the Meeting.** The solicitation will be primarily by mail, but proxies may also be solicited by regular employees of the Corporation. The cost of such solicitation will be borne by the Corporation.

Appointment of Proxyholders

The persons named in the enclosed form of proxy are an officer and/or a director of the Corporation. A shareholder has the right to appoint a person, who need not be a shareholder of the Corporation, other than the persons designated in the enclosed form of proxy, to attend and act on behalf of the shareholder at the Meeting. To exercise this right, a shareholder may either insert such other person's name in the blank space provided in the enclosed form of proxy or complete another appropriate form of proxy.

To be valid, a proxy must be signed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, by a duly authorized officer or attorney. The proxy, to be acted upon, must be deposited with the Corporation, c/o its agent, Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1, by 5:00 p.m. (Toronto time) on the last business day prior to the date on which the Meeting or any adjournment thereof is held.

Voting by Proxy

Shares represented by properly executed proxies in the enclosed form will be voted for or withheld from voting in accordance with the instructions of the shareholder on the proxy on any ballot that may be called for.

In the absence of any instructions on the proxy, such shares will be voted:

- (a) **for the election as directors of the Corporation of the persons listed as nominees for directors;**
- (b) **for the appointment of Ernst & Young LLP as auditors of the Corporation and authorizing the directors to fix their remuneration;**
- (c) **for the confirmation of revised By-Law No. 1; and**
- (d) **for the resolution authorizing the creation of an Outside Directors Share Award Plan.**

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to any other matter which may properly come before the Meeting.

Revocation of Proxy

A shareholder who has given a proxy may revoke it by an instrument in writing, including another proxy, executed by the shareholder or by the shareholder's attorney authorized in writing and deposited at the registered office of the Corporation, 105 West Street, Sault Ste. Marie, Ontario P6A 7B4, prior to the day of the Meeting or any adjournment thereof or with the Chairman of the Meeting on the day of the Meeting at any time before it is exercised in any particular matter or in any other manner permitted by law, including attending the Meeting in person.

Voting Shares and Principal Holders

19,000,000 Common Shares of the Corporation are outstanding. An additional 1,000,000 Common Shares are in the process of being issued to certain unsecured creditors pursuant to the Corporation's Plan of Arrangement and Reorganization. Each holder of a Common Share is entitled to one vote for each share registered in the shareholder's name on the list of shareholders prepared as of April 12, 2002 with respect to all matters to be voted on at the Meeting. However, in the event of any transfer of shares by any such shareholder after such date, the transferee is entitled to vote those shares if the transferee produces properly endorsed share certificates, or otherwise establishes that it owns the shares, and requests the Secretary of the Corporation to include the transferee's name in the shareholders' list not later than 10 days before the Meeting.

To the knowledge of the directors and officers of the Corporation, the only person or company who beneficially owns, directly or indirectly, or exercises control or direction over, securities of the Corporation carrying more than 10% of the voting rights attached to any class of outstanding voting securities is MacKay Shields LLC who owns, directly or indirectly, 6,416,123 Common Shares, representing approximately 32% of the outstanding and to be issued Common Shares of the Corporation.

Election of Directors

The Board of Directors of the Corporation is comprised of nine directors. Directors are elected to serve until the next Annual Meeting of Shareholders.

The nominees for election as directors are Messrs. Alexander Adam, Michael Cahr, Benjamin Duster, John Kallio, Patrick Lavelle, James Lawson, Charles Masson, Murray Nott and Doug Olthuis.

Under its collective agreements with the United Steelworkers of America (USWA), three of the Corporation's directors are to be nominated by the USWA. Messrs. Kallio, Nott and Olthuis are the USWA nominees.

If any of the nominees is not available to act as a director, a substitute may be nominated. The following information concerning the respective nominees has been provided by them.

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Common Shares Owned or Controlled</u>
<i>Nominees</i>			
Alexander Adam Sault Ste. Marie, Ontario	President and Chief Executive Officer of the Corporation from June 1996 to present.		1,265
Michael Cahr ^{(2) (3)} Highland Park, Illinois	President & CEO, Ikadega, Inc. in Northbrook, Illinois, 2000-present; President, Sacony Consultants, 1999-2000; and Chairman, President & CEO, Allscripts, Inc., 1994-1999.	January 29, 2002	
Benjamin Duster Atlanta, Georgia	Chairman of the Board of the Corporation; Head of Financial Restructuring, Leary Masson & Associates, 2001-present; Managing Director, Mergers & Acquisitions, Wachovia Securities, 1997-2001; Mergers & Acquisitions/Merchant Banking/Venture Capital/Corporate Finance, Salomon Brothers, 1980-1997.	January 29, 2002	
John Kallio ⁽²⁾ Sault Ste. Marie, Ontario	Loader – Plate & Strip Finishing, 1999-present; and Union Co-Chair – Tubular Business Unit, 1994-1999 – both positions at the Corporation.	October 29, 1996	1,265
Patrick Lavelle ^{(1) (2) (4)} Toronto, Ontario	Corporate Director; and Chairman and CEO, Patrick J. Lavelle and Associates, a strategic management consulting firm.	January 29, 2002	
James Lawson ^{(3) (4)} Oakville, Ontario	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.	January 29, 2002	
Charles Masson ^{(1) (3) (4)} New York, New York	Partner, Leary Masson & Associates, Dec. 1998-present; and Partner, McCloud Partners, June 1993-Dec. 1998.	February 28, 2002	

<u>Name and Municipality of Residence</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Common Shares Owned or Controlled</u>
<i>Nominees (Cont'd)</i>			
Murray Nott ^{(1) (4)} Sault Ste. Marie, Ontario	Senior Product Development Associate of the Corporation, 1994-present.	June 1, 1992	1,265
Doug Olthuis ^{(1) (2) (3)} Sault Ste. Marie, Ontario	United Steelworkers of America – Area Co-ordinator for Northwestern Ontario, 1998-present; and Staff Representative – Canadian National Office Research Department, 1985-1998.	January 29, 2002	

Notes:

- (1) Member of the Audit Committee
- (2) Member of the Health, Safety and Environment Committee
- (3) Member of the Human Resources and Compensation Committee
- (4) Member of the Corporate Governance Committee

Algoma does not have an Executive Committee.

Appointment of Auditors

As indicated above, the persons named in the form of proxy enclosed with the Notice of Meeting intend to vote for the appointment of Ernst & Young LLP, Chartered Accountants, Toronto as auditors of the Corporation and authorize the directors to fix their remuneration.

Compensation of Directors

The compensation paid to each director of the Corporation is \$15,000 per annum plus \$1,000 for each meeting of the board attended. Directors who are on committees of the board are paid \$3,000 per annum as chairman, \$1,000 per annum as a member and \$1,000 for each meeting of a committee attended.

In lieu of the compensation paid to directors noted above, Mr. Duster, as Chairman of the Board, is paid an annual fee of \$90,000.

In addition, Outside Directors, including the Chairman of the Board, will participate in the Outside Directors Share Award Plan if it is approved by the shareholders at the Meeting. (See Share Award Plan on page 6.)

Directors' and Officers' Liability Insurance

The Corporation provides directors' and officers' liability coverage with a policy limit of \$75,000,000 per occurrence with a \$75,000,000 annual aggregate. The policy provides coverage for all past, present and future directors and officers of the Corporation. There is no deductible applicable for individual directors and officers named as defendants in any one action. Corporate reimbursement coverage is subject to a \$250,000 deductible for each claim. Under this coverage, the Corporation is reimbursed for payments made under corporate indemnity provisions on behalf of its directors and officers subject to the applicable deductible. Individual directors and officers are reimbursed for losses during the performance of their duties for which they are not indemnified by the Corporation. Protection is provided for the directors and officers for wrongful acts that include acts, errors or omissions done or committed during the course of the performance of their duties. The policy excludes coverage for illegal acts, acts of dishonesty and those acts which result in personal gain. In the latest financial year ended December 31, 2001, the total premium of \$300,000 for directors' and officers' liability coverage was paid by the Corporation. The premiums for the policies are not allocated between directors and officers as separate groups.

Confirmation of New By-Law No. 1

On February 5, 2002, the directors revoked the Corporation's existing By-Laws and passed a new By-Law No. 1. The new By-Law was passed to reflect the changes in the Corporation's corporate and board structure resulting from Algoma's restructuring. The text of new By-Law No. 1 is set out in Schedule A to this Circular.

Approval of Outside Directors Share Award Plan

The Corporation is seeking shareholders' approval to create an Outside Directors Share Award Plan (the "Share Award Plan"). The Board of Directors has authorized, subject to shareholder and regulatory approval, the creation of the Share Award Plan which would permit the Corporation, at its option, to award Common Shares to Outside Directors as a portion of their compensation. Outside Directors are directors who are not full-time officers or employees of the Corporation.

Management believes that the implementation of the Share Award Plan will further align the interests of the directors with those of the shareholders. In addition, it will assist the Corporation in conserving its cash resources by having a portion of directors' compensation provided through Common Shares. The form of resolution that would authorize the creation of the Share Award Plan is set out in Schedule B to this Circular. The full text of the Share Award Plan is set out in Schedule C to this Circular.

Under the Share Award Plan, each Outside Director will be eligible to receive a monthly grant of Common Shares with a market value of up to \$10,000 per month. Any shares granted under the Share Award Plan would be issued quarterly. The size of the grants to be made, effective February 1, 2002, has been initially established at \$4,500 per month for the Chairman and \$2,000 per month for all other Outside Directors. The size of the grants may be adjusted from time to time by the Human Resources and Compensation Committee within the limits imposed by the Share Award Plan. The terms of the Share Award Plan provide that 50% of each issuance of Common Shares must be held for a minimum of four months and the remaining 50% for a minimum of twelve months.

The Board of Directors may reserve Common Shares for issuance under the Share Award Plan provided that the maximum number of Common Shares that may be issued, pursuant to the terms of the Share Award Plan, shall not exceed 500,000 Common Shares (approximately 2.5% of 20,000,000 Common Shares). The Share Award Plan will be administered by the Board of Directors with the assistance of the Human Resources and Compensation Committee. Amendments to the Share Award Plan may be made by the Board of Directors without shareholder approval, subject to regulatory requirements and provided that the limit on the maximum number of Common Shares described above cannot be exceeded.

Pursuant to the policies of The Toronto Stock Exchange, the Share Award Plan must be approved by a majority of the votes cast at a shareholders' meeting, other than votes attaching to securities beneficially owned by:

- (a) insiders to whom shares may be issued pursuant to the Share Award Plan; and
- (b) associates of such persons,

which aggregate 2,530 Common Shares.

Executive Compensation

SUMMARY COMPENSATION TABLE

The following table provides a summary of compensation paid since January 1, 1999 for the Chief Executive Officer and the four most highly compensated other policy-making executive officers (the "Named Executive Officers").

Name and Principal Position	Year	Annual Compensation		
		Salary \$	Bonus \$	Other Annual Compensation \$
Hap Stephen ⁽¹⁾ Chief Restructuring Officer	2001 2000 1999	520,000 ⁽²⁾		
Alexander Adam President & Chief Executive Officer	2001 2000 1999	487,500 500,000 500,000	158,500 ⁽²⁾	
Richard Pawelek Vice President & General Manager – Primary Operations and Manufacturing Services	2001 2000 1999	266,400 ⁽³⁾ 222,000 201,600		74,000 ⁽⁴⁾
Glen Manchester Vice President – Finance and Administration	2001 2000 1999	232,062 226,653 226,652	16,140 ⁽⁵⁾ 14,944 ⁽⁵⁾	66,000 ⁽⁶⁾
Paul Finley General Counsel & Corporate Secretary	2001 2000 1999	232,062 215,596 215,596	15,352 ⁽⁵⁾ 14,215 ⁽⁵⁾	66,000 ⁽⁶⁾

- (1) Hap Stephen was appointed Chief Restructuring Officer effective June 1, 2001.
- (2) See "Employment Contracts" for explanation.
- (3) Wage level reflects that R. Pawelek earned no pension or vacation entitlement in respect of 2001.
- (4) Vacation Payout on Retirement. See "Employment Contracts".
- (5) See "Long-Term Compensation Plan".
- (6) Special Allowance paid to Executives dedicated to the Restructuring.

Long-Term Compensation Plan

In 1998, the Board of Directors approved a long-term compensation plan for executives. Under the plan, the Board develops annual performance targets. Executives are eligible for grants of either Share Appreciation Rights or deferred compensation based on performance against the previous year's targets. The performance targets are related to safety, the environment, financial performance, human resource development, asset preservation and defined fiscal and productivity targets. Awards made under the plan are to vest over a four-year period from the date of the grant, 25% of each award vests two years after the grant, 25% vests three years after the grant and 50% vests four years after the grant. In order for awards to vest under the plan, the executive must be in the Corporation's employ at the time of vesting, provided that, in the event of termination without cause, all awards that have been granted and would have vested in the executive had he continued as an employee for 24 months from termination vest on the date of termination. Grants of deferred compensation were made under the plan in 1998 in respect of performance in 1997 to Mr. Manchester in the amount of \$51,250 and Mr. Finley in the amount of \$48,750. Pursuant to the terms of the plan, these awards begin partial vesting in 2000. No awards were made under the plan in 1999, 2000 or 2001.

Pension Plan

The Named Executive Officers participate in the Corporation's pension plan for salaried employees (the "Pension Plan").

The Pension Plan is non-contributory and provides annual benefits equal to the sum of 1.35% of a member's best five years' earnings (to an annual maximum of \$50,000) and 1.71% of a member's best five years' earnings in excess of \$50,000 annually all multiplied by the member's years of service (to a maximum of 35 years). Earnings include base salary plus 50% of bonuses as reported in the Summary Compensation Table above. The amount of pension payable under the Pension Plan is subject to the maximum permitted under the *Income Tax Act*, Canada. However, it is the Corporation's practice to pay out of general corporate revenues any amount determined by the above formula that is in excess of the maximum amount payable under the Pension Plan.

The annual pension determined above is payable during the member's lifetime. A portion of the total pension equal to \$576 multiplied by years of service (to a maximum of 35 years) is eligible to be indexed annually prior to July 31, 2004 starting two years after retirement based on excess returns on plan assets.

The retirement age under the Pension Plan is age 65. However, an unreduced pension is payable after attainment of age 60 with 10 years of service.

For the purposes of computing the retirement benefit of the Named Executive Officers, years of service as at December 31, 2001 were six for Mr. Adam, 21 for Mr. Finley, 24 for Mr. Manchester, four for Mr. Boniferro and 36 for Mr. Pawelek.

The following table illustrates the estimated total annual benefits payable upon retirement in specific pensionable earnings and years of service classifications.

Pensionable Earnings	Years of Service				
	15	20	25	30	35
\$100,000	\$23,000	\$30,600	\$38,300	\$45,900	\$53,600
125,000	29,400	39,200	48,900	58,700	68,500
150,000	35,800	47,700	59,600	71,500	83,500
175,000	42,200	56,300	70,300	84,400	98,400
200,000	48,600	64,800	81,000	97,200	113,400
300,000	74,300	99,000	123,800	148,500	173,300
400,000	99,900	133,200	166,500	199,800	233,100
500,000	125,600	167,400	209,300	251,100	293,000
600,000	151,200	201,600	252,000	302,400	352,800
700,000	176,900	235,800	294,800	353,700	412,700
800,000	202,500	270,000	337,500	405,000	472,500
900,000	228,200	304,200	380,300	456,300	532,400

Employment Contracts

Hap Stephen served as Chief Restructuring Officer from June 1, 2001 to January 29, 2002 pursuant to an agreement between the Corporation and Mr. Stephen's firm, Stonecrest Capital Inc. For the services of Mr. Stephen and Stonecrest Capital Inc., the Corporation paid an initial fee of \$65,000, an additional \$65,000 per month and a success fee of \$1,000,000 paid on March 20, 2002.

Prior to the commencement of his employment on June 14, 1996, Mr. Adam entered into an employment agreement with the Corporation. The agreement provided for a base salary of \$400,000 per annum. In addition, the Corporation was to establish both short and long-term incentive plans in which Mr. Adam was to participate. The short-term incentive plan was to provide Mr. Adam with a targeted annual payment of 25% of his annual salary, assuming agreed upon objectives were met. The long-term incentive plan was to provide Mr. Adam with a targeted annual benefit having a value in the year it is granted equal to 25% of his annual salary, assuming agreed upon objectives were met. Payments were made to Mr. Adam in 1997 and 1998 in respect of his short-term bonus entitlement for 1996 and 1997. A payment was made to Mr. Adam in early 1999 in respect of his long-term bonus entitlement for 1996 and 1997.

Mr. Adam's employment agreement was amended during 1998 and 2000. The amended agreement provides for a base salary of \$500,000 per annum with no short-term bonus in respect of years beyond 1997. Commencing for the year 1998, Mr. Adam participated in the long-term compensation plan for executives (see page 8 for description). On a voluntary basis, Mr. Adam's salary was reduced by 15% commencing November 1, 2001.

The term of Mr. Adam's employment agreement is for eight years to June 13, 2004, provided that either the Corporation or Mr. Adam may terminate his employment at any time. Upon the expiry of his employment, Mr. Adam is entitled to a supplementary pension benefit that provides for the payment of amounts in excess of the maximum permitted to be paid out of the Pension Plan under the *Income Tax Act* and, if his employment continues for six years, the doubling of the pension benefit earned for those six years of his employment. These supplementary benefits are to be secured. If Mr. Adam's employment is terminated by the Corporation prior to the expiry of the employment agreement for any reason other than just cause or permanent disability, then the Corporation is required to pay to Mr. Adam his salary and benefits to the earlier of June 13, 2004 or two years from the date of such termination.

The Corporation entered into new employment agreements with Messrs. Boniferno, Finley and Manchester in January, 2001. These agreements supersede any previous agreements between the executives and the Corporation. The agreements provide that, if the Corporation terminates the employment of the executive without cause, it must pay such executive an amount equal to two years' salary on his termination. The agreements with Mr. Finley and Mr. Manchester also provide for supplementary pension benefits to be secured.

Mr. Pawelek began receiving pension benefits on January 1, 2001. His employment continued pursuant to a short-term contract that ended on January 31, 2002.

Report on Executive Compensation by the Human Resources and Compensation Committee

Pursuant to the Corporation's reorganization under the Companies' Creditors Arrangement Act (CCAA), a new Board of Directors was constituted on January 29, 2002. Committees of the Board, including the Human Resources and Compensation Committee, were established on March 15, 2002. The Human Resources and Compensation Committee is composed of four directors who are neither executives nor former executives of the Corporation. It is the mandate of the Human Resources and Compensation Committee to make recommendations to the Board of Directors concerning compensation for directors and senior executives of the Corporation. The Human Resources and Compensation Committee is in the process of developing a recommendation to the Board of Directors respecting appropriate policies and programs for determining compensation for executive officers.

Submitted on behalf of the Human Resources and Compensation Committee:

James Lawson, Chair

Michael Cahr

Charles Masson

Doug Olthuis

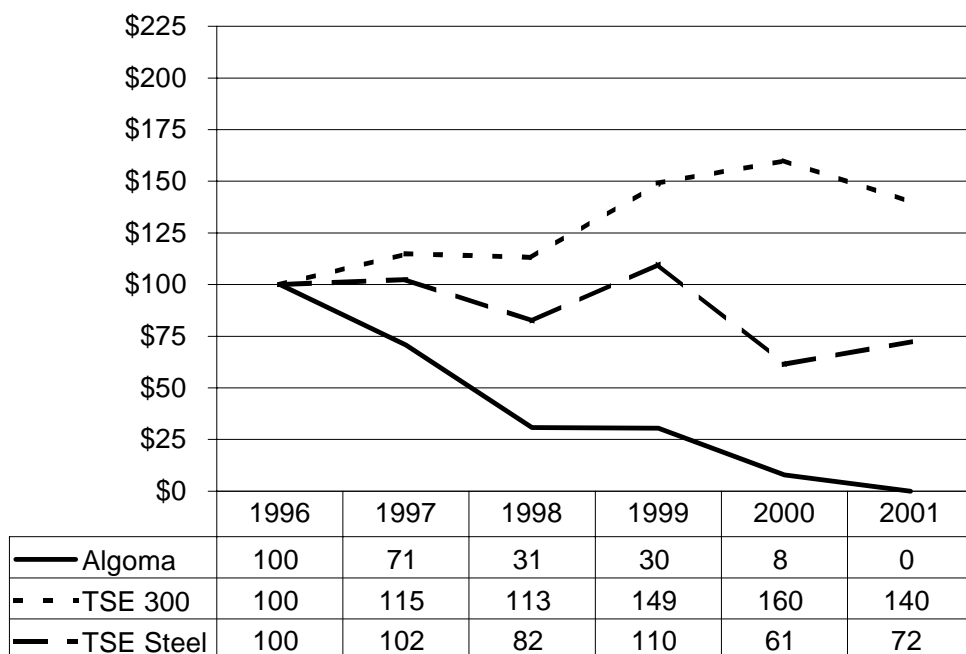
Corporate Governance

The Toronto Stock Exchange (TSE) has issued a series of guidelines respecting corporate governance. The TSE has adopted as a listing requirement the disclosure by each listed corporation of its approach to corporate governance with reference to the guidelines. The required disclosure in respect of the Board of Directors as currently constituted is set out in matrix form in Schedule D to this Circular.

Common Share Performance

The following graph compares the total cumulative shareholder return for \$100 invested in Algoma Steel Inc. Common Shares on December 31, 1996 with the cumulative total return of the TSE 300 Stock Index and the TSE 300 Steel Index for the five most recently completed financial years. No dividends were declared on Common Shares of Algoma Steel Inc. during the period.

Five Year Cumulative Total Return on \$100 Investment



On April 23, 2001, the Corporation obtained Court protection under CCAA. On January 29, 2002, Algoma's Plan of Arrangement and Reorganization (the "Plan") was implemented and the Corporation emerged from CCAA protection. Under the Plan, the Corporation's existing Common Shares were cancelled. The Performance Graph above is in respect of those cancelled Common Shares.

New Common Shares were issued and distributed to Noteholders, employees and unsecured creditors. The new Common Shares began trading on the Toronto Stock Exchange on February 21, 2002.

The contents of this Management Information Circular and the sending thereof have been approved by the directors of the Corporation.

DATED this 27th day of March, 2002.



PAUL C. FINLEY
General Counsel and
Corporate Secretary

The Corporation will provide to any person (without charge to security holders of the Corporation), upon request to the General Counsel and Corporate Secretary, 105 West Street, Sault Ste. Marie, Ontario P6A 7B4, one copy of:

- (i) the latest Annual Information Form of the Corporation filed with the securities commissions or similar authorities in Canada;
- (ii) the latest Management Information Circular of the Corporation; and
- (iii) any unaudited interim financial statements sent to shareholders after the date of the Corporation's most recently completed financial year.

SCHEDULE A

By-Law No. 1 of Algoma Steel Inc. (the "Corporation")

1. INTERPRETATION

Expressions used in this By-Law shall have the same meanings as corresponding expressions in the *Business Corporations Act* (Ontario) (the "Act").

2. FINANCIAL YEAR

2.1. Until changed by the directors, the financial year of the Corporation shall end on the last day of December in each year.

3. DIRECTORS

3.1. Quorum. A quorum of directors shall be three-fifths of the number of directors or such greater number as the directors or shareholders may from time to time determine.

3.2. Calling of Meetings. Meetings of the directors shall be held at such time and place within or outside Ontario as the Chairman of the Board, the Vice Chairman of the Board or a quorum of directors may determine. A majority of meetings of directors need not be held within Canada in any financial year.

3.3. Meeting by Telephone. A meeting of directors or of a committee of directors may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in such a meeting by such means is deemed to be present at that meeting.

3.4. Notice of Meetings. Notice of the time and place of each meeting of directors shall be given to each director by telephone not less than 48 hours before the time of the meeting or by written notice not less than four days before the date of the meeting, provided that the first meeting immediately following a meeting of shareholders at which directors are elected may be held without notice if a quorum is present. Meetings may be held without notice if the directors waive or are deemed to waive notice.

3.5. Chairman. The Chairman of the Board, or in his absence the Vice Chairman of the Board, or in his absence a director chosen by the directors at the meeting, shall be chairman of any meeting of directors.

3.6. Voting at Meetings. At meetings of directors, each director shall have one vote and questions shall be decided by a majority of votes.

4. OFFICERS

4.1. General. The directors may from time to time appoint a Chairman of the Board, a Vice Chairman of the Board, a President, one or more Vice-Presidents, a Secretary, a Treasurer and such other officers as the directors may determine.

4.2. Chairman of the Board. The Chairman of the Board, if any, shall be appointed from among the directors and, when present, shall be chairman of meetings of directors and shareholders and shall have such other powers and duties as the directors may determine.

4.3. Vice Chairman of the Board. The Vice Chairman of the Board, if any, shall be appointed from among the directors and, when present, and in the absence of the Chairman of the Board, shall be chairman of meetings of directors and shareholders and shall have such other power and duties as the directors may determine.

4.4. President. The President shall be the chief executive officer of the Corporation and shall have general supervision of its business and affairs.

4.5. Vice-President. A Vice-President shall have such powers and duties as the directors or the chief executive officer may determine.

4.6. Secretary. The Secretary shall give required notices to shareholders, directors, auditors and members of committees, act as secretary of meetings of directors and shareholders when present, keep and enter minutes of such meetings, maintain the corporate records of the Corporation, have custody of the corporate seal and shall have such other powers and duties as the directors or the chief executive officer may determine.

4.7. Treasurer. The Treasurer shall keep proper accounting records in accordance with the Act, have supervision over the safekeeping of securities and the deposit and disbursement of funds of the Corporation, report as required on the financial position of the Corporation, and have such other powers and duties as the directors or the chief executive officer may determine.

4.8. Variation of Duties. The directors may, from time to time, vary, add to or limit the powers and duties of any officer.

4.9. Term of Office. Each officer shall hold office until he resigns or his successor is elected or appointed, provided that the directors may at any time remove any officer from office but such removal shall not affect the rights of such officer under any contract of employment with the Corporation.

5. INDEMNIFICATION AND INSURANCE

5.1. Indemnification of Directors and Officers. The Corporation shall indemnify a director or officer, a former director or officer or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor, and the heirs and legal representatives of such a person to the extent permitted by the Act.

5.2. Insurance. The Corporation may purchase and maintain insurance for the benefit of any person referred to in the preceding section to the extent permitted by the Act.

5.3. Indemnity of Others. Except as otherwise required by the Act and subject to Section 5.1 hereof, the Corporation may from time to time indemnify and save harmless any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was an employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, agent of or participant in another body corporate, partnership, joint venture, trust or other enterprise, against expenses (including legal fees), judgements, fines and any amount actually and reasonably incurred by such person in connection with such action, suit or proceeding if he or she acted honestly and in good faith with a view to the best interest of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that his or her conduct was lawful. The termination of any action, suit or proceeding by judgement, order, settlement or conviction will not, of itself, create a presumption that the person did not act honestly and in good faith with a view to the best interest of the Corporation and, with respect to any criminal or administrative action or proceeding that is enforced by a monetary penalty, had no reasonable grounds for believing that his or her conduct was lawful.

5.4. Right of Indemnity not Exclusive. The provisions for indemnification contained in the by-laws of the Corporation are not exclusive of any other rights to which any person seeking indemnification may be entitled under any agreement, vote of shareholders or directors or otherwise, both as to action in the person's official capacity and as to action in another capacity, and will continue as to a person who has ceased to be a director, officer, employee or agent and will inure to the benefit of the heirs and legal representatives of such a person.

5.5. No Liability of Directors or Officers for Certain Matters. To the extent permitted by law, no director or officer for the time being of the Corporation will be liable for the acts, receipts, neglects or defaults of any other director or officer or employee or for joining in any receipt or act for conformity or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation or for the insufficiency or deficiency of any security in or upon which any of the money of or belonging to the Corporation is placed out or invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any person, firm or body corporate with whom or which any money, securities or other assets belonging to the Corporation are lodged or deposited for any loss, conversion, misapplication or misappropriation of or any damage resulting from any dealings with any money, securities or other assets belonging to the Corporation or for any other loss, damage or misfortune whatever that may happen in the execution of the duties of his or her respective office or trust or in relation thereto unless the same happens by or through his or her failure to act honestly and in good faith with a view to the best interest of the Corporation and in connection therewith to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. If any director or officer of the Corporation is employed by or performs services for the Corporation otherwise than as a director or officer or a member of a firm or a shareholder, director or officer of a body corporate that is employed by or performs services for the Corporation, the fact of his or her being a director or officer of the Corporation will not disentitle such director or officer or such firm or body corporate, as the case may be, from receiving proper remuneration for such services.

6. SHAREHOLDERS

6.1. Quorum. A quorum for the transaction of business at a meeting of shareholders shall be five persons present and each entitled to vote at the meeting.

6.2. Electronic Meetings. A meeting of shareholders may be held by telephone or electronic means and a shareholder who, through those means, votes at a meeting or establishes a communications link to a meeting shall be deemed to be present at that meeting.

6.3. Scrutineers. The Chairman at any meeting of shareholders may appoint one or more persons (who need not be shareholders) to act as scrutineer or scrutineers at the meeting.

7. DIVIDENDS AND RIGHTS

7.1. Declaration of Dividends. Subject to the Act, the directors may from time to time declare dividends payable to the shareholders according to their respective rights and interest in the Corporation.

7.2. Cheques. A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the address of such holder in the Corporation's securities register, unless such holder otherwise directs. In the case of joint holders, the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their address in the Corporation's securities register. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

7.3. Non-Receipt of Cheques. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the directors may from time to time prescribe, whether generally or in any particular case.

7.4. Unclaimed Dividends. Any dividend unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

8. EXECUTION OF INSTRUMENTS

8.1. Deeds, transfers, assignments, agreements, proxies and other instruments may be signed on behalf of the Corporation by any two directors or by a director and an officer or by any two officers, one of whom must be the Chairman of the Board, the Vice Chairman of the Board, the President or a Vice-President, or in such other manner as the directors may determine; except that insider trading reports may be signed on behalf of the Corporation by any one director or officer of the Corporation.

9. NOTICE

9.1. A notice mailed to a shareholder, director, auditor or member of a committee shall be deemed to have been received on the fifth day after mailing.

9.2. Accidental omission to give any notice to any shareholder, director, auditor or member of a committee or non-receipt of any notice or any error in a notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice.

SCHEDULE B

Resolutions Relating To The Outside Directors Share Award Plan

BE IT RESOLVED that:

1. subject to regulatory approval, the creation of the Outside Directors Share Award Plan, substantially in the form set out in Schedule C to the Corporation's Management Information Circular dated March 27, 2002, is hereby approved;
2. the number of Common Shares reserved pursuant to the Outside Directors Share Award Plan will be 500,000, subject to increase or decrease through subdivisions or consolidation of the outstanding Common Shares of the Corporation;
3. any director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute, or to cause to be executed, whether under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such other documents and instruments, and to do or cause to be done all such other acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to carry out the intent of this resolution.

SCHEDULE C

Outside Directors Share Award Plan

1. Purpose of the Plan

The Outside Directors Share Award Plan (the "Plan") has been established in order to award Common Shares from treasury (the "Shares") of Algoma Steel Inc. (the "Corporation") to Outside Directors in recognition of their contribution to the Corporation and as a portion of their compensation. This kind of remuneration is intended to promote the Outside Directors' identification with shareholder interests and to allow the Outside Directors to participate in the long-term success of the Corporation. In order to reach these objectives, the Shares should be held as long-term investments.

2. Eligibility

The Plan will be available only to active members of the Board of Directors of the Corporation (the "Board") who are not full-time officers or employees of the Corporation or its subsidiaries (the "Outside Directors"). An Outside Director shall cease to be eligible to participate in the Plan effective the date that he ceases to be an Outside Director.

3. Shares Reserved for Issuance

The Board may reserve Shares for issuance under the Plan, provided that the maximum number of Shares that may be issued pursuant to the terms of the Plan shall not exceed 500,000 Shares.

4. Grant of Shares

Each Outside Director shall be eligible to receive a monthly grant of Shares with an aggregate Market Value of up to \$10,000 per month. Shares shall be issued to Outside Directors on a quarterly basis. For purposes of this Plan, Market Value per Share shall be deemed to be the average of the prices for the Shares as reported on The Toronto Stock Exchange (the "TSE") for the last five business days immediately preceding the last business day of each month.

5. Administration of the Plan

The Plan will become effective as of approval of the Plan by the TSE and by the Corporation's shareholders and will be administered by the Human Resources and Compensation Committee (the "Committee") of the Board, which Committee shall have full power and complete authority to interpret the Plan, determine the size of the grant to be made to each Outside Director and prescribe such rules and regulations and make such other determinations as it deems necessary or desirable for the administration of the Plan.

6. Retention Period

The Shares are intended to be held as investments. An Outside Director should hold 50% of the Shares for at least a four-month period, and 50% of the Shares for at least a one-year period, following the date that the Shares were issued to the Outside Director.

7. Amendment or Termination of the Plan

The Board may, from time to time, amend or terminate the Plan without notice.

8. Compliance with Applicable Laws and Policies

All issuances of Shares pursuant to this Plan shall be made in conformity with all applicable laws and any applicable regulations of the TSE or any other duly constituted authority.

Furthermore, the Corporation and the Outside Directors shall comply with the Corporation's policies and regulatory requirements regarding insider trading, insider disclosure and business conduct with respect to the issuance, ownership and disposition of the Shares.

9. Tax Consequences

The amount issued in Shares with respect to each Outside Director shall be taxable as normal remuneration from employment in the year in which the Shares are received.

For any taxes required by law to be withheld, the Corporation shall have the right to withhold any such amount from that Outside Director's remuneration.

Each Outside Director is responsible for all income tax liability arising from any issuances of Shares under the Plan for that Outside Director.

10. Provisional Grant of Shares

The Corporation may grant Shares to Outside Directors at any time; provided, however, that no Outside Director shall have an ownership interest in any Shares granted pursuant to the terms of this Plan until the first business day following the date on which shareholders of the Company have approved the Plan. If the shareholders do not approve the Plan, the Plan shall be deemed to be wound-up and all Shares granted pursuant to the Plan shall be cancelled.

11. Governing Law

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada.

SCHEDULE D

Corporate Governance

<u>TSE Corporate Governance Guidelines</u>	<u>Corporation Status *</u>	<u>Comments</u>
1. Board should explicitly assume responsibility for stewardship of the corporation, and specifically for:		
a. adoption of a strategic planning process	Yes	Annually, management presents to the Board a business plan for the Board's assessment and review. In 1995, the Board supervised a strategic planning process and approved a Strategic Plan with the construction of a thin slab caster and hot strip mill as its cornerstone. The Strategic Plan is reviewed on an annual basis.
b. identification of principal risks, and implementing risk management systems	Yes	The business plan presented annually by management identifies the principal risks confronting the Corporation and sets out the strategies and systems proposed to be employed to manage the risks. After the plan has been approved by the Board, the Board monitors management's implementation of the plan, including risk management.
c. succession planning and monitoring senior management	Yes	The Human Resources and Compensation Committee, with the assistance of the CEO, reviews and reports to the Board on organizational structure and succession planning matters on a periodic basis.
d. communications policy	Partly	Communications issues and initiatives are reviewed by the Board.
e. integrity of internal control and management information systems	Yes	The Board, through the Audit Committee and with the assistance of the external auditors, regularly monitors and reviews the integrity of the Corporation's internal control and management information systems.

<u>TSE Corporate Governance Guidelines</u>	<u>Corporation Status *</u>	<u>Comments</u>
2. a. Majority of directors should be "unrelated" (independent of management and free from conflicting interests - see Note A)	Yes	The majority of directors are unrelated.
b. If the Corporation has a significant shareholder, the Board should include a number of directors who do not have interests in or relationships with the significant shareholder	Yes	
3. Disclosure of the Board's analysis respecting the Board's determination as to whether individual directors are "related" or "unrelated"	Yes	The Board has determined that the related directors are Messrs. Kallio and Nott, by virtue of their employment with the Corporation, and Mr. Lawson, by virtue of his partnership in Torys, the Corporation's external counsel.
4. a. Appoint a committee responsible for the appointment of directors	Yes	The Corporate Governance Committee is responsible.
b. Composed exclusively of non-management directors, the majority of whom are unrelated	Yes	The Board has no management directors. The majority of the members of the Corporate Governance Committee are unrelated directors.
5. Implement a process for assessing the effectiveness of the Board, its committees and individual directors	Partly	Responsibility of the Corporate Governance Committee.
6. Provide orientation and education programs for new directors	Yes	Reports and other documentation relating to the Corporation's business and affairs are provided to new directors. Board meetings have been held at the Corporation's main plant site to give the directors additional insight into the Corporation's business and operations.

<u>TSE Corporate Governance Guidelines</u>	<u>Corporation Status *</u>	<u>Comments</u>
7. Consider reducing size of Board, with a view to improving effectiveness	Yes	The size of the Corporation's Board of Directors has been reduced from 13 to 9.
8. Review compensation of directors in light of risks and responsibilities	Yes	The Human Resources and Compensation Committee reviews and recommends to the Board for approval the remuneration of directors.
9. a. Committees should generally be composed of non-management directors	Yes	The Board has no management directors.
b. Majority of committee members should be unrelated	Yes	
10. Responsibility for approach to corporate governance issues	Yes	The Corporate Governance Committee is responsible.
11. Define limits to management's responsibilities and corporate objectives for the CEO	Yes	The Board and the CEO have defined their areas of responsibility through such mechanisms as the CEO's employment contract and the definition of spending requiring Board approval. The Board and the CEO review the CEO's responsibility for the achievement of corporate objectives.
12. Establish structures and procedures to enable the Board to function independently of management	Yes	The Board meets independently of management where needed. The Chairman of the Board is not a member of management and is charged with ensuring that the Board can function independently of management.
13. a. Establish an Audit Committee with a specifically defined mandate	Yes	The Audit Committee's roles and responsibilities include: <ul style="list-style-type: none"> - direct communication with the external auditors and the Corporation's financial personnel; - oversight of management's responsibility on internal controls; - ensuring that management has designated and implemented an effective system of internal control; - reviewing and recommending for Board approval quarterly and annual financial statements and other financial documents.
b. All members should be non-management directors	Yes	

<u>TSE Corporate Governance Guidelines</u>	<u>Corporation Status *</u>	<u>Comments</u>
14. Implement a system to enable individual directors to engage outside advisers, at Corporation's expense	Yes	Individual directors can engage outside advisers with the authorization of the Chairman of the Board.

* "Yes" indicates that the Corporation is generally aligned with the understood intent of the Guideline.

"Partly" indicates that the Corporation is partially aligned with the understood intent of the Guideline.

"No" indicates that the Corporation is not generally aligned with the understood intent of the Guideline.

NOTE A: An "unrelated director", under the guidelines, is a director who is independent of management and is free from any interest in any business or other relationship which could, or could reasonably be conceived to, materially interfere with the director's ability to act in the view of the best interest of the Corporation, other than interests and relationships arising from shareholding.