

ESSAR STEEL ALGOMA INC. (#ESAI") Terms and Conditions of Purchase

The within terms and conditions of purchase apply without exception to the purchase of the Vendor's product(s) and no other terms and conditions including without limitation, the Vendor's standard printed terms and conditions on the Vendor's order form, invoice or otherwise, will have any application to any purchase between ESAI and the Vendor unless specifically agreed to in writing by ESAI. Unless written notice to the Vendor's contrary is received by ESAI from the Vendor within ten(10) days of the sending of the attached purchase order, the Vendor will be deemed to have accepted, acknowledged and agreed to be contractually and legally bound by the within terms and conditions of purchase.

1. SHIPMENT:

(a) Vendor agrees to (1) properly pack, mark and ship goods in accordance with the requirements of ESAI and involved carriers in a manner to secure lowest transportation costs; (2) make no charge for handling, packaging, storage or transportation of goods unless otherwise stated in this order; (3) provide with each shipment packing slips with this order number and ESAI's Catalog numbers marked thereon and properly marked each package with such numbers; and (4) ensure that the original bill of lading for each shipment contains this order number and is promptly forwarded in accordance with ESAI's instructions. Vendor will ensure that the marks on each package and identification of the goods unpacking slips, bills of lading and invoices shall be sufficient to enable ESAI to easily identify the goods.

(b) In addition to the foregoing requirements, in the case of foreign shipments Vendor shall send one commercial invoice and two Canada Customs Invoices to ESAI. All railway freight, express and parcel post shipments and Canada Customs Invoices shall be mailed directly to ESAI's Corporate

Taxes Department. Goods shipped by motor transport shall have Canada Customs Invoices attached to the bill of lading which shall accompany shipment, with a Canada Customs Invoice also being mailed directly to ESAI. Any demurrage charges accruing on shipments held for customs invoices will be deducted from ESAI's payment to Vendor. All goods shipped in less than carload or truckload shipments shall be numbered and the number shown on the certified invoices.

(c) On shipments originating in the United States of America, a fully completed Certificate of Origin must also accompany the Canada Customs Invoice to ESAI.

(d) Title to the goods ordered hereunder shall pass to ESAI at the moment the risk of loss or damage to said goods is transferred to ESAI or its carrier.

2. BILLING AND PAYMENT: Unless Vendor and ESAI have expressly agreed otherwise, Vendor shall mail to the attention of the Purchasing Department, promptly after shipment of goods or provision of services ordered hereunder, an invoice and, in the case of goods ordered hereunder, a bill of lading clearly showing ESAI's order number and release number and any cash discount for prompt payment. No charge will be accepted for handling, storing or packaging. No drafts or C.O.D. shipments will be accepted. Invoices will be paid by cheque issued net 30 days (or such other number of days as is specified on the front of this order).

3. PRICES, TAXES AND DUTIES:

Prices for the goods and/or services ordered hereunder will be as shown in this order. ESAI reserves the right to claim refunds on any refundable amounts of duty or taxes for ESAI's account. Vendor will make available to ESAI such of its records as are necessary to enable such recovery.

4. CHANGES: (a) ESAI may at any time by written modifications to this order, make changes in (1) the drawings, designs and/or services ordered hereunder, (2) the method of schedule of shipment and packing, and/or (3) the place of delivery. If any such changes affect the time for performance or

the cost of manufacturing or supplying such goods or services, ESAI shall make an equitable adjustment in the purchase price or the delivery schedule, or both.

(b) Vendor shall not make any changes in the nature of any services ordered hereunder or in the design or composition of any goods ordered hereunder without the prior written approval of ESAI.

5. WARRANTY:

(a) Goods # Vendor expressly warrants that it has good title, free and clear of all liens and encumbrances, to all goods ordered hereunder and that such goods will be new (except where otherwise specified on the face of this order), of good quality and free from any defects in material or

workmanship and will be in accordance with any specifications stated herein. Vendor will, at ESAI's option, repair or replace as soon as reasonably practicable, at the delivery point specified, any goods ordered hereunder which are found to be defective or fail to conform to said specifications or refund to ESAI

the invoice price (including any transportation charges) paid by ESAI for such goods. Claims under this warranty with respect to any item of goods ordered hereunder must be made by ESAI no later than twelve (12) months after such item is first used by ESAI.

(b) Services # Vendor warrants that all services provided hereunder will be free from any defects in material or workmanship and will be in accordance with any specifications stated herein. Vendor will, at ESAI's option, provide as soon as reasonable practicable replacement services for any

services provided hereunder which are found to be defective or fail to conform to said specifications or refund to ESAI the invoice price paid by ESAI for such services.

(c) Not Exclusive # This warranty and ESAI's rights and remedies hereunder are in addition to, and not to the exclusion of, any other representations, warranties, terms or conditions and rights and remedies thereunder to which ESAI may be entitled in law, whether express, implied, statutory or otherwise, and shall survive the termination of this contract.

6. INSPECTION AND REJECTION:

ESAI reserves the right, at its option, to inspect any goods ordered hereunder prior to shipment. ESAI reserves the right, at its option, to inspect the provision of any services in progress which are ordered hereunder wherever those services are being performed.

No inspection whether prior to or following

delivery of goods or performance of services, shall constitute acceptance of such goods or services.

7. PATENTS: Except in the case of goods and/or services specified by ESAI and neither developed nor manufactured by Vendor, Vendor agrees to defend, indemnify

and hold harmless ESAI from and against any and all liability, costs and expenses, including royalty payments and legal fees, suffered or incurred by ESAI in respect of any infringement or alleged infringement or breach of any patent, trademark or other proprietary right by the goods and/or services ordered hereunder, or by the performance of the work by Vendor of its obligations hereunder. Vendor agrees that it will, at its expense, assume the defense of any claim, suit or any other proceeding in respect of any such infringement or breach, provided that ESAI may, at its option, be represented by its own counsel in any claim, suit or proceeding.

8. PATTERNS AND EQUIPMENT

All supplies, materials, facilities, tools, jigs, dies, fixtures, patterns, and equipment furnished to Vendor by ESAI to perform this order or for which Vendor has been reimbursed by ESAI, shall be and remain the property of ESAI, and Vendor shall bear the risk of loss of any damage to such property, normal wear and tear excepted.

9. INSURANCE AND INDEMNITY:

(a) If Vendor enters upon ESAI's property in the performance of any work under this order or utilizes the property of ESAI, whether on or off ESAI's premises, Vendor agrees to:

(i) defend, indemnify and hold harmless ESAI from and against any liability, claims, demands or expenses (including reasonable legal fees) for loss or damage to the property of or injuries (including death) to ESAI, its employees or any other person arising from or in connection with

Vendor's performance of such work or use of such property, except for such liability, claim, demand or expense arising out of the sole negligence of ESAI;

(ii) maintain at its expense during the progress of the work adequate (1) Workers' Compensation Insurance, (2) Automobile Insurance and (3) Public Liability and Property Damage Insurance subject to limits of not less than \$3 million for each occurrence of bodily injury, death or damage to property, including loss of use thereof. Vendor shall, on request, furnish ESAI with evidence of insurance coverage;

(iii) while on ESAI's property, (1) comply with all fire, safety and other applicable rules and regulations prescribed by any Governmental agency and/or ESAI, and be responsible for the observance thereof by all subcontractors, employees and agents of Vendor and its subcontractors; (2) keep the property and work free and clear of all mechanics' and construction liens or claims and promptly pay for all labour and material (and ESAI may withhold any payment to Vendor until receiving such affidavits, waivers and releases with respect to claims for labour and material as ESAI may reasonable

require); (3) replace at its own expense all work damaged or destroyed by any cause whatsoever prior to written acceptance of the work by ESAI; (4) perform its work in accordance with schedules and programs approved by ESAI so as not to interfere with the operations of ESAI and (5) perform its work so that the property shall at all times be clean, orderly and free from debris and upon completion shall remove all equipment and unused materials from the property, clean

up all refuse and debris, and leave the site of the work clean, orderly and in good condition.

10. FORCE MAJEURE:

Each party shall perform its obligations as specified herein, provided that, if circumstances or events in the nature of force majeure (i.e. Beyond the reasonable control of a party) shall delay performance by such party of its obligations herein, the date of such party's performance may be extended for a period of time equal to the length of the delay so caused, subject to paragraph 11 below. Such extension shall be conditional upon such party giving prompt written notice to the other party of the occurrence causing the delay and its expected duration.

11. TERMINATION AT OPTION OF ESAI: (a) Provision by Vendor of goods and/or services ordered hereunder may be terminated by ESAI at its option, in whole or in part, at anytime before delivery of all of the goods or provision of all of the services ordered hereunder, by delivery of a written notice

of termination to Vendor. No termination charges will be payable by ESAI except as provided by subparagraphs (b) and (c).

(b) Where the goods ordered hereby are to be produced specifically for this purchase order and cannot reasonably be otherwise sold or used by Vendor, or where, specifically in order to provide services ordered hereby, Vendor has employed personnel or purchased goods which cannot reasonably be otherwise used or sold by Vendor, Vendor shall, after receipt of a notice of termination, unless otherwise directed by ESAI, immediately terminate all work in respect of the goods and/or services whose provision has been terminated and shall, unless otherwise directed by ESAI, (1) terminate all orders and subcontracts relating to such goods and/or services; (2) settle all claims arising out of such termination of orders and subcontracts; (3) transfer title and deliver to ESAI (i) all completed goods which conform to the requirements of this purchase order and do not exceed, in quantity, the amount authorized for production by ESAI, and (ii) all reasonable quantities (but not in excess of amounts authorized by ESAI) of work in process and materials produced or acquired in respect of the performance of the work terminated which are of a type and quality suitable for producing goods which conform to the requirements of this purchase order and which cannot reasonably be otherwise sold or used by Vendor; (4) take all action necessary to protect property in Vendor's possession in which ESAI has or may acquire an interest; (5) submit to ESAI promptly, but not later than three months from the effective date of termination, (one month in the case of partial termination), its termination claim; provided, however, that in the event of a failure of Vendor to submit its termination claim within such period, ESAI may determine on the basis of information available to it the amount, if any, due Vendor with respect to the termination, and such determination shall be final.

(c) Only in the circumstances described in subparagraph (b), ESAI shall pay to Vendor, as termination charges for termination under subparagraph (a), the following amounts without duplication: (1) the purchase order price for all goods and/or services which have been completed or provided in

accordance with this purchase order and not previously paid for; (2) the actual costs incurred by Vendor in accordance with this purchase order to the extent such costs are reasonable in amount and are properly allocable or apportionable under generally accepted accounting practices to the terminated portion of this purchase order, including the actual cost of work in process and materials delivered to ESAI in accordance with subparagraph (b) and including the actual cost of discharging liabilities which are so allocable or apportionable; and (3) the reasonable costs incurred by Vendor in protecting property in its possession in which ESAI has or may acquire an interest. Payments made under this paragraph (c), exclusive of payments under subdivision (3) hereof, shall not exceed the aggregate price specified in this purchase order, less payments otherwise made or to be made.

(d) The provisions of paragraphs (b) and (c) shall not apply if this purchase order is cancelled by ESAI for the default of the Vendor or pursuant to paragraph 10 (Force Majeure).

12. APPLICABLE LAW:

This purchase order and the agreement of purchase and sale constituted by acceptance hereof shall be deemed to have been entered into in the province of Ontario and shall be governed by and construed in accordance with the laws in effect in the province of Ontario. The parties expressly exclude the application of the United Nations Convention on Contracts for the International Sale of Goods. The parties have expressly required that this purchase order and all documents and notices relating hereto be drafted in English. Les parties aux presentes ont expressement exige que la presente convention et tous les documents et avis qui y sont afferents soient rediges en anglais.

13. ASSIGNMENT:

Vendor shall not assign or delegate in any manner to any other person the supply of any goods and/or services ordered hereunder without the written consent of ESAI.

14. MISCELLANEOUS:

(a) The terms and conditions of this purchase order constitute the contract between the Vendor and ESAI and any variation therein will be binding only if confirmed in writing by the authorized representative of ESAI.

(b) Non-acceptance of this order shall be conveyed to ESAI within 10 days of its receipt by the Vendor, failing which order will be deemed to have been accepted unconditional. Prices will remain firm till existence of this contract.

(c) Delivery time is the essence of this contract and shall be rigidly followed. ESAI reserves the right to cancel the order and purchase the material from other sources, if delivery times are not being met as specified on the purchase order, and any extra charges will be debited to Vendor's account.

(d) ESAI reserves the right to postpone the delivery of goods from Vendor and the Vendor is expected to hold the materials in good condition until the date so required. Any costs associated with this delay will be discussed with ESAI at the time of hold notification to determine acceptance by ESAI. Any applicable charges will be covered by a formal charge order.

EXPLANATION OF HARMONIZED SALES TAX (HST) / GOODS AND SERVICES TAX (GST) CODES
0. HST/GST is not applicable # purchase of exempt supplies as outlined in Schedule V of the Excise Tax Act.

1. HST/GST is applicable. Tax must be shown as a separate amount on all invoices for goods & services purchased by ESAI

2. HST/GST is applicable (zero percent rate) # purchase of zero rated supplies as outlined in Schedule VI of the Excise Tax Act.

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