



**ALGOMA STEEL INC.  
PROXY**

**FOR USE BY REGISTERED HOLDERS ("SHAREHOLDERS") OF COMMON SHARES (THE "COMMON SHARES") OF ALGOMA STEEL INC. ("ALGOMA") AT THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS SCHEDULED TO BE HELD ON MONDAY, JUNE 11, 2007 (THE "MEETING") AND AT ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF. THIS PROXY IS SOLICITED BY THE MANAGEMENT OF ALGOMA PURSUANT TO A MANAGEMENT INFORMATION CIRCULAR DATED MAY 10, 2007 (THE "CIRCULAR").**

The undersigned Shareholder hereby appoints Mr. Benjamin Duster, Chairman of the Board of Directors of Algoma, or in his absence, Denis Turcotte, President and Chief Executive Officer of Algoma, **OR IN LIEU OF SAID PERSONS**, hereby appoints \_\_\_\_\_, or in his or her absence, \_\_\_\_\_, as his, her or its true and lawful proxyholder with full power of substitution, in the same manner, to the same extent, and with the same power as if the undersigned was present, to attend and act on his, her or its behalf at the Meeting to be held at the Toronto III Room, the Hilton Toronto, 145 Richmond Street West, Toronto, Ontario at 9:30 a.m. (Toronto time), and at any adjournments or postponements thereof and to vote all Common Shares which the undersigned is entitled to vote thereat.

**Shareholders have the right to appoint a person, other than the nominees designated above, to attend and act on their behalf at the Meeting and may exercise such right by inserting the name of their nominee in the blank space(s) provided for that purpose above or by completing another proper form of proxy and, in either case, by returning the completed proxy to Computershare Investor Services Inc. in the manner set out in the notes to this proxy, prior to 9:30 a.m. (Toronto time) on Thursday, June 7, 2007 or, if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned or postponed meeting.** The time limit for the deposit of proxies may be waived by the Board of Directors at its discretion without notice.

Without limiting the general authorization and power hereby given, the proxyholder named above is specifically directed on any ballot that may be called for to:

**VOTE FOR  or VOTE AGAINST**  or if no specification is made **VOTE FOR** a resolution in the form set forth in Appendix "A" to the Circular to approve an arrangement under Section 182 of the *Business Corporations Act* (Ontario) (the "OBCA") involving the acquisition by 2133138 Ontario Inc., a direct wholly owned subsidiary of Essar Steel Holdings Limited, of all of the issued and outstanding Common Shares in exchange for \$56.00 in cash per share, the cancellation by Algoma of all of the unexercised options to purchase Common Shares (the "Options") outstanding at the time of the Arrangement for a payment in cash equal to the excess of (i) the product of the number of Common Shares underlying the Options and \$56.00, and (ii) the aggregate exercise price of the Options, and the cancellation by Algoma of all restricted share units of Algoma ("RSUs") outstanding at the time of the Arrangement for a payment in cash equal to the product of the number of Common Shares underlying the RSUs and \$56.00 (the "Arrangement Resolution"), as more particularly described in the Circular.

**VOTE FOR  or WITHHOLD FROM VOTING**  or if no specification is made **VOTE FOR** the election of directors.

**VOTE FOR  or WITHHOLD FROM VOTING**  or if no specification is made **VOTE FOR** the appointment and remuneration of the auditors.

**THE COMMON SHARES REPRESENTED BY THIS PROXY WILL, IF THE INSTRUCTIONS ARE CERTAIN, BE VOTED ON ANY BALLOT OR POLL IN ACCORDANCE WITH THE SPECIFICATIONS MADE BY THE SHAREHOLDER.**

**This proxy confers authority to vote in the proxyholder's discretion with respect to amendments or variations of matters identified in the accompanying Notice of Annual and Special Meeting of Shareholders and with respect to other matters which properly may come before the Meeting and any adjournments or postponements thereof.**

The undersigned hereby revokes any proxy previously given by the undersigned in connection with the above referenced matter and acknowledges receipt of the Circular relating thereto.

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 2007.  
\_\_\_\_\_  
Name of Shareholder  
\_\_\_\_\_  
Signature of Shareholder/Authorized Signatory  
\_\_\_\_\_  
Name of Authorized Signatory (if applicable)  
\_\_\_\_\_  
Title of Authorized Signatory (if applicable)

## Notes:

1. Reference is made to the Circular for further information regarding the completion and use of this proxy, and other information pertaining to the Meeting. All capitalized terms not otherwise defined in this proxy shall have the meaning ascribed thereto in the Circular.
2. **A person appointed as your proxyholder need not be a Shareholder. A person appointed as your proxyholder must be present at the Meeting to vote.**
3. If this proxy is not dated in the space provided, it is deemed to be dated on the date on which it is mailed by management of Algoma.
4. If you are an individual, please sign exactly as your Common Shares are registered. If the Shareholder is a company or similar entity, this proxy must be executed by a duly authorized officer or attorney of the Shareholder. If the Shareholder is a trust, this proxy must be executed by all trustees or other duly authorized person(s). If Common Shares are registered in the name of an executor, administrator, general partner or trustee, please sign exactly as the Common Shares are registered and evidence of authority to sign must be attached to the proxy. If the Common Shares are registered in the name of a deceased, the name of the deceased must be printed in the space provided, the proxy must be signed by the legal representative with his/her name printed below his/her signature, and evidence of authority to sign must be attached to this proxy. In many cases, shares beneficially owned by a holder (a "**Non-Registered Holder**") are registered in the name of a securities dealer or broker or other intermediary, or a depository (such as The Canadian Depository for Securities). Non-Registered Holders should review the section entitled "General Information Concerning the Meeting — Non-Registered Shareholders" in the Circular and carefully follow the instructions provided.
5. To be valid, this proxy must be deposited with Computershare, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 (Attention: Proxy Department), or by fax to 416.263.9524 (Attention: Proxy Department). Proxies must be received prior to 9:30 a.m. (Toronto time) on Thursday June 7, 2007 or, if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned or postponed meeting.
6. Once this form of proxy has been signed by the appropriate signatory and deposited in accordance with note 5 above, any proxy previously delivered by the signatory hereto shall be revoked.
7. In accordance with the OBCA, Algoma will prepare a list of Shareholders as of the Record Date. The only Shareholders that will be entitled to vote, in person or by proxy, at the Meeting will be the Shareholders of record at the close of business on the Record Date, except to the extent that a Shareholder has transferred ownership of Common Shares after such date and the transferee of such Common Shares produces properly endorsed share certificates or establishes ownership thereof and makes a written request to Computershare, 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1 (Attention: Stock Transfer, Client Services), not later than the close of business ten days before the Meeting, to be included in the list of Shareholders entitled to vote at the Meeting, in which case the transferee, and not the holder of record on the Record Date, will be entitled to vote such Common Shares at the Meeting. Subject to the foregoing, each Common Share entitles the holder thereof to one (1) vote on any vote taken at the Meeting.
8. A Shareholder who has given a proxy has the right to revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by that proxy and may do so (i) by completing and signing a proxy bearing a later date and depositing it with Computershare Investor Services Inc., as described above; (ii) by depositing an instrument in writing executed by the Shareholder or by the Shareholder's attorney authorized in writing; (a) at the registered office of Algoma at any time up to and including the last business day preceding the day of the Meeting, or any adjournment or postponement of the Meeting, at which the proxy is to be used, or (b) with the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment or postponement of the Meeting; or (iii) in any other manner permitted by law.
9. Registered holders of Common Shares are entitled to dissent from the Arrangement Resolution in accordance with the Dissent Procedures described in the Circular. A Shareholder may exercise the right to dissent only in respect of Common Shares which are registered in that Shareholder's name. Shareholders, including Non-Registered Holders, who wish to dissent should carefully review the section entitled "Dissent Rights of Shareholders" in the Circular. Failure to comply strictly with the Dissent Procedures may result in the loss or unavailability of the right to dissent.