



ALGOMA STEEL INC.

FORM OF PROXY (Registered Shareholders)

This proxy is solicited by Management of the Company, and will be used at the Special Meeting of Shareholders to be held on March 22, 2006

THIS BLUE PROXY MUST BE RECEIVED NO LATER THAN 10:00 A.M. (TORONTO TIME) ON MONDAY MARCH 20, 2006 SEE BACK FOR DELIVERY INSTRUCTIONS.

The undersigned holder of common shares of **ALGOMA STEEL INC.** (the "Corporation") hereby appoints Mr. Benjamin Duster, Chairman of the Board, or failing him, Mr. Denis Turcotte, President and Chief Executive Officer, or instead of either of the foregoing, as nominee of the undersigned, to attend, vote and act for and on behalf of the undersigned **at the special meeting of shareholders of the Corporation to be held on March 22, 2006 and any adjournment thereof**, upon the following matters:

Shareholders are recommended to Vote as follows:
Vote **AGAINST** items 1, 2, 4, 5 and **WITHHOLD** on item 3.

- (1) VOTE FOR VOTE AGAINST **or, if no specification is made, VOTE AGAINST** the ordinary resolution to remove from office the majority of Algoma's current directors, being Messrs. Steven Bowsher, Alexander Davidson, Benjamin Duster, Patrick Lavelle, James Lawson, Charles Masson and Francis Petro, as directors of the Corporation;
- (2) VOTE FOR VOTE AGAINST **or, if no specification is made, VOTE AGAINST** the special resolution to amend the Corporation's Articles to provide that there be nine directors;
- (3) if the resolution in paragraph 1 is passed, VOTE FOR WITHHOLD VOTE **or, if no specification is made, WITHHOLD VOTE** in respect of the ordinary resolution to fill the vacancies created by the foregoing removal of directors of the Corporation by the election of the following five nominees proposed by Paulson & Co. to hold office until the close of the first annual meeting of shareholders following their election: Messrs. Trevor Eyton, Farokh Hakimi, Nicholas Tolerico, Michael Waldorf and John Hritz;
- (4) VOTE FOR VOTE AGAINST **or, if no specification is made, VOTE AGAINST** the ordinary resolution directing the Corporation's board of directors to consider, and if thought appropriate, to issue \$200 million of new notes not subject to mandatory payment in respect of the outstanding principal amount until a date no earlier than 2010;
- (5) VOTE FOR VOTE AGAINST **or, if no specification is made, VOTE AGAINST** the ordinary resolution directing the Corporation's board of directors to consider and, if thought appropriate, to place before the Corporation's common shareholders for their approval a transaction to distribute cash retained by the Corporation to common shareholders on a tax efficient basis whereby common shareholders may elect to receive, in each case subject to *pro rationing*, (i) cash at a price per common share representing a premium to the market price for the common shares, or (ii) common shares in the Corporation or its successor, provided that such cash component shall not be less than \$400 million or the maximum amount permitted by law if less than \$400 million; and
- (6) Such other business as may properly come before the meeting.

The undersigned hereby revokes any proxy previously given with respect to the shares represented by this BLUE proxy.

Signature of Shareholder: _____

Title (if applicable): _____

Phone number: _____

Date: _____, 2006

**INSTRUCTIONS FOR COMPLETION OF BLUE PROXY
YOU MUST ACT QUICKLY FOR YOUR VOTE TO COUNT —
VOTE YOUR PROXY TODAY USING ONE OF THE METHODS AVAILABLE BELOW.**

1. This BLUE form of proxy (this “Instrument of Proxy”) is solicited by Management of the Company. Shareholders are directed to reference the accompanying Management Proxy Circular for more detailed information.
2. **Each shareholder has the right to appoint a person other than the persons specified above to represent such shareholder at the Meeting and any adjournments thereof.** Such right may be exercised by inserting in the blank space provided the name of the other person to be appointed, who need not be a shareholder of the Company.
3. This Instrument of Proxy must be signed by you, the Registered Shareholder, or by your attorney duly authorized by you in writing, or, in the case of a corporation, by a duly authorized officer or representative of the corporation; and if executed by an attorney, officer, or other duly appointed representative, the original or a notarial copy of the instrument so empowering such person, or such other documentation in support as shall be acceptable to the Chairman of the Meeting, must accompany this Instrument of Proxy.
4. If a share is held by two or more persons, any one of them present or represented by proxy at a meeting of shareholders may, in the absence of the other or others, vote in respect thereof, but if more than one of them are present or represented by proxy they shall vote together in respect of the shares so held.
5. Please sign and date this Instrument of Proxy. If not dated, this Instrument of Proxy shall be deemed to be dated on the date it was mailed to shareholders.
6. The securities represented by this Instrument of Proxy will be voted against or withheld from voting, as the case may be, in accordance with your instructions on any poll of a resolution or ballot that may be called for and, if you specify a choice with respect to any matter to be acted upon, the securities will be voted accordingly. **Where no choice is specified the shares for which this proxy is given will be “VOTED AGAINST” with respects to matters (1), (2), (4) and (5) and will be “WITHHELD” from voting with respect to matter (3).** Further, the securities will be voted by the appointed proxyholder with respect to all other matters that may properly come before the Meeting or any adjournment thereof as the proxyholder in its sole discretion sees fit.
7. Time is of the essence. This proxy, to be effective, must be returned and received at the office of Computershare Investor Services Inc. by one of the methods listed below, no later than 10:00 a.m. (Toronto time) on Monday, March 20, 2006, or in the case of any adjournment or postponement of the Meeting, no later than 48 hours before the time of such reconvened meeting. **Failure to properly complete or deposit a proxy may result in its invalidation. The time limit for deposit of proxies may be waived by the Corporation’s board of directors at its discretion without notice.** The mailing address is:

Computershare Investor Services Inc.
Attention: Proxy Department, 100 University Avenue, 9th Floor
Toronto, Ontario, M5J 2Y1

PLEASE ENSURE THAT YOU:

1. **SIGN** your name exactly as it appears on this Instrument of Proxy.
2. **Date** this Instrument of Proxy.
3. Return this Instrument of Proxy to Computershare Investor Services Inc. by using one of the following methods:
 - **by FAX to (416) 263-9524**
 - OR**
 - **by MAIL in the prepaid envelope provided.**

If you have any questions or need assistance completing this Instrument of Proxy
please call:

Georgeson Shareholder Communications Canada Inc.
Toll Free: 1-866-532-9251