

Olympic Steel, Inc.

Audit Committee Charter

Purpose

The Audit Committee (“Committee”) of Olympic Steel, Inc. and subsidiaries (“Company”) will report to the Company’s Board of Directors (“Board”), and assist the Board in fulfilling its oversight responsibilities. The Committee will review the financial reporting process, the systems of internal control, the independent audit process, and the Company’s process for monitoring compliance with laws and regulations. Consistent with this function, the Committee shall encourage continuous improvement of, and shall foster adherence to, the Company’s policies, procedures, and practices at all levels. In performing its duties, the Committee will maintain effective working relationships with the Board, senior and financial management, and the independent auditors. To effectively perform his or her role, each Committee member will fulfill the duties and responsibilities of Committee membership that are set forth below.

The Committee’s primary duties and responsibilities are to:

- 1) Serve as an independent and objective party to provide a degree of oversight over the Company’s financial reporting process and systems of internal controls.
- 2) Review and appraise the audit efforts of the Company’s independent auditors. The Committee has direct responsibility for the appointment, compensation, retention, and oversight of the work of the independent auditors.
- 3) Provide an open avenue of communication among the independent auditors and financial and senior management and the Board.

The Committee will primarily fill these responsibilities by carrying out the duties enumerated in this Charter.

Composition

The Committee shall be comprised of three or more directors as determined by the Board, each of whom shall be independent directors within the requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934 and of the National Association of Securities Dealers, Inc. (“NASD”). All members of the Committee shall be financially literate and have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or financial management expertise, including at a minimum, the expertise required by rules of the Securities and Exchange Commission (“SEC”) and the requirements of the NASD. No member of the Audit Committee shall receive, directly or indirectly, any compensation from the Company other than his or her Directors’ fees and benefits.

A director who is an employee of the Company or any of its affiliates may not serve on the Committee until three years following the termination of his or her employment. A director who is employed as an executive of another organization where any of the Company's executives serves on that organization's compensation committee may not serve on the Committee.

A director who is an immediate family member of an executive officer of the Company or any of its affiliates cannot serve on the Committee until three years following the termination of such employment relationship. Immediate family members include spouses, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees) who shares such person's home.

Term

The members of the Committee shall be elected annually by the Board and shall serve until their successors shall be duly elected and qualified. Unless a Chair of the Committee is elected by the full Board, the members of the Committee may designate a Chairman by majority vote of full Committee membership.

Meetings

The Committee shall meet as often as it determines is advisable, but at a minimum, the Committee shall meet with management and the independent auditors prior to commencing the annual audit ("pre audit") and upon conclusion of the annual audit ("post audit"). The purpose of these meetings is further discussed in this Charter. The Committee shall meet at least annually with management and the independent auditors in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

As necessary, the Committee shall meet in executive session. Members of the Committee and only those advisors and members of management designated by a Committee member shall attend executive sessions.

The Audit Committee Chair may request that members of management, internal auditors, representatives of the independent auditors, and others be present at meetings of the Committee.

Minutes

Minutes of each meeting are to be prepared and sent to Committee members and also to the Company's directors who are not members of the Committee. The minutes as finally approved shall be placed in the corporate minute books of the Company by the Secretary or Assistant Secretary of the Company. Copies are to be provided to the independent auditors.

Responsibility and Duties

The Committee shall assist the Board in fulfilling its responsibility to the shareholders relating to corporate accounting, reporting practices of the Company, and the quality and integrity of the financial

reports of the Company. In so doing, it is the responsibility of the Committee to maintain free and open means of communication between the directors, the independent auditors, and the senior and financial management of the Company.

In carrying out these responsibilities, the Audit Committee will:

Pre Audit

- 1) Review, prior to the annual audit, the proposed scope of the independent auditors' audit examination. This review shall entail an understanding from the independent auditors of the factors they considered in determining the audit scope and procedures. Included among such considerations are the following:
 - * Industry, business, and internal control risk characteristics of the Company.
 - * The significance of receivables, inventories, payables, and other balance sheet accounts.
 - * The significance of the operating results of individual divisions or subsidiaries.
 - * External reporting requirements.
 - * Significant current year events and issues affecting the audit plan.
 - * Quality of internal accounting controls over financial reporting.
 - * Review of risk assessment and audit approaches.
 - * Other areas to be covered during the audit engagement.
- 2) Review and approve the independent auditors' fee schedule as agreed upon by management.
- 3) Review with management and the independent auditors the extent of any non-audit services provided by the independent auditors and pre-approve any non-audit relationships in relation to the independence and objectivity required.
- 4) Review the statement of independence supplied by the independent accountants in accordance with Independence Standards Board ("ISB") Standard No. 1, Communications with Audit Committees.

Interim Financial Statements (Quarterly)

- 1) Understand how management develops and summarized quarterly financial information, and the extent to which the independent auditors review quarterly financial information and the Form 10-Q quarterly reports.

- 2) Meet with management and with the independent auditors, either telephonically or in person, to review the interim financial statements, management's discussion, and analysis to be included in the quarterly reports on Form 10-Q, and the results of the independent auditors review. (This may be done by the Committee Chair, its designee, or the entire Committee.)
- 3) To gain insight as to the fairness of the interim statements and disclosures, obtain explanations from management and from the independent auditors on:
 - * All critical accounting policies and practices to be used..
 - * Whether generally accepted accounting principles have been consistently applied.
 - * Whether there are any actual or proposed changes in accounting or financial reporting practices.
 - * Whether there are any significant or unusual events or transactions.
 - * The Company's compliance with the terms of loan agreements and status of any litigation.
 - * Whether the interim financial statements contain adequate and appropriate disclosures.
 - * Any communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.

Post Audit

- 1) Review financial results for the year with management and the independent auditors upon completion of their audit. This review shall encompass:
 - * Significant financial and business issues addressed during the audit.
 - * Significant accounting estimates, reserves and other judgments included in the financial statements.
 - * Proposed audit adjustments, both recorded and unrecorded, and their resolutions.
 - * Extent to which independent auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems downtime.
 - * The Company's annual report to shareholders, including the financial statements, and supplemental disclosures required by generally accepted accounting principles and the SEC. The Form 10-K is to be reviewed and approved by the entire Board.
 - * Significant transactions that are not a normal part of the Company's operations.

- * Any changes during the year in the Company's accounting principles or their applications.
- 2) Discuss with the independent auditors, without the presence of any management or other Company personnel, the quality of the Company's financial and accounting personnel, and the degree of cooperation received from Company personnel during the audit.
- 3) Discuss with the independent auditors any relevant recommendations, which they may have regarding "reportable conditions" or "material weaknesses" as defined below. Topics to be considered during this discussion include: improving internal financial controls, the selection of accounting principles, and financial and management reporting systems. Review responses of management to the comments and recommendations from the independent accountants, if any.

Reportable conditions in the internal control structure requires communication noted during the audit (i.e. significant deficiencies in the design or functioning of the internal control structure that could adversely affect the Company's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements). The internal control structure consists of the control environment, accounting systems, and control procedures. The term "reportable condition" is intended to be a lower threshold than "material weaknesses".

Material weaknesses in the internal control structure is a reportable condition in which the design or operation of the specific internal control structure elements do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

- 4) Discuss the scope and quality of internal accounting controls over financial reporting matters with Company management.
- 5) Determine if there were any management disagreements with the independent auditors and determine disclosure obligations with respect thereto.
- 6) Review any outstanding litigation indicated in the legal letter responses from legal counsel as requested by the independent auditors.

Ongoing

- 1) Review with management and the independent auditors new opinions and releases adopted by the FASB, the SEC or other governmental or regulatory agencies, and prospective new accounting rules and policies to the extent applicable to the Company.

- 2) Make regular reports to the Board. Apprise the Board of significant developments in the course of performing the above duties through minutes and special presentations as necessary.
- 3) Recommend any appropriate changes in the duties of the Committee to the Board.
- 4) Ensure the independence of the independent auditors; including review and annual evaluation of all independent audit team personnel.
- 5) Review the adequacy of this Charter at least annually.
- 6) Discuss with management the Company's earnings press releases, including the use of non-GAAP or pro forma information, as well as financial information and earnings guidance, if any, provided analysts.

Ethics and Compliance

- 1) Obtain from independent auditors assurance that, if they becomes aware of any illegal or possible illegal act, they will ensure that the Audit Committee is adequately informed and will provide a report if they have reached specified conclusions with respect to such activities.
- 2) Obtain reports from management, the Company's chief internal auditor and the independent auditors that the Company is in conformity with applicable legal requirements and the Company's ethics code, including those special ethics obligations for employees with financial reporting responsibilities.
- 3) Ensure that the Company conducts an appropriate annual review of all related party transactions and that all such transactions are approved by the Audit Committee or the entire Board of Directors.
- 4) Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- 5) Discuss guidelines and policies governing the process by which management assesses and manages the Company's exposure to risk, the Company's major financial risk exposures and the steps management has taken to monitor and control such risks.

Reporting Requirements

The Committee will prepare an annual report stating whether the Committee has (i) reviewed and discussed the audited financial statements with management; (ii) discussed with the independent auditors the matters required to be discussed by Statement of Auditing Standards No. 61; and (iii) received

certain disclosures from the independent auditors regarding the auditors' independence as required by the ISB Standard No. 1 and discussed with their independent auditors.

This report will also include a statement by the Committee whether, based on its review of the financial statements and discussions with management and the independent auditors, anything has come to the attention of the Committee that caused the Committee to believe that the audited financial statements included in the Company's Annual Report on Form 10-K for the year then ended contain an untrue statement of material fact necessary to make the statements not misleading.

On an annual basis, this report will be included within the proxy statement filing of the Company.

Investigatory Authority

In addition to performing the responsibilities discussed herein, the Committee may, or at the Board's request shall, investigate any financial or accounting activity of the Company. The Committee is empowered with Board authority to execute such investigations including the ability to retain third parties, including outside counsel, having special competence as necessary to assist the Committee in fulfilling its responsibilities. The Company shall be required to provide all funding as is determined necessary by the Committee.

Adopted: March 24, 2004.

A copy of this charter is posted on the Company's website. Go to www.olysteel.com and click on Investor Relations.