Court File No. 03-CL-5145

ONTARIO
SUPERIOR COURT OF JUSTICE
(Commercial List)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF IVACO INC. AND THE APPLICANTS LISTED IN SCHEDULE "A"

TWENTY-NINTH REPORT OF THE MONITOR
JANUARY 11, 2006

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INTRODUCTION

1. Ivaco Inc. ("Ivaco") and certain of its affiliates (collectively the "Applicants") obtained protection from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36, *as amended* (the "CCAA") through an order of this Honourable Court dated September 16, 2003, as amended and restated (the "Initial Order"). Pursuant to the Initial Order, Ernst & Young Inc. was appointed monitor (the "Monitor") of the Applicants.

2. The Applicants for the Initial Order were, among others, Ivaco, Ivaco Rolling Mills Inc., Ifastgroupe Inc., IFC (Fasteners) Inc., and Docap (1985) Corporation and the related limited partnerships Ivaco Rolling Mills Limited Partnership ("IRM") and Ifastgroupe and Company Limited Partnership ("Ifastgroupe").

3. This Twenty-Ninth Report of the Monitor is provided to this Honorable Court in support of the Monitor's request for approval of an Order limiting KPMG LLP's ("KPMG") liability as a result of its appointment or conduct acting as an Expert in the working capital dispute.

TERMS OF REFERENCE

4. Capitalized terms not defined in this Report are as defined in the Initial Order and the Monitor's previous reports. All references to dollars are in Canadian currency unless otherwise noted.

STATUS OF SALES PROCESS

5. The Heico transaction closed effective December 1, 2004. The APAs provide that the final purchase price will be determined following a working capital adjustment post-closing; however, a dispute has arisen with respect to the post-closing calculation of the working capital adjustment. Section 2.12 of the APAs provide a mechanism for the resolution of the working capital dispute through the appointment of an expert. A chronology of the more significant events relating to the working capital dispute are summarized below:

- In accordance with the provisions of the APA, the Selling Parties provided the Purchaser with Exhibit C, reflecting the Assumed Liabilities, Working Capital and Capex Expenditures as at the Effective Time of Closing, within 23 days from the Date of Closing (on December 23, 2004).

- On January 11, 2005, pursuant to Section 2.12 of each APA, the Purchaser delivered to the Selling Parties an Objection Notice setting out the amount of the Working Capital and other Adjustments.

- On February 4, 2005, the Selling Parties sent a letter to the Purchaser responding to various information requests with respect to the Selling Parties Working Capital calculation and stating that the Selling Parties did not accept the majority of the Adjustments set out in the Purchaser's Objection Notice.

- The Objection Notice delivered by the Purchaser indicates that it agrees that in two of the three transactions the Purchaser is required to make a further payment to the Selling Parties for the amount of the Working Capital

Adjustment and in the third case (Ivaco) the maximum amount owed by the Seller is approximately $2.05 million.

- On March 21, 2005 this Honourable Court granted an Order releasing all amounts held in Escrow or Holdbacks (with the exception of $2.05 million at Ivaco).

- On March 25, 2005, the Purchaser responded to the February 4, 2005 letter of the Selling Parties, further stating that there are significant remaining differences between the parties regarding the calculation of Working Capital.

- On June 2, 2005 the Honourable Mr. Justice Farley rendered a decision that KPMG is to act as an expert and not as an arbitrator in resolving the working capital dispute.

- On August 4, 2005, Justice Farley rendered a decision that KPMG, acting as an expert and not as an arbitrator, should determine the Adjustments and any corresponding amendments to Exhibit "B" to the APAs.

- The parties then began negotiations on a form of protocol to use in resolving the working capital dispute. On November 16, 2005, the Honourable Mr. Justice Farley issued an endorsement approving the protocol.

- The parties have negotiated an engagement letter with KPMG. KPMG has requested an indemnity from the parties for any action commenced against KPMG by a third party.

6. The Monitor and its counsel have been working diligently to finalize the appointment of KPMG in order to advance the working capital dispute and reach a resolution as soon as practicable. The appointment of KPMG is the only remaining issue that needs to be resolved in order to invoke the agreed upon protocol and commence the dispute resolution process.

7. In order to protect the assets of the Applicants from an indemnity claim by KPMG while providing the appropriate protection to KPMG, the Monitor respectfully requests an order from this Honourable Court providing certain protections to KPMG.

MONITOR'S ANALYSIS AND RECOMMENDATION

8. For the reasons outlined above, the Monitor recommends that this Honourable Court approve an order: (i) that KPMG shall not incur any liability as a result of its appointment or conduct as Expert, save and except for gross negligence or wilful misconduct; and (ii) that no action or other proceeding may be commenced against KPMG in any way arising from or related to its capacity or conduct as the Expert except with prior leave of this Honourable Court.

All of which is respectfully submitted this 11th day of January, 2006.

ERNST & YOUNG INC.

In its capacity as Court-Appointed Monitor of
Ivaco Inc. and certain of its affiliates

Per

Brian M. Denega
Senior Vice-President

SCHEDULE "A"

Ivaco Rolling Mills Inc.
Ifastgroupe Inc.
IFC (Fasteners) Inc.
Ifastgroupe Realty Inc.
Docap (1985) Corporation
Florida Sub One Holdings, Inc.
3632610 Canada Inc.