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"

SIXTH REPORT OF THE MONITOR
FEBRUARY 3, 2004

INTRODUCTION

1. On September 16, 2003 Ivaco Inc. ("Ivaco") and certain of its affiliates (collectively the "Applicants") filed for and obtained protection from their creditors pursuant to the *Companies' Creditors Arrangement Act* R.S.C. 1985 c. C-36, *as amended* (the "CCAA"). The terms of these proceedings are governed by 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 as monitor (the "Monitor") of the Applicants during these CCAA proceedings.

2. The Applicants included in the Initial Order consist of, amongst others, Ivaco, Ivaco Rolling Mills Inc., Ifastgroupe Inc., IFC (Fasteners) Inc. ("IFC"), and Docap (1985) Corporation ("Docap") and the related limited partnerships.

3. This Sixth Report of the Monitor (the "Report") is provided to this Honourable Court in support of the Applicants' motion for an extension of the stay of proceedings from February 13, 2004 to April 2, 2004. This Report comments on the Applicants' activities and compliance with the Order made by the this Honourable Court on December 11, 2003, which provided for the Applicants to complete their business plans, commence a sale process, conduct a review of potential restructuring alternatives and to consult with major stakeholders

concerning this review in accordance with a specified timetable (the "Process Order").

4. The Report also serves as an update in respect of the activities of the Applicants and certain events occurring since the date of the Fifth Report of the Monitor (the "Fifth Report"), including the following:

- Parallel Restructuring and Sale Process;
- Communication with Stakeholders;
- Status of Non-Core Asset Sales;
- Operations;
- Financial Performance and Cash Flow Projections;
- Debtor-in-Possession Financing;
- Pension Plans; and
- Estimated Directors' and Officers' Liabilities;

TERMS OF REFERENCE

5. In preparing this Report, the Monitor has relied upon unaudited financial information, company records, company prepared financial information and discussions with management of the Applicants. The Monitor has not performed an audit or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information relied upon in this report is based on management's assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined are as defined in the Initial Order.

OVERVIEW

7. The early stages of this proceeding were dominated by crisis and scepticism. The crisis related to operating issues, including banking and supplier problems. The scepticism expressed by certain of the Applicants' major stakeholders was driven by a combination of: (i) inadequate information available to stakeholders; (ii) concerns among stakeholders as to the motives of the Applicants and perceived conflicts of interest among the individual Applicants and their advisors; (iii) certain stakeholders' concerns relating to past governance and business practices of the individual Applicants; and (iv) uncertainty as to the viability of the Applicants, whether together or as stand-alone businesses. The tasks for the Applicants were to: (i) stabilize the business; and (ii) dispel the scepticism.

8. The banking and supplier crises took longer than anticipated to address but were largely under control by mid-November when this Honourable Court extended the stay of proceedings from November 28, 2003 to February 13, 2004. Operations and banking are now proceeding relatively smoothly.

9. The Applicants have maintained control over post-filing cash flow and minimized DIP borrowing requirements, especially at the Ivaco level where DIP loans were provided by Ivaco Rolling Mills Limited Partnership ("IRM") and Ifastgroupe Company Limited Partnership ("Ifastgroupe"). This potential borrowing was a focus of significant concern of certain creditors at the outset of these proceedings. All of the Applicants have operated within the authorized DIP limits. Ivaco's total DIP exposure has remained below $1 million since December 19, 2003. Ifastgroupe has not drawn on its DIP (on a net cash basis), except to provide letters of credit to post-filing suppliers (totalling $1.1 million), since November 13, 2003. Docap has not drawn on its DIP facility since October 15, 2003. IRM has the greatest post-filing financing requirements but has remained within its authorized DIP limits through close monitoring and forecasting of cash and the

successful establishment of trade credit terms with numerous suppliers, resulting in post filing trade payables of approximately $4 million.

10. Inter-company transactions continue to take place on market terms, settled on a c.o.d. basis pursuant to the terms of the Initial Order. Corporate and restructuring charges are allocated to the individual Applicants on the same basis as was approved by the Monitor at the outset of these proceedings.

11. In early December 2003, in consultation with certain of their major creditors, the Applicants agreed to a dual track restructuring and sale process to allow the Applicants and their stakeholders to better assess the alternatives facing them. The Applicants finalized their proposed business plans and communicated these plans to certain major stakeholders (who had signed confidentiality agreements). The Applicants then developed restructuring alternatives based on these business plans and the creditor profiles within each Applicant and discussed these alternatives with certain major stakeholders. At the same time, the Applicants also launched a comprehensive sale process to canvass market interest in any or all of the Applicants' businesses as consolidated or stand-alone operations.

12. The Applicants have met the requirements of the dual track process to date. They finalized and on December 16 and 17, 2003 presented stand-alone business plans (the "Stand-Alone Business Plans") for each operating Applicant to certain major stakeholders who had executed confidentiality agreements. Based on these business plans, the Applicants (with assistance from UBS and the Monitor) developed an analysis of restructuring and liquidation alternatives, which was presented to major stakeholders in mid-January 2004, as required.

13. The sale process was initiated on time, in early January 2004. The Applicants sought comments on the sale process and supporting documents from certain major creditors and accommodated these comments to the extent practicable within the context of the parameters and timetable imposed by this Honourable Court. Expressions of interest have been requested for February 6, 2004 and the Applicants will address subsequent steps thereafter.

14. Under the direction of the Chief Restructuring Officer (the "CRO") and with the assistance of UBS and the Monitor, the Monitor has observed the Applicants making a concerted effort to improve the dialogue and flow of information with major stakeholders. Most information requests have now been substantially answered. The Monitor is coordinating the Applicants' efforts to respond to the remaining outstanding requests and is satisfied that all reasonable steps are being taken by the Applicants to address outstanding information needs and concerns. The Applicants have continued to add materials considered relevant to stakeholders to the data room established at the Monitor's offices in Montreal.

15. Importantly with respect to the previously expressed scepticism, the Applicants' assessment of restructuring alternatives and their report filed with this Honourable Court on January 30, 2004 recommends that each of the operating Applicants be restructured as stand-alone entities, subject to the results of the sale process, which are not yet known. This is all also subject to there being reasonable success in achieving the financial and operating improvements targeted in the Applicants' business plans, in particular with respect to labour and pension arrangements.

16. Based on the results of their analysis of plausible restructuring alternatives, the Applicants issued a press release on January 20, 2004 advising that management and the Board of Directors of Ivaco believe that the common and preferred shareholders of Ivaco are unlikely to receive any value for their shares under any restructuring scenario.

17. The Monitor considers that the Applicants have made significant progress in addressing all of the elements that created the uncertainty and scepticism among stakeholders at the outset of these proceedings. The major stakeholders have now received a considerable amount of material information that should enable them to better understand each Applicant's business, financial structure and strategic alternatives. The Applicants are making extensive efforts to respond to the high volume of ongoing requests for information while continuing to manage the businesses in a difficult environment and drive the overall restructuring process.

18. The Monitor considers that the conclusion that the stand-alone restructurings of the individual Applicants are more likely to produce higher realizations than liquidation is reasonable based on the Applicants' business plans, creditor profiles and liquidation analyses. The Monitor has concluded that the Applicants are acting in good faith and with due diligence in attempting to develop the optimal creditor recovery strategy within each Applicant on a stand-alone basis.

19. Despite a heavy burden imposed on the Applicants' management resources in December and January by the numerous analyses and processes described above, the Applicants have commenced discussions with certain of their key stakeholders with a view to negotiating the resolution of pre-filing claims and future business terms. In general, these discussions are preliminary and will become the primary focus of the Applicants' attention should this Honourable Court grant the Applicants' motion for an extension of the Stay Period.

PARALLEL RESTRUCTURING AND SALE PROCESS

<u>Comments on Applicants' January 30, 2004 Restructuring Report:</u>

20. In conducting their analysis, the Applicants used the Stand-Alone Business Plans they completed in December 2003 with assistance from UBS as the basis for evaluating going concern restructuring scenarios compared to estimated recoveries in a liquidation. Management developed the business plans using a bottom-up approach. Both UBS and the CRO reviewed the plans in detail. The Independent Restructuring Committee approved the final business plans.

21. The Stand-Alone Business Plans depicted two distinct sets of assumptions that then formed the parameters for the assessment of going concern restructuring scenarios and projected recoveries for stakeholders. The "base case" for each Applicant assumed certain operational and financial improvements were realized during the business plan period but did not reflect the potential impact of restructuring the Applicant's labour and pension arrangements. The "management case" for each Applicant assumed that, in addition to the operational improvements identified in the base case, collective bargaining

agreements were renegotiated to derive targeted annual savings and the existing pension deficiency and future required funding costs would be compromised.

22. The base case plans are not risk free simply because they are inherently more conservative than the management case. The base case plans also contain assumptions as to future improvements to the financial performance of the businesses apart from the high impact labour and pension initiatives. Among these improvements are savings in operating and leasing costs. There is no certainty that these other improvements will be realized in full within the timeframes assumed in the plans. Achievement of at least a portion of the targeted labour and pension savings will mitigate the risk that actual performance is worse than the base case plans. For this reason, the Monitor agrees with the Applicants' use of their base case plans as the lower boundary for determining the value of the businesses as going concerns.

23. With assistance from UBS, the Applicants estimated the enterprise value of each Applicant using normalized earnings before interest, taxes, depreciation and amortization ("EBITDA") under both the base and management cases and applying a range of transaction multiples. The normalized EBITDA and enterprise values so derived were used to establish maximum debt capacity for each restructured Applicant and an indicative amount and form of recovery for stakeholders in each scenario.

24. The Monitor has assisted the Applicants in preparing updated liquidation analyses for each Applicant to compare to the stand-alone going concern restructuring alternatives. The Monitor believes that these liquidation estimates provide a reasonable benchmark in the circumstances notwithstanding the fact that the recoveries in an actual liquidation could be materially higher or lower than estimated due to, among other things, the significant volatility in the steel industry that affects realization on customer accounts receivable, inventory and, most notably, equipment.

25. With the first phase of the sale process still in progress, the threshold question to be answered <u>at this time</u> is whether the value of the Applicants' businesses

(whether operating on a stand alone or consolidated basis) exceeds their respective values in liquidation from their creditors' financial point of view.

26. The Applicants' report accurately reflects the results of their analysis described above. The estimated values available to creditors of IRM and Ifastgroupe in both the base case and management case restructuring scenarios exceed the projected values that would be achieved in liquidation. The estimated values available to creditors of Ivaco in the management case scenario exceed the projected values in a liquidation; however, without the labour and pension cost improvements contemplated in the management case (i.e. if the base case came to pass), it appears that Ivaco and specifically the Sivaco operating divisions are not economically viable.

Restructuring Activities:

27. The Applicants are currently reviewing all of their contractual commitments with a view to terminating unnecessary contracts and identifying which equipment leases do not reflect current market conditions and therefore should be renegotiated or disclaimed pursuant to the terms of the Initial Order. The Monitor is actively involved in this assessment and anticipates that the Applicants will initiate negotiations concerning the larger leases prior to the February 13, 2004 return date for their extension motion.

28. As indicated in the Fifth Report, the Applicants were in the process of reviewing their corporate office lease in downtown Montreal with a view to either relocating or downsizing. The Applicants have finalized arrangements for the lease of new corporate offices in Montreal effective March 1, 2004. The new lease is at significantly lower rates than the current premises and will reduce the square footage by half, providing annual rent savings of approximately $500,000 (or approximately 70%, compared to the current arrangement).

29. The new lease is structured so as to provide the landlord with a guaranteed lease period of only one year, with 12 months prepaid, thereby providing the Applicants with significant flexibility should they elect to eliminate the corporate office as

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part of the overall restructuring. Given the significant monthly savings that will be realized commencing in March, the Applicants will have saved enough cash flow to fund the limited guaranteed lease period within the first six months of the lease.

30. The Applicants have engaged consultants to perform a review of supply chain management and other logistics at various locations with a view to improving operational efficiencies and reducing costs.

Sale Process:

31. Pursuant to the terms of the Court-approved dual-track process, the Applicants engaged UBS to seek proposals from potential purchasers and investors in any or all of the Applicants' businesses or assets.

32. With assistance from the Applicants, UBS prepared Confidential Information Memoranda ("CIMs") for each of Ivaco, IRM and Ifastgroupe in advance of the January 5, 2004 deadline established by the Process Order. The Applicants and UBS provided draft versions of these CIMs to certain major stakeholders for comment prior to their finalization. Certain stakeholders raised concerns about the manner in which important business strategies were being characterized in some of the CIMs and requested changes to the documents. The Applicants responded to these concerns by providing additional analysis relevant to the issues and agreed to certain changes to the CIMs requested by stakeholders.

33. Concurrently with the development of the CIMs, UBS compiled a list of prospective purchasers and/or investors. The Applicants provided the proposed list to certain major stakeholders and invited them to suggest additional parties to be contacted in the process. In early January, UBS initiated contact with every potential party and provided a non-confidential summary of the opportunities to those expressing any interest.

34. Those parties who expressed interest also received the Applicants' proposed form of confidentiality agreement. Parties that have signed confidentiality agreements have been provided with CIMs. UBS is currently working with potential

purchasers to ensure that all of their information needs are being met on a timely basis.

Liquidation Analysis:

35. In order to evaluate the stand-alone restructuring plans, the Applicants with the assistance of the Monitor have prepared a preliminary liquidation analysis for each of the major entities.

36. The Applicants included summaries of these analyses in the January presentations to certain major stakeholders.

37. Given the ongoing sale process and other discussions with stakeholders, the Applicants and the Monitor believe that it would not be appropriate to disclose these liquidation values at this time.

SALE OF NON-CORE ASSETS

Overview:

38. The Applicants have identified several assets that are not aligned with their core business strategy. The Applicants have initiated processes to realize on these non-core assets. In completing these processes, the Applicants will continue to consult with and involve the major stakeholders with respect to each asset, as appropriate. The Monitor will report to this Honourable Court in due course.

IMT Corporation:

39. As previously reported, IMT Corporation ("IMT"), which is not part of this CCAA proceeding is a wholly owned subsidiary of Ivaco. With operations in Ingersoll and Port Colborne, Ontario, it manufactures high quality precision-machined components for the tractor-trailer, original equipment manufacturing and defence industries. IMT owes its principal secured lender, Canadian Imperial Bank of Commerce, approximately $12 million.

40. The Applicants have engaged Continua Capital Inc. ("Continua") to initiate a formal sale process in respect of IMT. Expressions of interest were due on January 16, 2004 and several letters of interest were received. The prospective purchasers are in the process of performing due diligence.

41. Continua is in discussions with the prospective purchasers to clarify the nature of their interest with a view to completing a transaction as quickly as possible.

Docap:

42. Docap is an importer and distributor of automotive and industrial products to customers located in both Canada and the United States. The majority of its products are imported from overseas. Docap owes its principal lender, National Bank of Canada ("National Bank"), approximately $5 million under a loan secured by, among other things, a General Security Agreement covering inventory and accounts receivable.

43. The Applicants have engaged Continua to commence a sale process in respect of Docap. Expressions of interest were due on January 16, 2004 and several parties expressed an interest in acquiring the business and/or specific assets. Continua and the Applicants are working with the interested parties to ensure that their information needs are being met in order to bring a transaction to National Bank and this Honourable Court for approval as soon as possible.

IFC USA Corp. :

44. The Applicants have engaged Continua to initiate a sale process in respect of the operations of IFC USA Corp. ("IFC USA") including Vermont Fasteners Sales Corp. and Vermont Fasteners Manufacturing, a subsidiary and division of IFC USA, respectively. The Applicants are of the view that the value of IFC USA as a going concern or in liquidation is less than the aggregate arm's-length debt of IFC USA. IFC (a Canadian-domiciled Applicant) has a substantial inter-company claim against IFC USA. The Applicants and Continua, with assistance from the Monitor, are developing an informal proposal to IFC USA's creditors in the hope that some recovery of the inter-company debt by IFC may be achievable.

Real Estate:

45. As set out in the Fifth Report, Ivaco has various properties presently listed for sale:

- Warrenton Virginia – This property consists of two parcels of land containing approximately 48 acres and a 100,000 square foot building located in the Town of Warrenton, Fauquier County, Virginia. The property is no longer needed for the Applicants' business and has been on the market since 2000. As indicated in Third Report of the Monitor, a sale contract, subject to certain conditions, was executed for U.S.$4.5 million. A final sale contract has yet to be executed;

- Etobicoke, Ontario – The Applicants have recently engaged Colliers International to act as their agent to market the property consisting of 38.8 acres of vacant land located in Etobicoke, Ontario, commonly referred to as the Arrowhead property. Although there are ongoing discussions with one prospective purchaser who submitted an unsolicited offer prior to Colliers' engagement, Colliers is actively marketing the property to several potential purchasers. Due to the ongoing private negotiations, it is not appropriate to comment at this time as to the nature of the discussions taking place, the likelihood of a binding agreement being consummated or the expected proceeds to be realized from a sale of the property;

- Chambly, Quebec – This property consists of a 162,000 square foot warehouse and has been listed with J.J. Barnicke at a listing price of $2.3 million. No offers have been received to date; and

- Cartersville, Georgia – This property is the remaining parcel of vacant land from the Cartersville Steel Facility consisting of approximately 13.7 acres. The property has been listed for sale with North Star Realty at an asking price of U.S.$409,800. No offers have been received to date.

COMMUNICATION WITH STAKEHOLDERS

General:

46. Since the date of the Initial Order (and more recently since the Fifth Report), the Monitor has responded to a significant number of requests for information from the major stakeholders. The Monitor is continuing to work with the Applicants on a daily basis to ensure that any outstanding information requests are dealt with to the satisfaction of the stakeholders and as quickly as possible in the circumstances.

Meetings with Stakeholders:

47. Pursuant to the Process Order, the Applicants completed their long-term business plans on December 15, 2003. From December 16 to 18, 2003, representatives of the Applicants' management, the Applicants' financial advisors and the Monitor met with representatives of the following significant stakeholders:

- Rio Tinto Iron & Titanium Inc. ("QIT");
- National Bank;
- Noteholders of IRM and Ifastgroupe;
- Bank of Nova Scotia; and
- United Steelworkers of America ("USWA").

48. At each meeting, the Applicants presented detailed information regarding the Stand-Alone Business Plan for each of IRM, Ivaco and Ifastgroupe. This is discussed in more detail below.

49. The Applicants have continued to meet with major stakeholders, both formally and informally, in order to fully respond to reasonable questions and information requests regarding the Stand-Alone Business Plans.

50. On January 15 and 16, 2004, follow-up meetings were held with certain of the major stakeholders. Additional meetings are scheduled with the remaining stakeholders prior to February 13, 2004. The primary purpose of these presentations was to provide creditors with management's preliminary analysis of restructuring alternatives.

Labour Matters:

51. Since the Fifth Report, the Applicants, the Monitor and representatives of the USWA and their financial advisors have met and taken part in conference calls on several occasions.

52. Representatives of the USWA have sent detailed information requests to the Applicants. Management, with the assistance of the Monitor, has responded to a substantial portion of those requests with a significant amount of information recently being provided to the USWA on January 28, 2004.

53. Given the volume of information requested by not only the USWA but other stakeholders, and the many demands being placed on the Applicants' management and staff, it has been difficult for the Applicants to fulfill all of the competing information requests as quickly as stakeholders or the Applicants would like. Notwithstanding concerns that have been raised by certain stakeholders, it is the Monitor's view that the Applicants have been acting with due diligence in generating, preparing and assembling the necessary information to respond to all of the outstanding requests as quickly and completely as possible.

54. The Monitor is aware of a motion brought by the USWA at present returnable on February 10, 2004. The precise relief being sought is to be clarified by the USWA prior to the return date; however, based on discussions with the USWA's counsel, the Applicants believe the USWA is seeking confirmation that the material financial provisions of the various collective bargaining agreements between the Applicants and the USWA remain in full force and effect, notwithstanding the pendency of the CCAA proceedings and the provisions of the

Initial Order. The Monitor considers that there are both broad ramifications as well as potential impacts specific to the Applicants with respect to the proposed motion.

55. The Monitor will attempt to assist this Honourable Court with its views of both the general and specific considerations. In the context of these proceedings, the Monitor is of the view that the Applicants have worked very hard since September 16, 2003 to stabilize existing operations for the ultimate benefit of all stakeholders, including the employees. This stabilization effort has consumed the Applicants' attention and efforts and has only been achieved relatively recently. Entailing as it does in most CCAA restructurings a fragile balancing of interests and cooperation among key stakeholders for the long term benefit of all, the current stable situation is a critical foundation for the restructuring and sale processes now underway. The Monitor is concerned that the uncertainty and delay occasioned by the anticipated motion and likely subsequent fall-out would hamper the effectiveness and ultimate results of the sale and restructuring processes, to the detriment of all stakeholders.

56. If obtained, the relief apparently being sought by the USWA would materially weaken the Applicants' business plan assumptions under both the base and management case scenarios. The effect of this could be to render the going concern restructuring of the Applicants unviable.

57. From the observations of the Monitor, the Applicants have attempted to be sensitive to day-to-day issues of the USWA and it would be unfortunate if the present situation were unnecessarily destabilized. The Applicants have now provided the USWA with a substantial amount of information and continue to be available to begin discussions concerning resolution of the USWA's issues and the restructuring of the Applicants' businesses as going concerns. The USWA can and must play a constructive role in reaching the optimal solution.

Bi-weekly report:

58. With the assistance of the Monitor, the Applicants continue to report to stakeholders on the service list their bi-weekly results by entity. These reports include an analysis of actual cash flow performance compared to the most recent cash flow projections filed with this Honourable Court, a summary of DIP borrowings and a review of operations at each major entity.

59. Attached as Appendix A is a copy of the Applicants' most recent bi-weekly report for the two-week period ended January 16, 2004 that was provided to the Service List on January 27, 2004.

OPERATIONAL UPDATE

Overview:

60. The Applicants have continued to cooperate with the Monitor and have allowed unrestricted access to their premises, books and records. As noted in previous reports, the Monitor has implemented procedures to monitor daily receipts and disbursements and is working with the Applicants to prepare a bi-weekly comparison and variance analysis of actual results against the cash flow forecasts filed with this Honourable Court.

61. Since the Initial Order was granted, the Monitor has been working closely with representatives of management, the Applicants' Canadian and US legal counsel and Mr. Randall Benson, CRO, on all matters relating to ongoing operations and restructuring activities.

62. Among other things, the Monitor has continued to assist the Applicants in:

- Evaluating opportunities for cost reduction through reduced overhead costs;
- Preparing an analysis of all of the existing contracts and lease commitments;

- Reviewing and analyzing information concerning the possible sale of certain non-core assets;
- Monitoring daily Debtor-in-Possession ("DIP") loan balances;
- Preparing preliminary claims profiles for each of the major entities;
- Discussing and negotiating with major stakeholders and making presentations to them;
- Completing bi-weekly reports to stakeholders, specifically the reporting of receipts and disbursements, variance analysis, and a review of operating results;
- Preparing preliminary liquidation analyses for each of the major entities;
- Preparing and administering the data room and responding to a significant number of information requests from stakeholders;
- Preparing cash flows and integrated financial projections; and
- Dealing with various ongoing supplier issues.

<u>Customers / Vendors:</u>

63. The Applicants continue to be in regular contact with key customers to ensure that their questions concerning day-to-day operations are being answered on a timely basis and to assure them that all orders are being met.

64. The Applicants have not lost any key customers as a result of these proceedings. Orders and payments continue for the most part unaffected.

65. The Monitor continues to assist the Applicants with supplier related issues so as to ensure that there is no interruption to daily operations and the supply of goods and services.

Ken Snider Transport Limited:

66. The Applicants have been contacted by Ken Snider Transport Limited ("Snider Transport"), a carrier who is owed pre-filing arrears for freight charges. Counsel for Snider Transport issued demand letters to approximately 20 of the Applicants' customers demanding payment of these outstanding freight charges. In one case, a customer of the Applicants paid Snider Transport and set off the amount paid against amounts owing to the Applicants. In another instance, Snider Transport has filed a motion to institute proceedings in the province of Quebec against one of the Applicants' customers.

67. The effect of Snider Transport's course of action is to permit the carrier to recover pre-filing arrears indirectly from the Applicants' customers. As well, if Snider Transport successfully collects monies otherwise due to Ivaco, it will have an impact on the Applicants' short term cash flow, especially if other transport companies pursue a similar collection strategy. There may also be an impact on the Applicants' relationship with certain of their customers.

68. The Monitor is advised by the Applicants and their counsel that a motion is to be scheduled before this Honourable Court to resolve the dispute.

Major Utility Providers:

Bruce Power L.P. / Independent Electricity Market Operator

69. Since the date of the Initial Order, the Applicants have finalized or are in the process of finalizing agreements with most of their major utility suppliers, resulting in ongoing and undisrupted supply.

70. As indicated in the Fifth Report, the Applicants entered into a fixed price contract for a monthly minimum quantity of electricity from Bruce Power L.P. ("Bruce Power"). The contract required the Applicants to post security in the form of a letter of credit in the amount of $1 million. As well, the contract expires on April 30, 2004.

71. The Applicants have advised the Monitor that Bruce Power has agreed to reduce the letter of credit by $500,000 effective February 1, 2004. This will have the effect of increasing the DIP availability at IRM.

72. The Monitor has also been advised by the Applicants that they are currently reviewing whether it is beneficial to extend the contract beyond April 30, 2004 or to allow it to lapse thereby causing them to buy electricity based on current market prices through the Independent Electricity Market Operator ("IMO").

73. In the event that the Applicants decide not to renew the fixed price contract with Bruce Power, they will be required to post additional security with the IMO in order to meet the Ontario Market Rules. Presently, the IMO holds security in the approximate amount of $1.8 million represented by a letter of credit issued by Bank of Nova Scotia ("BNS") prior to the commencement of these proceedings. However, with the BNS letter of credit expiring on April 30, 2004, the Applicants will likely be required to post security in the form of a new letter of credit in the range of $2 to $4million. The quantum of the security will depend on the following:

- The agreed upon frequency of payments to the IMO by IRM for regular monthly consumption; and
- The decision of whether or not to renew the Bruce Power contract.

74. The Applicants and their legal counsel are working with the counsel to the IMO on an acceptable post-filing arrangement that will ensure continued supply and satisfy the IMO in terms of disconnection procedures and the required security that must be posted pursuant to the Ontario Market Rules.

Hydro One Networks Inc.

75. Hydro One Networks Inc. ("Hydro One") provides network, connect and line service to IRM. In 1997, IRM entered into an agreement with Hydro One whereby Hydro One purchased certain transformation and transmission assets from IRM. Hydro One then made some additional improvements to the

equipment. The agreement provided that IRM would eventually buy back the equipment from Hydro One and as at the date of the Initial Order, IRM owed Hydro One approximately $6 million.

76. Due to the nature of the agreement, the obligation to make payment of the amount owing to Hydro One is not stayed as a result of these proceedings. However, IRM has the option of either purchasing the equipment for approximately $6 million or allowing it to go into the Ontario Energy Board pool. In the latter case, notwithstanding that IRM would not take ownership of the equipment, it would still be obliged to pay a lump-sum amount estimated at $3 million based on the Ontario Energy Board rules and be required to pay a monthly usage and maintenance fee estimated at $100,000. IRM will have the option to purchase the equipment for a limited period after emerging from CCAA.

77. IRM and Hydro One have finalized an agreement, which allows IRM to defer the decision until after it emerges from CCAA of whether or not it intends to purchase the equipment or allow it to go into the Ontario Energy Board's pool. The agreement provides that IRM will begin making monthly payments commencing January 31, 2004 estimated at $100,000, a portion of which will be applied against the principal amount outstanding.

Corporate Allocation and Inter-company Transactions:

78. Pursuant to the Initial Order, the Applicants may continue to sell goods and services and allocate costs, including head office expenses and shared goods and services, to each other, provided that all such goods and services shall be priced at market and supplied on a cash-on-delivery basis.

79. As a practical matter, due to the constant stream of inter-company shipments between IRM and the other members of the Applicants, payments are being made twice weekly with the intervening exposure of two to three days being covered by a deposit instituted on October 22, 2003. The deposit paid to IRM by Ivaco and Ifastgroupe are $658,000 and $402,000 respectively.

80. The Applicants settle the allocation of corporate costs on a regular basis. The outstanding inter-company balances as at January 16, 2004 for inter-company transactions and corporate cost allocations were as follows:

Entity (000's)	**Outstanding Inter-company Receivable/ (Payable) as at Oct 31**	**Inter-company Sales/ (Purchases) Nov 1 – Jan 16 (Note 1)**	**Allocation of Corporate Costs Receivable/(Payable) Nov 1 – Jan 16 (Note 2)**	**Net Inter-company (Receipts) / Disbursements Nov 1 – Jan 16**	**Outstanding Inter-company Receivable/ (Payable) as at Jan 16**
Ivaco	1,112	(16,786)	6,723	8,277	(674)
IRM	411	33,369	(4,406)	(27,120)	2,254
Ifastgroupe	(1,523)	(16,583)	(2,317)	18,843	(1,580)
Total	------	------	------	------	-------

Note 1: For purposes of this table, inter-company sales and purchases includes the purchase of wire rods or provision of cleaning or annealing services among the Applicants.

Note 2: For purposes of this table, corporate costs include costs allocated to the divisions for tax and property insurance, computer hardware, software and support, employee benefits, other direct expenses and professional fees.

81. The outstanding receivable / payable balances by entity as at January 16, 2004 is comprised of corporate cost allocations and inter-company sales of products or services and is summarized below:

Entity (000's)	Net Inter-company Trade Balances Receivable (Payable)			Total Trade Inter-company	Corporate Allocation of Costs	Outstanding Balance at January 16
	Ivaco	**IRM**	**Ifastgroupe**	**A**	**B**	**A+B**
Ivaco	N/A	(2,032)	291	**(1,741)**	1,067	**(674)**
IRM	2,032	N/A	630	**2,662**	(408)	**2,254**
Ifastgroupe	(291)	(630)	N/A	**(921)**	(659)	**(1,580)**

FINANCIAL PERFORMANCE AND CASH FLOW PROJECTIONS

Actual Cash Flow and Variance analysis:

82. Attached as Appendix B to this Report is a summary of the Applicants' receipts and disbursements for the period from November 1, 2003 to January 16, 2004 along with the Applicants' analysis of variances from the cash flow projections filed with the Fifth Report and the Supplement to the Fifth Report. The Applicants had consolidated net cash inflow of approximately $10.9 million for the period from November 1, 2003 to January 16, 2004, compared to the projections filed with the Supplement to the Fifth Report, which reflected total cash inflows of approximately $11.7 million.

83. The actual and projected cash flows for the period from November 1, 2003 to January 16, 2004 were as follows:

Entity (000's)	Actual Net Inflow	Projected Net Inflow (Net Outflow)	Variance
Ivaco	1,111	195	916
IRM	1,155	(503)	1,658
Ifastgroupe	8,448	11,657	(3,209)
Docap	217	359	(142)
Total	10,931	11,708	(777)

84. Overall, the Applicants experienced a unfavourable consolidated cash flow variance of $777,000 over the forecast period from November 1, 2003 to January 16, 2004. For a detailed analysis of the individual variances by entity, please refer to Appendix B.

Cash Flow Forecast:

85. The Applicants are in the process of finalizing their revised cash flow forecasts for the period from February 1, 2004 to April 30, 2004. The Monitor will include a copy of these cash flows in its Supplement to this Report which at present, the Monitor expects to file on or before February 9, 2004.

STATUS OF DIP FINANCING

86. As discussed below, on a bi-weekly basis, the Applicants prepare and distribute a report, which provides the stakeholders and other parties on the Service List with, amongst other information, a summary of the amounts outstanding under the DIP facilities at the end of each two-week period.

87. The table below shows the net amounts outstanding under the DIP facilities as at January 30, 2004, net of customer payments deposited into the Applicants'

blocked bank accounts but not yet swept by GE (as daily repayment of the GE DIP loans) plus any outstanding letters of credit.

Entity	DIP Balance	Sub DIP to Ivaco	Sub DIP to Docap
IRM	$2.1 million	$0.3 million	------
Ifastgroupe	$0.1 million	$0.3 million	------
Ivaco	--------	-------	-------
Total	$2.2 million	$0.6 million	------

88. The Applicants continue to operate within their DIP loan limits. As well, since the Fifth Report, the Applicants have reduced the Sub Dip to Ivaco by $600,000 (on a 50% / 50% basis from IRM and Ifastgroupe).

PENSION PLANS

89. As indicated in the Fifth Report, the Applicants have 16 pension plans in place for the various entities, including three U.S. pension plans. All pension plans were in deficit positions as of the valuation dates with the Canadian and U.S. plans having solvency deficits of approximately $90 million and U.S. $59 million (before consideration of U.S. $20 million cash collateral held by Willmington Trust) respectively.

90. Although the Applicants continue to pay the scheduled current service contributions as they fall due, pursuant to an Order of this Honourable Court dated November 28, 2003, they are not making post-filing past service contributions and special payments totaling approximately $2 million per month to any of the pension plans.

91. The following table sets out the unpaid pension contributions (pre and post-filing) as at December 31, 2003:

Entity (Cdn$ 000's)	**Current Service**	**Past Service**	**Total**
Ivaco	518	3,973	4,491
IRM	1,485	10,136	11,621
Ifastgroupe	521	2,559	3,080
Docap	11	29	40
Total	2,535	16,697	19,232

ESTIMATED DIRECTORS' AND OFFICERS' LIABILITIES

92. The Applicants have prepared a summary of directors' and officers' liabilities as at December 31, 2003, a copy of which is attached as Appendix C. The Applicants continue to update these liabilities on a monthly basis for distribution to the Board of Directors.

OTHER INFORMATION

Preliminary Creditor Profiles:

93. The Applicants have completed their preliminary creditor profile analysis by legal entity. This information has been or will be presented to certain of the major stakeholders as part of the presentations on restructuring alternatives. These preliminary claims analyses are being used to estimate recoveries to creditors under a stand-alone restructuring scenario for each of the Applicants. Ultimately, the Applicants (with the assistance of the Monitor) will seek approval from this Honourable Court to commence a formal claims process in order to obtain and evaluate proofs of claim received from all of the Applicants' creditors.

Extension of time to Call Ivaco's Annual General Meeting:

94. Ivaco held its last annual general meeting of shareholders ("AGM") on May 27, 2003. Pursuant to Section 133(1) of the *Canada Business Corporations Act*, R.S.C. 1985 c. C-44, as amended, Ivaco is required to call its next AGM no later than June 30, 2004. Given Ivaco's conclusions with respect to the value of its equity, it is seeking an extension of the time to call the next AGM.

REQUEST FOR AN EXTENSION TO THE STAY OF PROCEEDINGS

95. Pursuant to the Order of this Honourable Court dated November 28, 2003, the stay period expires February 13, 2004. The Applicants are seeking an extension of the stay period until and including April 2, 2004.

96. An extension to the stay period is necessary for the Applicants to complete their sale process and to continue and expand negotiations with their creditors, labour force and other stakeholders. All of this activity must occur before the Applicants are in a position to fully develop proposals for the stakeholders' consideration.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

97. Recognizing the unique structure and historical business practices of Ivaco and its affiliates, the Applicants have responded to the perhaps inevitable scepticism expressed by many stakeholders at the outset of these proceedings by:

- Adopting a new governance structure that put control of the restructuring in the hands of independent board members with no apparent or perceived biases as to the optimal approach or desired outcome;
- Hiring the independent CRO;
- Devoting extensive management and advisory resources to meeting the large volume of information requests from stakeholders;

- Embracing the dual-track parallel path sale and restructuring approach authorized by the Process Order after considerable consultation with major stakeholders;

- Coming to the conclusion and taking steps to announce that the public (and insider) shareholders of Ivaco are unlikely to receive any value for their shares in any restructuring scenario;

- Concluding that the stand-alone restructuring of the Applicants is preferable to a consolidated plan; and,

- Continuously seeking opportunities to maximize the potential recoveries to stakeholders while minimizing the direct and indirect costs of these proceedings.

98. The Monitor observed the Applicants' preparation of their business plans and restructuring analyses and summary presentations and the meetings with major stakeholders to discuss them. The Monitor's view is that the Applicants are acting in good faith and with due diligence to develop business and restructuring plans that will provide the greatest opportunity for recovery by the creditors of each Applicant.

99. The major stakeholders of each of the Applicants have received the recent presentations concerning restructuring alternatives with varying degrees of warmth; however, none has expressed the view that the Applicants have conducted a flawed or biased assessment of their business plans/prospects or restructuring options. Any concerns raised have centred on the significant uncertainties that the Applicants must address and resolve within the business plans before stakeholders can truly assess the viability of the Applicants' operations in the long term. The Applicants acknowledge this uncertainty and are seeking the additional time necessary to flush out the positions of major stakeholders that will affect the achievability of the proposed business plans and the structures of the various stand-alone restructurings.

100. In light of the foregoing, the Monitor recommends that this Honourable Court grant the Applicants an extension of the Stay Period to permit them to continue the parallel sale and restructuring processes that are well underway and supported by the major stakeholders.

All of which is respectfully submitted this 3rd day of February 2004.

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

SCHEDULE "A"

Applicants Filing for CCAA

1. Ivaco Inc.
2. Ivaco Rolling Mills Inc.
3. Ifastgroupe Inc.
4. IFC (Fasteners) Inc.
5. Ifastgroupe Realty Inc.
6. Docap (1985) Corporation
7. Florida Sub One Holdings, Inc.
8. 3632610 Canada Inc.

APPENDIX A

DATE: January 23rd, 2004

TO: Service List

FROM: Hugh Blakely, Ivaco Inc.

CC: Brian Denega, Ernst & Young Inc.

RE: **Ivaco Inc. and certain of its affiliates. (the "Applicants")**
Report for the two-week period ended January 16, 2004

Notice to Reader

In accordance with the Third Report of the Monitor dated October 9, 2003, with the assistance of the Monitor, the Applicants are hereby reporting to their stakeholders on operating results for the period ended January 16, 2004.

This report is prepared for the exclusive use of those to whom it is addressed and, consequently, it may not be forwarded to other parties or used for other purposes without our prior knowledge and written consent.

We do not assume any responsibility or liability for losses incurred by the reader or any other party as a result of the circulation, publication, reproduction or use of our report in a manner contrary to the provisions set out in the above paragraph.

Reporting to Stakeholders

The stakeholders on the Service List receive from the Applicants the following information on a regular (usually bi-weekly) basis:

1. Statements of receipts and disbursements by entity showing variances from court-filed cash flow forecast;
2. A summary of DIP borrowings by entity; and
3. A flash report on operations at each major entity.

Results for the two-week period ended January 16, 2004

The statements of receipts and disbursements for the two week period ended January 16, 2004 are attached as Appendix "A" for Ivaco Rolling Mills Limited Partnership ("IRM"), Appendix "B" for Ifastgroupe and Company Limited Partnership and Ifastgroupe Inc. ("Ifastgroupe"), Appendix "C" for Ivaco Inc. ("Ivaco") and Appendix "D" for Docap (1985) Corporation ("Docap"). All amounts are in thousands of Canadian dollars except where indicated. Significant variances between the cash flow forecast filed with the Monitor's Fifth Report (and the Supplement to the Fifth Report) and the actual results are discussed at the bottom of each statement.

Summary DIP Borrowings

The following table shows the DIP borrowings as at January 16, 2004 for each entity.

Entity (in millions)	Maximum authorized DIP*	DIP balances as at January 16, 2004 ****
IRM	$11.5 **	$5.4
Ifastgroupe	$3.5 ***	$0.3
Ivaco (Internal DIP)	$5.0	$0.6
Docap (Internal DIP)	$1.0	$0.0

* Based on the limits authorized in the Amended and Restated Initial Order.

** IRM has issued two letters of credit in the aggregate amount of $1.5 million to two trade suppliers, thereby reducing the availability under its DIP to $10 million.

*** Ifastgroupe has issued two letters of credit in the aggregate amount of $1.1 million to two trade suppliers, thereby reducing the availability under its DIP to $2.4 million.

**** The DIP balances show the net amounts outstanding under the DIP facilities as at January 16, 2004, net of customer payments deposited into the Applicants' blocked bank accounts but not yet swept by GE and including the outstanding letters of credit.

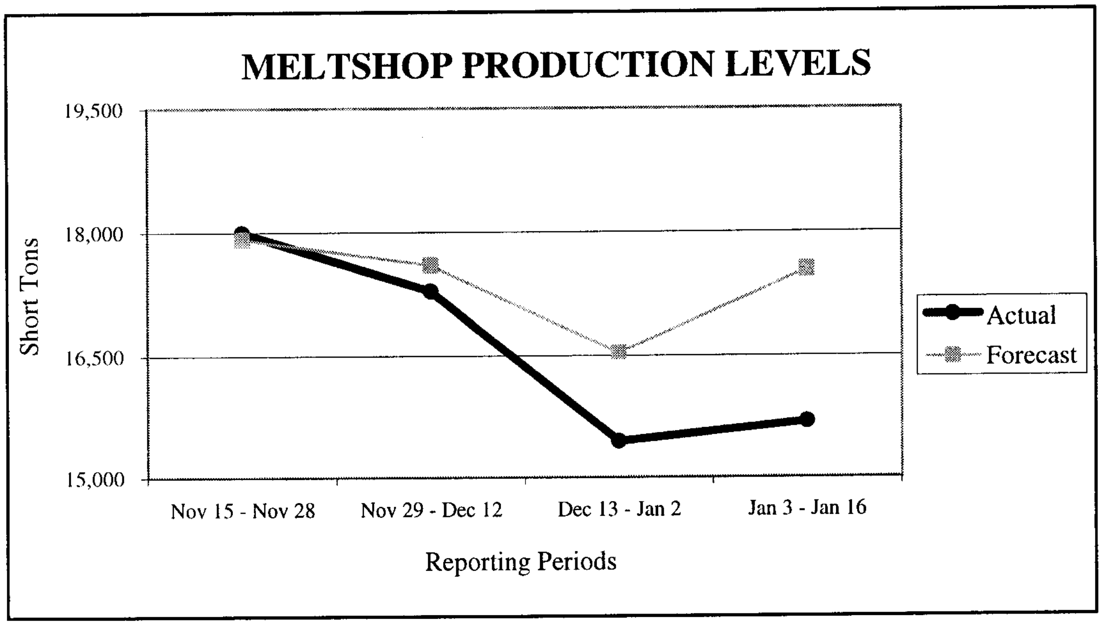
Flash Report

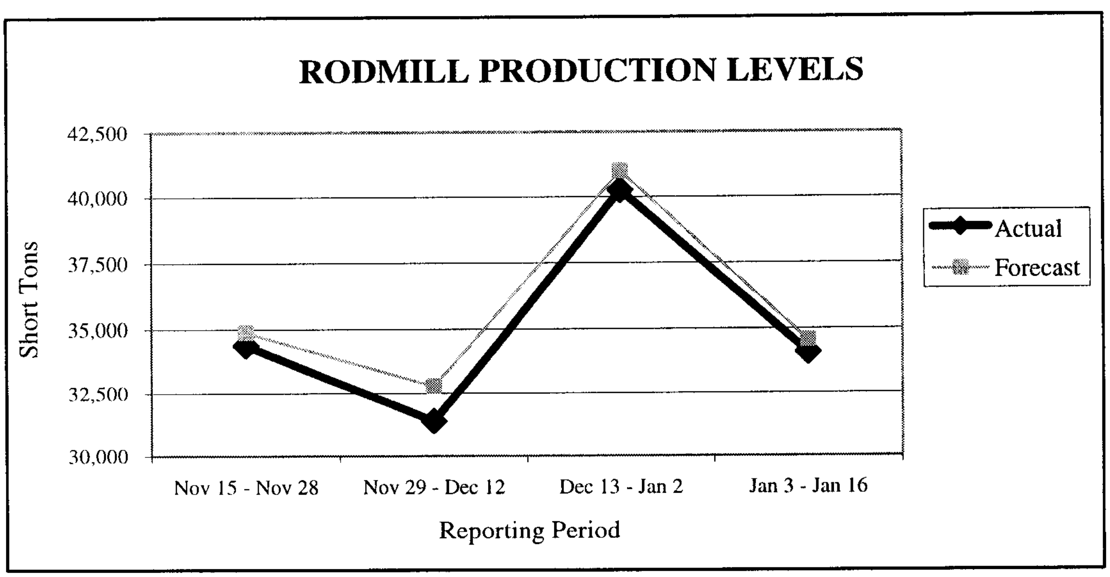
Below is a flash report on the operations of each major entity for the period from January 3, 2004 to January 16, 2004.

IRM:

<u>Production</u>

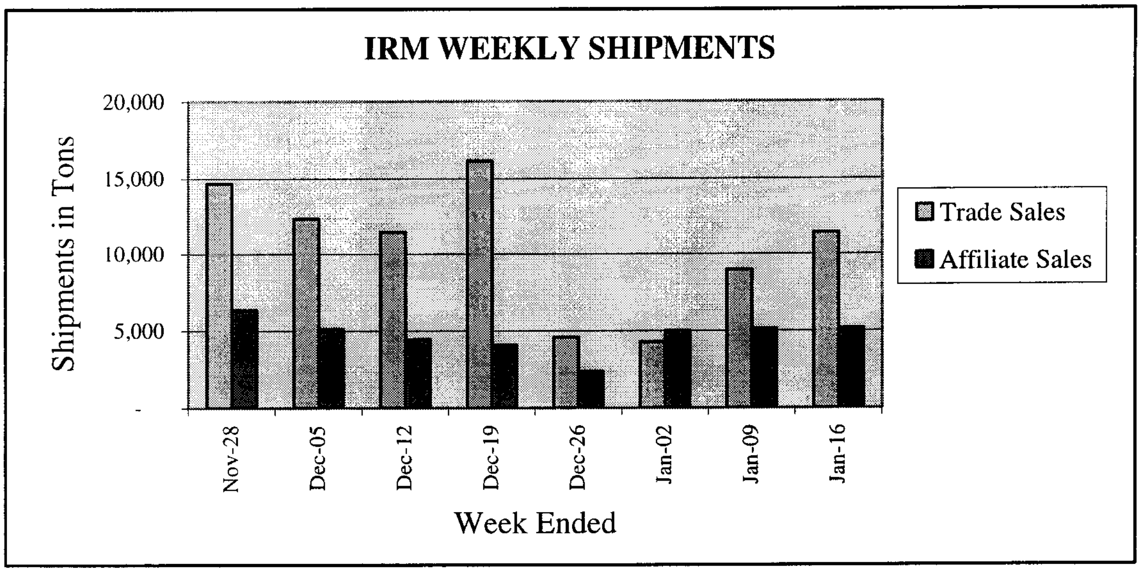
Summarized below are IRM's production levels (in short tons) for the period from January 3, 2004 to January 16, 2004 for both the melt shop and rod mill.

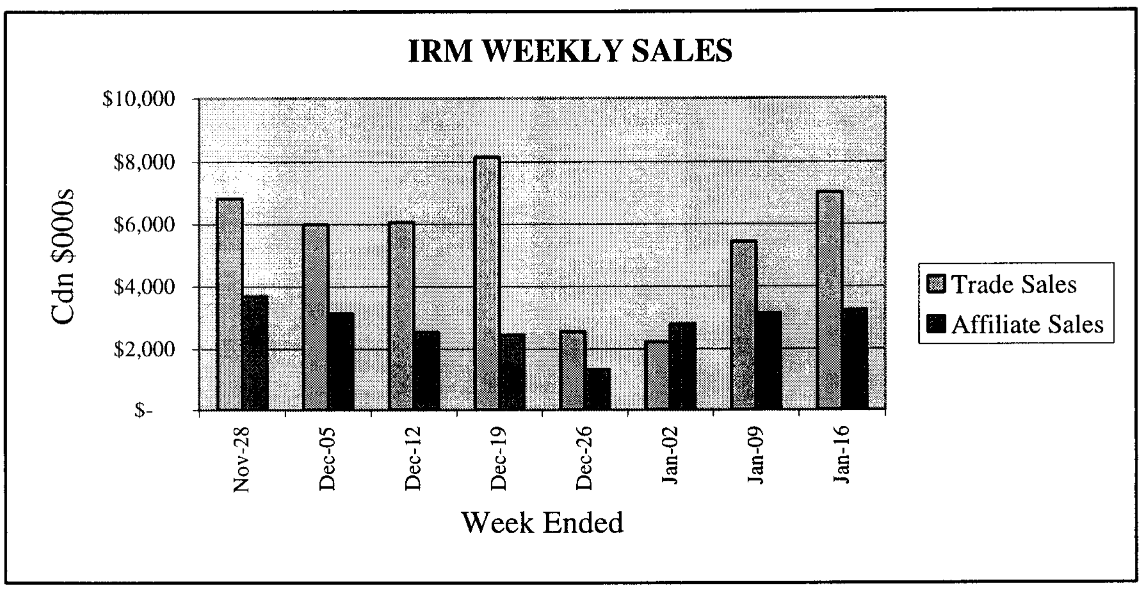




Sales

Below are IRM's weekly sales in tons and dollars for the period from January 3, 2004 to January 16, 2004:





Management Discussion & Analysis

Scrap

The AMM composite scrap index increased a further $11 USD /tonne this period catching up to the $ 30 USD /tonne seen in the Chicago bushelling index last period. Although most of these costs are being passed on as a scrap surcharge, there is a one month delay in invoicing, and a longer delay before collection, which at these large increases, is having a short term, but significant negative effect on margin and cash.

Production Efficiency

Rod mill production was off this period as a run of smaller sizes was made at reduced productivity; month to date is still on forecast. The Meltshop made some improvement but is still running below expectations.

Shipments & Price Trends

Shipments are picking up and are expected to be on forecast this month. Rod pricing is increasing as January 1 price increases come into affect as well as incremental scrap surcharges. See note under the scrap heading.

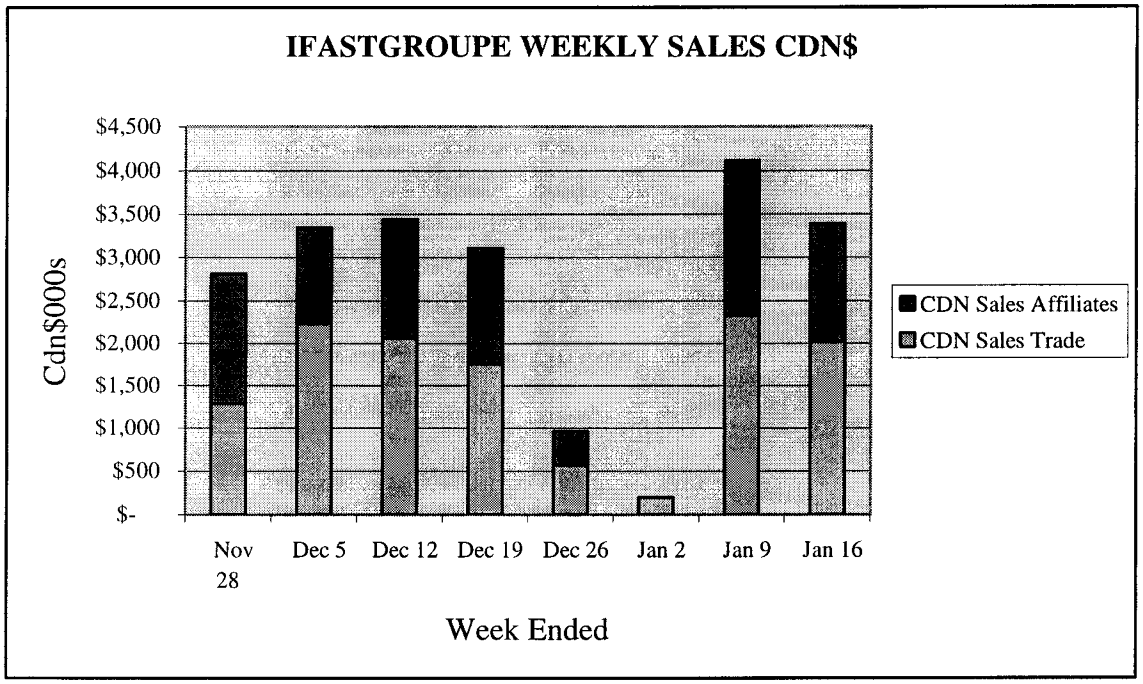
Incoming Orders/Backlog

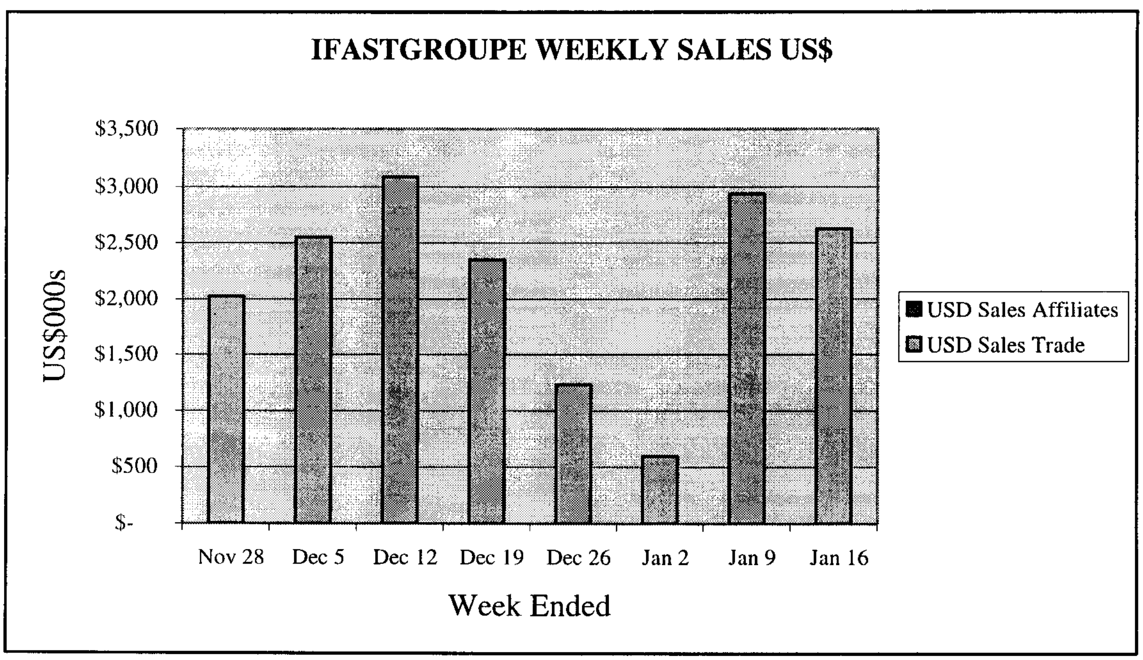
Order book is still very healthy. Currently reviewing the schedule to focus on high margin product lines in the second quarter.

IFASTGROUPE:

Sales

Below are Ifastgroupe's weekly sales for the period from January 3, 2004 to January 16, 2004:





Management Discussion & Analysis

Infasco and IFC Fasteners

Incoming customer orders totaling approximately 2,300 tons were received during the week ended January 16 compared to 2,500 tons the previous week. Orders on hand for future shipments include 5,800 tons for January, 4,800 tons for February and 5,800 tons beyond.

Shipments to trade customers by Infasco were 1,234 tons during the week of January 16th and 1,368 tons during the previous week. Inexperienced operators caused slight decreases at the boltmakers and in the heat-treating department. As a result, we are experiencing heavy backlogs at the heat-treat furnaces which effect the quantities available for shipments. As a temporary solution we are now heat-treating Infasco products at Vermont Fasteners Manufacturing.

Shipments to trade customers by IFC were approximately 843 tons, lower than the previous week and consistent with previous periods of equal duration.

Production for the week ended January 16 was approximately 1,700 tons, or about 6% below the previous week and 15% below forecast. Two machines on which we produce large size bolts broke down during the week, one of them for two days, resulting in a loss of significant production. We started running extra shifts this past weekend and will continue running extra shifts, so that we meet our production forecast for the month.

Sales for the week ended January 16 were 8% lower than the previous period. After two weeks we are slightly behind our forecast for January 2004, but we have enough orders on hand to exceed the forecast.

Ingersoll Fasteners

Raw material inventories are low as a result of short shipments from IRM.

Production levels are still below forecast. It will have to increase through the remainder of January if the monthly projections are to be achieved. If production does not increase it will affect the cost of production for the month.

Shipments were strong through week ended Jan. 9^{th} and settled down in week ended January 16^{th}. Still expecting to achieve the forecasted average of 90-95 tons per day for the month of January.

Infasco Nut

Raw materials increased to meet customer product requirements. Procurement of raw materials for the increased production levels increased purchasing in the first two weeks of January but with the volume of inventory, improved purchases are starting to decline to normal levels.

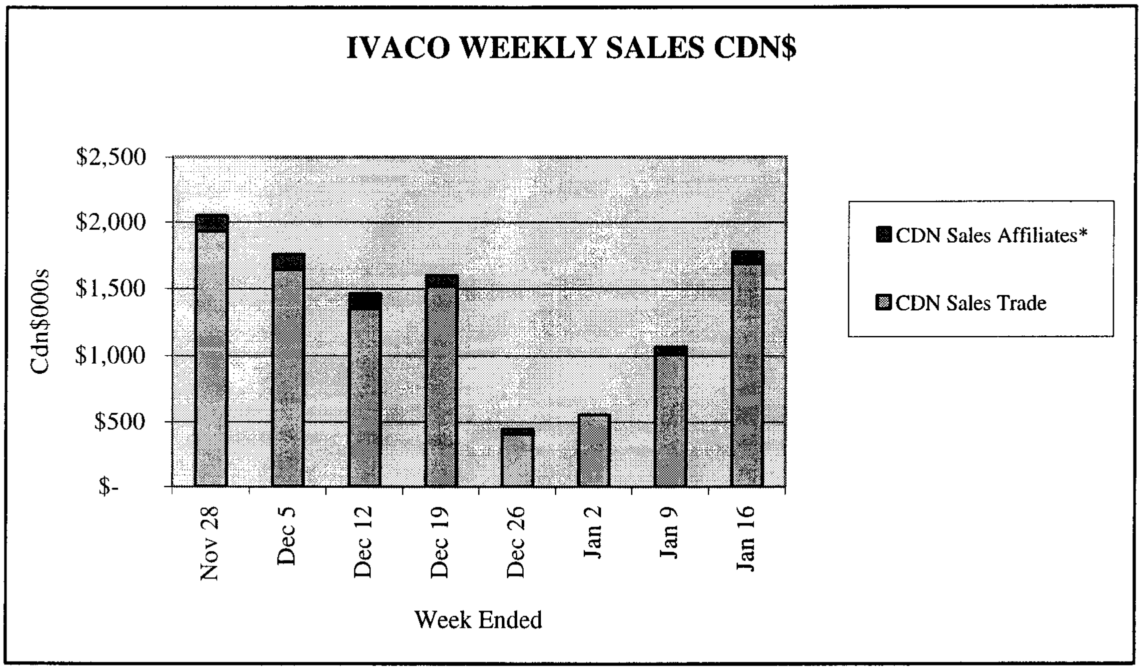
Shipments are being maintained and customers are getting product per order specifications. Still expecting to achieve sales/shipment forecast for the month of January.

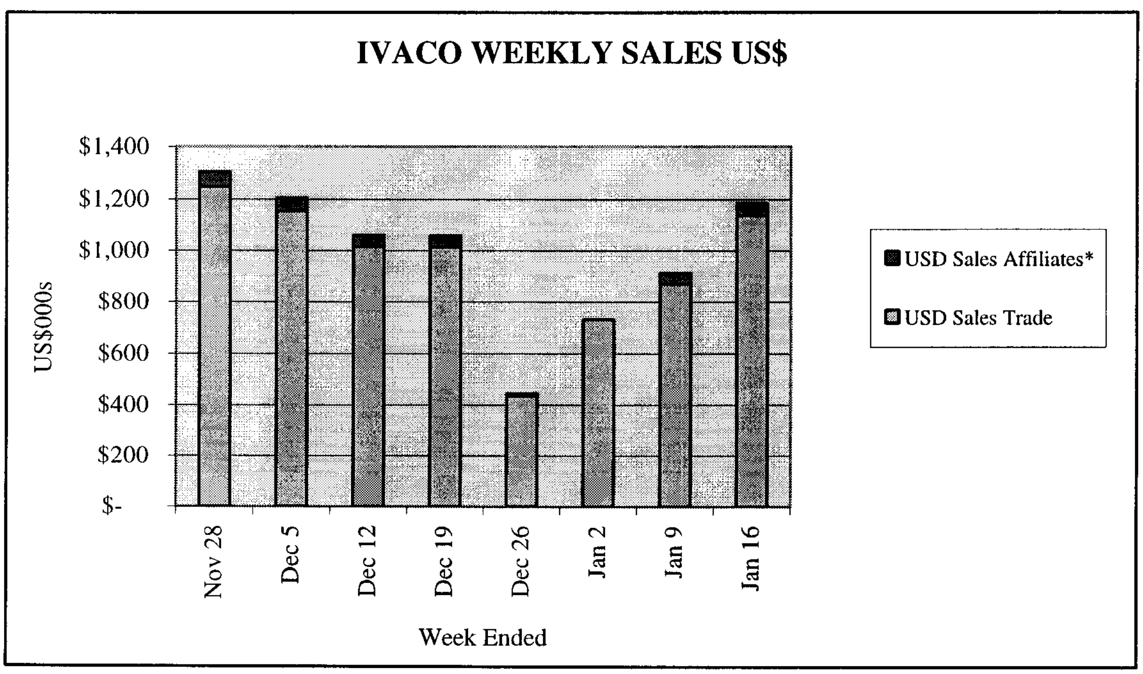
Current foreign exchanges with US dollar have provided the business with additional cash flow as most sales are in Canadian dollars while most of its external purchases are in US dollars.

IVACO:

Sales

Below are Ivaco's weekly sales for the period from January 3, 2004 to January 16, 2004:





* Sales to Affiliates includes wire rod processing fees.

Management Discussion & Analysis

Sivaco Quebec

The finished goods production for the reporting period averaged 554 tons per day for the period, which is higher than the previous reporting period due to increased finished goods activity and an increased production schedule after the holiday shut-down period. The average tons per day for November was 659 tons.

The wire order intake for the period is higher than in prior years at this time with 32,000 tons on order in the mill to be produced over the next 8-10 weeks.

Tons in inventory (rod and finished goods) were maintained around the normal level, 25,000 tons, throughout the period.

The total trade shipments for the period were 1,759 tons in the week ended January 9th and 3,282 tons in the week ended January 16th. The average forecast per week for the month of January is 2,673 tons per week. With two weeks left in the month, the monthly forecast is still obtainable.

Sivaco Ontario

Cleaning Production for the reporting period averaged 2,835 tons per week for the period, which is higher then forecast because staff are increasing their same shift production through reduced breaks and lunch periods.

Annealing Production for the reporting period averaged 1,228 tons per week for the period, which is lower than forecast because of reduced volumes for IRM.

The order book for the period is slightly below average but is not materially inconsistent with expectations and is expected to trend upwards in the coming weeks.

Tons in raw material inventory increased over previous periods; however, sales forecasts indicate it will be difficult to meet customer needs through all of February and March without further inventory increases.

The total trade shipments for the period were 1,639 tons in the week ended January 9th and 2,499 tons in the week ended January 16th. This trend is consistent with the forecast for the month and is expected to continue relatively close to forecast through the future periods.

DOCAP:

Management Discussion & Analysis

The average daily sales for the week ended Jan 16th were $82,000 and for the week ended Jan 9th were $71,000; much higher than December's average daily sales of $55,000 per day. This increase is due to the cold weather, which causes a surge in the sales of heating and air circulating systems.

Suppliers are continuing to ship normally. Inventories are being replenished and sales are resulting due to improved product/order fill levels as compared to prior months.

Appendix A

IVACO - Ivaco Rolling Mills Limited Partnership
Comparison of Actual to Forecast
For the period January 3, 2004 to January 16, 2004

(in thousands)	**Actual Jan 3 - Jan 16**	**Forecast Jan 3 - Jan 16**	**Variance**	**Notes**
RECEIPTS				
TRADE	11,667	10,986	681	(1)
OTHER	(865)	-	(865)	(2)
TOTAL RECEIPTS	**10,802**	**10,986**	**(184)**	
DISBURSEMENTS				
PAYROLL & RELATED	(2,373)	(1,638)	(735)	(3)
MATERIAL	(9,380)	(11,326)	1,946	(4)
CONSUMMABLES	(1,285)	(1,254)	(31)	
FREIGHT, CUSTOMS & DUMPING DUTY	(2,689)	(2,802)	113	
UTILITIES	(696)	(1,116)	420	(5)
OTHER	(2,540)	(2,150)	(390)	(6)
PROFESSIONAL FEES	--	-	-	
DIP INTEREST AND CLOSING FEE	--	-	-	
CONTRIBUTIONS TO CORPORATE	(690)	(436)	(254)	(7)
TOTAL DISBURSEMENTS	**(19,653)**	**(20,722)**	**1,069**	
NET INTER-COMPANY (excluding cont. to corporate)	**7,380**	**7,156**	**224**	(8)
CHANGE IN CASH	**(1,471)**	**(2,580)**	**1,109**	

Variance Analysis:

1) Trade receipts were higher than forecast as a result of improvements in the collection rate during the period.

2) Other receipts variance of 865K was the result of the December QST payment which is usually offset by GST recovery for the same month; however, GST recovery is expected to be received at the end of January.

3) Payroll was higher than forecast due in part to higher level of employees taking vacation during the period and being replaced by employees working overtime coupled with CPP and EI taking effect beginning of the year.

4) Materials were lower than forecast primarily as a result of timing, reversing prior period variances.

5) Utilities were lower than forecast primarily due to timing of payments. The forecast includes weekly allocations for utilities which have been replaced with monthly payments starting in this reporting period. This is expected to reverse in future periods.

6) Other disbursements were higher than forecast due to a reversal of prior period variances. Overall other disbursements continue to be reduced due to cost reduction programs coupled with the impact of extended payment terms.

7) Contributions to Corporate were higher than forecast due to timing of payments. It is expected to reverse in future periods.

8) Inter-company receipts were higher than forecast due to timing of payments. There was a slight increase in volume of shipments late last reporting period and early this period.

IVACO - Ifastgroupe and Company, Limited Partnership & Ifastgroupe Inc.
Comparison of Actual to Forecast
For the period January 3, 2004 to January 16, 2004

(in thousands)	Actual Jan 3 - Jan 16	Forecast Jan 3 - Jan 16	Variance	Notes
RECEIPTS				
TRADE	11,251	8,953	2,298	(1)
OTHER	780	--	780	(2)
TOTAL RECEIPTS	**12,031**	**8,953**	**3,078**	
DISBURSEMENTS				
PAYROLL & RELATED	(1,346)	(1,549)	203	(3)
MATERIAL	(1,463)	(418)	(1,045)	(4)
CONSUMABLES	(1,201)	(911)	(290)	(5)
FREIGHT & CUSTOMS	(525)	(411)	(114)	(6)
UTILITIES	(188)	(195)	7	
OTHER	(1,518)	(2,632)	1,114	(7)
PROFESSIONAL FEES	--	--	--	
DIP INTEREST AND CLOSING FEE	(93)	--	(93)	
CONTRIBUTIONS TO CORPORATE	--	(387)	387	(8)
TOTAL DISBURSEMENTS	**(6,334)**	**(6,503)**	**169**	
NET INTER-COMPANY (excluding cont. to corporate)	**(2,947)**	**(3,353)**	**406**	(9)
CHANGE IN CASH	**2,750**	**(903)**	**3,653**	

Variance Analysis:

1) The trade receipts received during the period were higher than forecast due to timing of receipts. One major customer paid $2.3 million in the week ended, January 9th, 2004, which was forecast in the prior period.

2) Other receipts is higher than forecast as a result of a banking correction from a prior period and the receipt of a GST refund that was forecast in the next reporting period.

3) Payroll was lower than forecast by $203K as a result of timing. Over a longer period payroll appears much more consistent with forecast.

4) Material was higher than forecast as a result of reversing the prior period variance and a payment for increased raw materials purchases due to greater than forecast sales/production activity at some of the Ifastgroupe divisions.

5) Consumables were higher than forecast as a result of timing. This variance is a reversal of the prior period variance.

6) Freight and Customs were higher than forecast due to a reversal of the prior period variance.

7) Other disbursements continue to be lower than forecast for various reasons. It is predominantly due to timing and cash management. In particular, two supplier payments forecast for the period were postponed to a future period and are expected to reverse in a future period.

8) Contributions to Corporate were lower than forecast because no payments were made to Corporate in the period. This timing difference is expected to reverse in future periods.

9) Inter-company payments were lower than forecast due in part to a lower volume of shipments from Ivaco Rolling Mills as well as timing of payments due to plant shut down.

Ivaco- Ivaco Inc.
Comparison of Actual to Forecast
For the period January 3, 2004 to January 16, 2004

(in thousands)	**Actual Jan 3 - Jan 16**	**Forecast Jan 3 - Jan 16**	**Variance**	**Notes**
RECEIPTS				
TRADE	6,227	5,882	345	(1)
OTHER	14	--	14	
INTER-COMPANY RECEIPTS BY CORPORATE	690	883	(193)	(2)
TOTAL RECEIPTS	**6,931**	**6,765**	**166**	
DISBURSEMENTS				
PAYROLL & RELATED	(986)	(1,295)	309	(3)
MATERIAL	(339)	--	(339)	(4)
CONSUMABLES	(359)	(416)	57	
FREIGHT & CUSTOMS	(455)	(506)	51	
UTILITIES	(1,014)	(168)	(846)	(5)
OTHER	(922)	(643)	(279)	(6)
PROFESSIONAL FEES	(209)	(670)	461	(7)
DIP INTEREST AND CLOSING FEE	--	--	--	
CONTRIBUTIONS TO CORPORATE	--	--	--	
TOTAL DISBURSEMENTS	**(4,284)**	**(3,698)**	**(586)**	
NET INTER-COMPANY (excluding cont. to corporate)	**(4,430)**	**(3,115)**	**(1,315)**	(8)
CHANGE IN CASH	**(1,783)**	**(48)**	**(1,735)**	

Variance Analysis:

1) Actual receipts were higher than forecast due to the timing of receipts. This timing variance is expected to reverse in future periods.

2) Inter-company receipts were lower than forecast primarily due to timing of payments. The negative variance offsets previous positive variances in previous periods.

3) Payroll & related disbursements were higher than forecast due in part to the payment of Quebec withholding taxes forecast in the prior period (ie. a reversal of a prior period variance).

3) Material was higher than forecast because rod was purchased from a new third party producer. Purchases from a new third party supplier will reduce the intercompany shipments between Ivaco and IRM in the future.

5) Utilities were higher than forecast due in part to a reversal of positive variances in prior periods. Several gas payments, and electrical (hydro) payments were forecasted at the end of December but were not paid until the week ended January 9th.

6) Other disbursements were higher than forecast because of the timing of a GST payment.

7) Professional fees were lower than forecast. This variance reflects a reversal of variances reported in previous periods, essentially catching up for payments missed over the holiday season.

8) Net inter-company payments were higher than forecast due to an increased volume of shipments received ($450 K) in recent weeks.

IVACO - DOCAP Corporation
Comparison of Actual to Forecast
For the period January 3, 2004 to January 16, 2004

(in thousands)	Actual Jan 3 - Jan 16	Forecast Jan 3 - Jan 16	Variance	Notes
RECEIPTS				
TRADE	573	763	(190)	(1)
OTHER	--	--	--	
INTER-COMPANY RECEIPTS BY CORPORATE	--	--	--	
TOTAL RECEIPTS	**573**	**763**	**(190)**	
DISBURSEMENTS				
PAYROLL & RELATED	(122)	(90)	(32)	
MATERIAL	(323)	(258)	(65)	
CONSUMABLES	--	--	--	
FREIGHT & CUSTOMS	(47)	(22)	(25)	
UTILITIES	(1)	--	(1)	
OTHER	(38)	(209)	171	(2)
PROFESSIONAL FEES	--	--	--	
DIP INTEREST AND CLOSING FEE	--	--	--	
CONTRIBUTIONS TO CORPORATE	--	--	--	
TOTAL DISBURSEMENTS	**(531)**	**(579)**	**48**	
NET INTER-COMPANY (excluding cont. to corporate)	**(3)**	**--**	**(3)**	
CHANGE IN CASH	**39**	**184**	**(145)**	

Variance Analysis:

1) Total receipts were below forecast due to the timing of one customer receipt. The receipt was received on the 19th, which should result in the variance reversing in the next period.

2) Other disbursements should be combined with materials because there was little differentiation made between the two categories at this division. The additional variance is due to timing of the disbursements. This is expected to reverse in future periods.

APPENDIX B

Ivaco- Ivaco Inc.
Comparison of Actual to Forecast
For the period from November 1, 2003 to January 16, 2004

(in thousands)	**Actual Nov 1 - Jan 16**	**Forecast Nov 1 - Jan 16**	**Variance**	**Notes**
RECEIPTS				
TRADE	33,045	35,216	(2,171)	(1)
OTHER	1,131	1,079	52	
INTER-COMPANY RECEIPTS BY CORPORATE	6,855	6,432	423	(2)
TOTAL RECEIPTS	**41,031**	**42,727**	**(1,696)**	
DISBURSEMENTS				
PAYROLL & RELATED	(7,057)	(7,853)	796	(3)
MATERIAL	(782)	--	(782)	(4)
CONSUMABLES	(1,938)	(2,381)	443	(5)
FREIGHT & CUSTOMS	(2,237)	(2,744)	507	(6)
UTILITIES	(4,731)	(2,746)	(1,985)	(7)
OTHER	(4,735)	(4,643)	(92)	
PROFESSIONAL FEES	(3,121)	(4,094)	973	(8)
DIP INTEREST AND CLOSING FEE	--	(80)	80	
CONTRIBUTIONS TO CORPORATE	--	--	--	
TOTAL DISBURSEMENTS	**(24,601)**	**(24,541)**	**(60)**	
NET INTER-COMPANY (excluding cont. to corporate)	**(15,319)**	**(17,991)**	**2,672**	(9)
CHANGE IN CASH	**1,111**	**195**	**916**	

Variance Analysis:

1) Actual receipts were lower than forecast due to the timing of receipts. This court report period variance is in part a reversal of thepositive variance from the month of October.

2) Inter-company receipts are higher than forecast as a result of IRM and Ifastgroupe forecasting charges that were actually paid by Ivaco Inc., then allocated to the respective division.

3) Payroll costs were lower than forecast due to timing of source deductions, witholding taxes and benefit payments.

4) Materials were higher than forecast because rod is now being purchased from a third party producer. The purchases from this third party will reduce the intercompany shipments between IRM and Ivaco in the future.

5) Consumables were lower than forecast as a result of cost reduction programs and timing of certain purchases that were postponed over the holiday season due to plant shutdown.

6) Freight and customs were lower than forecast due to timing and the shut down period over the holidays. It is expected to reverse in future periods.

7) Utility disbursements were higher than forecast as a result of timing of charges and because Ivaco was paying for large utility bills than allocating the applicable IRM and Ifastgroupe components back to the respective division. Forecast had IRM and Ifastgroupe making all utility payments directly.

8) Professional fees were lower than forecast due to the timing of payments. This variance is a reversal of the prior period, and is expected to smooth over the long term.

9) Net inter-company payments were lower than forecast in part due to timing and in part due to a reduction in inter-company shipments.

IVACO - Ivaco Rolling Mills Limited Partnership
Comparison of Actual to Forecast
For the period from November 1, 2003 to January 16, 2004

(in thousands)	**Actual Nov 1 - Jan 16**	**Forecast Nov 1 - Jan 16**	**Variance**	**Notes**
RECEIPTS				
TRADE	75,351	73,377	1,974	(1)
OTHER	684	-	684	(2)
TOTAL RECEIPTS	**76,035**	**73,377**	**2,658**	
DISBURSEMENTS				
PAYROLL & RELATED	(11,283)	(10,532)	(751)	(3)
MATERIAL	(56,176)	(55,962)	(214)	(4)
CONSUMABLES	(5,066)	(5,752)	686	(5)
FREIGHT, CUSTOMS & DUMPING DUTY	(13,438)	(14,347)	909	(6)
UTILITIES	(5,612)	(7,308)	1,696	(7)
OTHER	(10,053)	(11,177)	1,124	(8)
PROFESSIONAL FEES	--	-	-	
DIP INTEREST AND CLOSING FEE	(468)	(464)	(4)	
CONTRIBUTIONS TO CORPORATE	(4,474)	(3,380)	(1,094)	(9)
TOTAL DISBURSEMENTS	**(106,570)**	**(108,922)**	**2,352**	
NET INTER-COMPANY (excluding cont. to corporate)	**31,690**	**35,042**	**(3,352)**	(10)
CHANGE IN CASH	**1,155**	**(503)**	**1,658**	

Variance Analysis:

1) Actual receipts were higher than forecast due to better than expected cash collection over the period and timing differences, expected to reverse over future periods.

2) Other receipts were higher than forecast due to the timing of GST refunds and QST payments for the period. This is expected to reverse in future periods.

3) Payroll is higher than forecast due mostly to timing and slightly because of an increase in overtime compared to forecast as a result of vacations.

4) Materials purchased were slightly higher than forecast as a result of timing and a slight increase in the level of scrap purchases.

5) Consumable purchases were lower than forecast due to timing of the charges. This is a reversal of the prior court report period and is expected to smooth over a longer period.

6) Freight, Customs & Dumping Duty is lower than forecast as a result of timing. This is a reversal of the prior court report period and is expected to smooth over a longer period.

7) Utilities disbursements were lower than forecast as a result of Ivaco Inc. paying some charges for IRM and than allocating a charge for the relevant portion to IRM.

8) Other disbursements were lower than forecast as a result of tighter cost controls and cash conservation efforts combined with timing effects.

9) Contributions to Corporate were higher than forecast in part due to timing of charges and as a result of Ivaco Inc. making payments for utilities on behalf of IRM.

10) Inter-company receipts were lower than anticipated as a result of timing and due to a reduction in shipments to inter-company recipients.

IVACO - Ifastgroupe and Company, Limited Partnership & Ifastgroupe Inc.
Comparison of Actual to Forecast
For the period from November 1, 2003 to January 16, 2004

(in thousands)	Actual Nov 1 - Jan 16	Forecast Nov 1 - Jan 16	Variance	Notes
RECEIPTS				
TRADE (1)	62,868	66,993	(4,125)	(1)
OTHER	846	--	846	(2)
TOTAL RECEIPTS	**63,714**	**66,993**	**(3,279)**	
DISBURSEMENTS				
PAYROLL & RELATED	(9,092)	(9,234)	142	
MATERIAL	(8,538)	(6,335)	(2,203)	(3)
CONSUMABLES	(7,503)	(5,506)	(1,997)	(4)
FREIGHT & CUSTOMS	(2,706)	(3,438)	732	(5)
UTILITIES	(721)	(880)	159	
OTHER	(7,698)	(11,068)	3,370	(6)
PROFESSIONAL FEES	--	--	--	
DIP INTEREST AND CLOSING FEE	(486)	(21)	(465)	(7)
CONTRIBUTIONS TO CORPORATE	(2,358)	(2,984)	626	(8)
TOTAL DISBURSEMENTS	**(39,102)**	**(39,465)**	**363**	
NET INTER-COMPANY (excluding cont. to corporate)	**(16,164)**	**(15,871)**	**(293)**	(9)
CHANGE IN CASH	**8,448**	**11,657**	**(3,209)**	

Variance Analysis:

1) Actual receipts were lower than forecast due to timing, which is expected to smooth over a longer period. Major factor affecting the timing is the usage of a lock-box, which stalls these receipts an extra two days, causing the receipts balance to be below the forecast amount by the current lock-box receipts.

2) Other receipts were higher than forecast due to a banking correction from a prior period and the receipt of a GST refund that was forecast in the next reporting period.

3) Material was higher than forecast as a result of timing and an increase in the amount of materials purchased. Specifically, there is an increase in raw material volumes purchased due to proposed increase in production and tighter payment terms causing increased disbursements compared to forecast.

4) Consumable purchases were higher than forecast due to timing of the charges. Consumables, like materials, were influenced by tighter payment terms and prepayment requests that caused an increase.

5) Freight, Customs & Dumping Duty is lower than forecast as a result of timing. The plants were shut down for several days over the holidays resulting in lower shipping, however, the forecasts are expected to be met through additional shipping in the weeks following the holiday season. In the bi-weekly period ended January 16th this is partially reversed.

6) Other disbursements were lower than forecast as a result of tighter cost controls and cash conservation efforts combined with timing effects.

7) DIP interest forecast was lower than actual and the second half of the closing fee for the GE DIP facility was not forecast.

8) Contributions to Corporate were lower than forecast in part due to timing of payments and allocation of corporate charges.

9) Inter-company payment were higher than anticipated as a result of timing and as a reversal of the prior period variance.

IVACO - DOCAP (1985) Corporation
Comparison of Actual to Forecast
For the period from November 1, 2003 to January 16, 2004

(in thousands)	**Actual Nov 1 - Jan 16**	**Forecast Nov 1 - Jan 16**	**Variance**	**Notes**
RECEIPTS				
TRADE	2,969	3,384	(415)	(1)
OTHER	16	29	(13)	
TOTAL RECEIPTS	**2,985**	**3,413**	**(428)**	
DISBURSEMENTS				
PAYROLL & RELATED	(551)	(507)	(44)	
MATERIAL	(1,398)	(1,226)	(172)	(2)
CONSUMABLES	--	--	--	
FREIGHT & CUSTOMS	(193)	(111)	(82)	
UTILITIES	(9)	(19)	10	
OTHER	(400)	(953)	553	(2)
PROFESSIONAL FEES	--	--	--	
DIP INTEREST AND CLOSING FEE	--	--	--	
CONTRIBUTIONS TO CORPORATE	(10)	(25)	15	
TOTAL DISBURSEMENTS	**(2,561)**	**(2,841)**	**280**	
NET INTER-COMPANY (excluding cont. to corporate)	**(207)**	**(213)**	**6**	
CHANGE IN CASH	**217**	**359**	**(142)**	

Variance Analysis:

1) Actual receipts were lower than forecast due to timing, which is expected to smooth over a longer period.

2) Material should be considered with Other disbursements. Combined there were less disbursements made than forecast as a result of timing which is expected to reverse over the next reporting periods.

APPENDIX C

IVACO GROUP

SUMMARY OF ESTIMATED DIRECTORS' LIABILITIES (note 1)

(in thousands)	**Original Estimate $**	**Sept. 30 Estimate $**	**Oct. 31 Estimate $**	**Dec. 31 Estimate $**
Payroll and source deductions (note 2)				
Ivaco	830	300	265	152
IRM	1,460	0	273	247
Ifastgroupe	1,160	560	440	177
Docap	50	40	25	2
Subtotal	3,500	900	1,003	578
Vacation pay (note 3)				
Ivaco	3,300	1,360	1,190	1,452
IRM	4,600	2,050	2,100	3,670
Ifastgroupe	5,000	2,930	3,006	3,243
Docap	100	60	63	67
Subtotal	13,000	6,400	6,359	8,432
Pension funding (note 4)				
Ivaco	400	1,670	2,846	3,857
IRM	870	6,380	9,354	11,357
Ifastgroupe	230	690	1,478	2,508
Docap	0	15	25	40
US Plans	0	5,245	6,800	6,800
Subtotal	1,500	14,000	20,503	24,562
GST/PST/QST (note 5)				
Ivaco	0	0	0	0
IRM	2,000	680	1,820	1,790
Ifastgroupe	0	0	0	524
Docap	0	20	27	27
Subtotal	2,000	700	1,847	2,341
Total				
Ivaco	**4,530**	**3,330**	**4,301**	**5,461**
IRM	**8,930**	**9,110**	**13,547**	**17,064**
Ifastgroupe	**6,390**	**4,180**	**4,924**	**6,452**
Docap	**150**	**135**	**140**	**136**
US Plans	**0**	**5,245**	**6,800**	**6,800**
	20,000	**22,000**	**29,712**	**35,913**

Notes

1. The original estimate represents the peak exposure to the directors based on amounts owing as at September 15th and taking into account ongoing accruals and payment cycles. The September 30th, October 31st and December 31st figures reflect an estimate of amounts owing as at these dates.

2. Payroll is paid weekly, with source deductions also remitted weekly several days after each pay. The difference between the original estimate and the September 30th, October 31st and the December 31st is that the original estimate also includes an amount equal to the peak week of gross payroll whereas the September 30th, October 31st and December 31st estimates do not include any amount for payroll as these payments were current as at those dates.

3. Vacation pay exposure in the original estimate includes, in addition to the amount outstanding as at September 15th, an estimate that reflects the fact that the exposure increases on a linear basis until July 2004, at which time employees are required to take their annual vacation. Accordingly, the original estimated exposure represents the estimated 12-month accrual for the period ending July 31, 2004. The September 30th, October 31st and December 31st estimates are based on vacation pay owing at those dates.

4. In the original estimate, no provision was made for past service contributions and $1.5 million was provided for current service contributions.

   The September 30th estimate includes approximately $1.8 million for current service contributions and $7.0 million for past service contributions. Also included in the September 30th estimate is US$3.9 million for outstanding in respect of various US pension plans.

   The October 31st estimate includes approximately $2.5 million for current service contributions and $11.2 million for past service contributions. In addition, The October 31st estimate includes US$5.1 million in respect of the US plans.

   The December 31st estimate includes approximately $2.5 million for current service contributions and $15.2 million for past service contributions. In addition, The December 31st estimate includes US$5.1 million in respect of the US plans.

5. The original estimate represents two months of sales tax remittances calculated on the basis that at any one time, two months of remittances could be outstanding. The September 30th, October 31st and December 31st figures reflect the estimated amounts due and unpaid at those dates.

6. Analysis is based on preliminary financial information provided by management. Directors' liability issues are under review by the Applicants and their legal

counsel and have not been reviewed by the Monitor to verify which items may be enforceable.

7. No amounts are listed for potential non-statutory liabilities of directors including, but not limited to, severance and termination pay. Management is in the process of quantifying these amounts.