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"

SUPPLEMENT TO THE THIRD REPORT OF THE MONITOR
OCTOBER 14, 2003

INTRODUCTION

1. On September 16, 2003 Ivaco Inc. ("Ivaco") and certain of its affiliates (collectively the "Applicants" or the "Companies") 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 (the "Initial Order"). Pursuant to the Initial Order, Ernst & Young Inc. ("EYI") was appointed as monitor (the "Monitor") of the Applicants during these CCAA proceedings.

2. The Third Report of the Monitor dated October 9, 2003 (the "Third Report") was served on the service list on the evening of October 9, 2003. It was provided to this Honourable Court to serve as an update on the Applicants' activities during the initial 30 day stay provided in the Initial Order and to support the Applicants' motion for an extension of the initial stay of proceedings.

3. This Supplement to the Third Report of the Monitor is provided to this Honourable Court as an update to the Third Report on the following:

- DIP Financing;

- Directors' Liabilities;
- Initiation of Chapter 7 Proceedings; and
- Corrections to the Third Report of the Monitor.

4. Capitalized terms not defined in this Report are as defined in the Initial Order. All references to dollars are in Canadian currency unless otherwise noted.

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.

DIP FINANCING

6. As indicated in the Third Report, the amounts outstanding under the DIP facilities, internal and external, as at October 3, 2003, were as follows:

Entity	DIP Balance	Sub DIP to Ivaco	Sub DIP to Docap
IRM	6.6 million	1.1 million	
Ifastgroupe	6.0 million	5.5 million	
Ivaco	--------	-------	0.4 million
Total	12.6 million	6.6 million	0.4 million

7. The balances reflected above are before giving credit for a significant amount of customer payments deposited into the Applicants' blocked bank accounts but not yet swept by GE (as daily repayment of the DIP loans) as at October 3rd. The Notes to Cash Flow Forecasts contained in Appendix 6 of the Third Report describe these deposits. The effect of crediting these deposits would be to reduce the **net** external DIP loan balances owed to GE as at October 3, 2003 to the following:

IRM	$4.7 million
Ifastgroupe	4.0 million
Total GE DIP	$8.7 million

8. As at October 10, 2003, the **net** IRM DIP loan balance was approximately $5.0 million, an increase of approximately $300,000 from the October 3, 2003 balance.

9. The Ifastgroupe net DIP loan balance as at October 10, 2003 was approximately $4.5 million, an increase of approximately $500,000 from October 3rd. The Ifastgroupe balance is higher than expected because a single customer payment of $2.6 million has had to be re-processed due to the lingering after-effects of the Applicants' banking troubles. The Applicants anticipate that it will be processed later this week and will reduce the DIP loan balance by $2.6 million.

10. The DIP loans to Ivaco as at October 10, 2003 were $1.1 million and $5.9 million from IRM and Ifastgroupe, respectively. As of October 10, 2003, Ivaco had processed most of the customer payments (receipts) that had been backlogged as a result of the banking situation and, as a result, had cash on hand totalling approximately $4.5 million. There is a remaining deposit backlog of approximately $1 million that will be processed this week and will generate more cash for Ivaco.

11. Ivaco has advised the Monitor that it intends to use the cash on hand to repay the Ifastgroupe DIP loan as soon as possible this week so as to reduce it to the same level as the IRM DIP loan.

12. After giving effect to the transactions described in paragraphs 9 to 11 above, based on the cash flow forecasts filed in the Third Report Ivaco is projected to owe IRM and Ifastgroupe approximately $1 million each under their respective DIP loans as at October 17, 2003. As at this same date, IRM is projected to have an outstanding DIP loan balance owing to GE of approximately $8.3 million and Ifastgroupe is projected to have repaid its DIP loan to GE in its entirety.

13. As at October 10, the internal DIP loan to Docap remained at $400,000. Docap has cash on hand in excess of this balance and intends to repay the internal DIP loan in full by the end of this week.

DIRECTORS' LIABILITIES

14. Included with the Monitor's Third Report was an estimate of the directors' exposure to statutory liabilities at the time of the initial application, as prepared by the Applicants, with assistance from EYI.

15. The Applicants have prepared an updated schedule of directors' statutory liabilities by entity as at September 30, 2003, a copy of which is attached at Appendix 1. The Monitor has only recently received this information and has not yet had an opportunity to review it in detail.

INITIATION OF CHAPTER 7 PROCEEDINGS

16. On October 10, 2003, Ivaco's wholly-owned subsidiary, Atlantic Steel Company ("Atlantic") and all of Atlantic's subsidiaries, including Sivaco Georgia LLC and Ivaco Steel Processing (New York) LLC, filed under Chapter 7 of the U.S. Bankruptcy Code.

CORRECTIONS TO THE THIRD REPORT OF THE MONITOR

17. The following are corrections to the Third Report:

- The references in paragraph 31 to "$2.6 million" should read "$3.5 million";
- The reference in paragraph 32 to "2.9 million" should read "$1.4 million";
- In paragraph 92, the second sentence should read that the "Applicants had consolidated net cash *inflow* of approximately $4.3 million for the period from September 16, 2003 to October 3, 2003…"
- The variance figure for Ifastgroupe in the table in paragraph 93 should read $5,931, not $931. The table should read as follows (in thousands):

Entity	Actual Net Inflow (Net Outflow)	Projected Net Inflow (Net Outflow)	Variance
Ivaco	199	(4,391)	4,590
IRM	(1,844)	(3,832)	1,988
Ifastgroupe	5,897	(34)	*5,931*
Docap	-------	(39)	39
Total	4,252	(8,296)	12,548

All of which is respectfully submitted this 14th day of October 2003.

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

IVACO GROUP

SUMMARY OF ESTIMATED DIRECTORS' LIABILITIES

(in thousands)	**Original Estimate** (note 1)	**Sept. 30 Estimate**
Payroll and source deductions (note 2)		
Ivaco	$ 830	$ 300
IRM	1,460	-
Ifastgroupe	1,160	560
Docap	50	40
Subtotal	3,500	900
Vacation pay (note 3)		
Ivaco	3,300	1,360
IRM	4,600	2,050
Ifastgroupe	5,000	2,930
Docap	100	60
Subtotal	13,000	6,400
Pension funding (note 4)		
Ivaco	400	1,670
IRM	870	6,380
Ifastgroupe	230	690
Docap	-	15
US Plans	-	5,245
Subtotal	1,500	14,000
GST/PST/QST (note 5)		
Ivaco	-	-
IRM	2,000	680
Ifastgroupe	-	-
Docap	-	20
Subtotal	2,000	700
TOTAL		
Ivaco	4,530	3,330
IRM	8,930	9,110
Ifastgroupe	6,390	4,180
Docap	150	135
US Plans	-	5,245
	$20,000	$22,000

Notes

1. The original (September 15) 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 figures reflect an estimate of amounts owing as at that date.

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

3. Vacation pay exposure in the original estimate includes, in addition to the amount outstanding as at September 15, 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 estimate is based on vacation pay owing at that date.

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 current service contributions in respect of various US pension 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 figure reflects the estimated amount outstanding at that date.

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.