

**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
BARZEL INDUSTRIES CANADA INC.**

Applicant

**TWELFTH REPORT OF THE MONITOR
DATED AUGUST 26, 2011**

INTRODUCTION AND OVERVIEW

1. On September 15, 2009, Barzel Industries Canada Inc. ("**Barzel Canada**" or the "**Applicant**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Pursuant to the Order of this Court dated September 15, 2009 (the "**Initial Order**"), Deloitte & Touche Inc. ("**Deloitte**") was appointed as the Monitor of Barzel Canada (the "**Monitor**") in the CCAA proceeding. Deloitte filed a report (the "**Pre-Filing Report**") with this Court in its capacity as proposed Monitor in connection with this application. Copies of the Pre-Filing Report, and all other prior reports of the Monitor are available from the Monitor's website at www.deloitte.com/ca/barzel.
2. On the same day, Barzel Canada's parent, Barzel Industries Inc. ("**BII**") and certain affiliated U.S. entities including Barzel Holdings Inc., Barzel Finco Inc. ("**Barzel Finco**"), Barzel Industries U.S. Inc., American Steel and Aluminum Corporation, Nova Tube and Steel Inc., Novamerican Tube Holdings, Inc. and Nova Tube Indiana, LLC (collectively, the "**U.S. Debtors**") filed voluntary petitions under chapter 11 of title 11 of the *United States Code*, 11 U.S.C. §101-1532 (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**").

3. The U.S. bankruptcy proceedings were recognized by this Court as a “foreign proceeding” under s. 18.6 of the CCAA in a companion order entered on September 15, 2009.
4. Collectively, Barzel Canada and the U.S. Debtors are known as the “**Barzel Group**”.
5. The Applicant is bringing a motion returnable August 31, 2011 seeking, *inter alia*, an extension of the stay of proceedings (the “**Stay Period**”) to December 21, 2011. The Monitor is of the view that Barzel Canada continues to work in good faith to facilitate the resolution of certain outstanding tax matters with Revenu Quebec. This Twelfth Report of the Monitor (the “**Twelfth Report**”) is filed in connection with the Applicant’s motion.

PURPOSE

6. The purpose of this Twelfth Report is to provide information to this Court in respect of:
 - the corporate income tax re-assessments affecting Barzel Canada;
 - the Applicant’s request pursuant to its notice of motion dated August 26, 2011 (the “**Stay Extension Motion**”) for this Court to authorize and direct the Monitor to forthwith distribute to The Bank of New York Mellon, as indenture trustee relating to certain secured notes in favour of the Secured Lenders (as defined below), in the amount of \$300,000 (the “**Interim Distribution**”);
 - the proposed extension to the Stay Period pursuant to the Applicant’s Stay Extension Motion;
 - the fees and disbursements of the Monitor and its counsel, Osler, Hoskin & Harcourt LLP;
 - the activities of the Monitor since the Eleventh Report;
 - an updated statement of cash flow projections regarding the funds in the possession of the Monitor; and
 - the Monitor’s recommendation to the Court with respect to the requested extension to the Stay Period.

TERMS OF REFERENCE

7. In preparing this Twelfth Report, the Monitor has relied upon unaudited financial information, Barzel Canada's books and records, financial information prepared by Barzel Canada and its advisors and discussions with management of the Barzel Group, including the CRO. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Accordingly, the Monitor expresses no opinion or other form of assurance on the information contained in this report.
8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
9. Capitalized terms not defined in this Twelfth Report are as defined in the Eleventh Report of the Monitor dated February 23, 2011 (the "**Eleventh Report**"). A copy of the Eleventh Report (without exhibits) is attached as Exhibit "A".

BACKGROUND

10. On September 14, 2009, the Barzel Group entered into an asset purchase agreement (as amended on September 30, 2009), (the "**APA**") with Chriscott USA Inc. and 4513614 Canada Inc. (collectively, "**Metco**") for the sale of substantially all of the assets, property and undertaking of the Barzel Group.
11. At a joint hearing before this Court and the U.S. Court on October 6, 2009, Mr. Justice Morawetz made an Order (the "**Sale Procedures Order**"): (i) approving certain sale procedures (the "**Sale Procedures**"); (ii) approving the APA as the "stalking horse" bid for the purpose of conducting the sale process; and (iii) approving the termination fee and expense reimbursement contemplated in the APA. The U.S. Debtors also received a similar Order from the U.S. Court at that time.
12. In accordance with the Sale Procedures Order, the Barzel Group conducted an auction for the sale of substantively all of its assets on October 28, 2009. The Barzel Group, in consultation with J.P. Morgan Securities LLC and CIBC World Markets Corp. (collectively, the "**Secured Lenders**"), and JPMorgan Chase Bank N.A., CIBC Inc., the

unsecured creditors' committee in the United States proceedings and the Monitor and their respective counsel, determined that a revised bid from Metco was the highest and best bid and therefore the successful bid at the auction. By Order dated October 30, 2009, this Court approved the sale and vesting of substantially all of the assets of Barzel Canada to Metco.

13. The sale transaction (the "**Sale Transaction**") in respect of the Canadian assets closed on November 19, 2009, the date the Monitor delivered a certificate confirming the closing of the Sale Transaction to the satisfaction of the Monitor.
14. Barzel Canada and the Secured Lenders agreed that a portion of the Canadian Proceeds would be set aside in a reserve to be held by the Monitor (the "**Reserve**") pending resolution of any claims secured by the Directors' Charge and the Administration Charge. By Order dated January 14, 2010, the Monitor was empowered to hold the Reserve.
15. Further, on January 14, 2010, JPMorgan Chase Bank, N.A. and CIBC World Markets Corp. (collectively, the "**Holders**"), Barzel Canada and the Monitor entered into an agreement (the "**Reimbursement Agreement**") pursuant to which the Holders agreed to reimburse Barzel Canada or its successors up to a maximum of \$1.8 million for claims that are secured by the Directors' Charge that are in excess of the portion of the Reserve attributed to the Directors' Charge.
16. The Barzel Group remains indebted to the Secured Lenders in an amount in excess of USD \$310 million.
17. The Eleventh Report provided an extensive update to the Court in respect of matters relating to claims received by the Applicant to the date of that report, various statutory audits performed on Barzel Canada's tax accounts and the potential impact of the corporate income tax re-assessment.

OVERVIEW OF TAX-RELATED ISSUES

18. In the Eleventh Report, the Monitor reported that there were two outstanding and inter-related tax issues: (i) the corporate income tax re-assessment of fiscal years 2003-2006 by

CRA (the “**Corporate Income Tax Re-assessment**”) and the impact thereof on Barzel Canada’s income tax liabilities to Revenu Quebec; and (ii) a significant Quebec Sales Tax (“**QST**”) liability and the extent to which existing credits would be available to be applied against such liability. As described in greater detail below, CRA finalized the Corporate Income Tax Re-assessment on April 18, 2011. Since then, Deloitte understands that the Tax Consultant has made efforts to communicate with Revenu Quebec to determine whether, in view of the Corporate Income Tax Re-assessment, any existing Quebec tax credits will be available to offset the QST liability.

19. The Tax Consultant has reviewed this Twelfth Report and, in particular, the discussions of the ongoing tax audits and the Corporate Income Tax Re-assessment. The Tax Consultant has confirmed that the tax-related information contained in this Twelfth Report is accurate.

CORPORATE INCOME TAX RE-ASSESSMENT

20. The Monitor advised the Court in the Eleventh Report that in December 2008, CRA issued a re-assessment rejecting the income tax treatment of approximately \$46 million of expenses related to historical transfer pricing, management fees and corporate jet usage incurred by the Applicant’s predecessors, Novamerican Steel Inc. and Nova Steel Ltd. There are federal and Quebec provincial components to the Corporate Income Tax Re-assessment, and the Quebec provincial tax liability is contingent in part on the ultimate resolution of the Corporate Income Tax Re-assessment. As a result, and as discussed more extensively below, issues relating to QST liability and Quebec corporate income tax could not be addressed or finally resolved by Revenu Quebec until after the Corporate Income Tax Re-assessment was completed by CRA.
21. On April 18, 2011, the Corporate Income Tax Re-assessment was finalized by CRA and issued to the Applicant, the Tax Consultant and the Monitor. In prior conversations with the Monitor and the Tax Consultant at that time, a representative from the appeals division of CRA indicated that a copy of the final Corporate Income Tax Re-assessment would also be delivered to Revenu Quebec.

22. The Corporate Income Tax Re-assessment resulted in assessed federal corporate income taxes of \$1.1 million and \$1.4 million owing by Nova Steel Ltd. and Novamerican Steel Inc., respectively (collectively “the **Re-Assessed Federal Corporate Income Taxes**”). As reported in the Eleventh Report, between November 2009 and April 2011, the Applicant and the Tax Consultant engaged in various discussions and negotiations with CRA over the appropriate tax treatment of the disallowed expenses, management fees and transfer pricing arrangements. The Monitor has participated in certain of the more recent discussions. The Monitor cannot independently verify the accuracy of the final Corporate Income Tax Re-assessment, however the Tax Consultant has indicated to the Monitor that he is in general agreement with the final position of CRA in respect of the Re-Assessed Federal Corporate Income Taxes.
23. The Monitor reported in the Eleventh Report that CRA had verbally confirmed to both the Monitor and the Tax Consultant that the Barzel Canada account held a credit of approximately \$1.1 million in respect of goods and services tax (“**GST**”). As explained in detail in the Eleventh Report, both CRA and the Department of Justice have advised the Tax Consultant and the Monitor that the GST credit would first be applied to federal corporate income tax obligations before any credit would be refunded to the Applicant or transferred to Revenu Quebec for setoff against the Applicant’s QST obligation. The amount of the Re-Assessed Federal Corporate Income Taxes exceeds the \$1.1 million GST credit.

QUEBEC TAX LIABILITY

24. As noted above, the Corporate Income Tax Re-assessment includes certain determinations that may impact the Quebec corporate income tax liability, although any final determination by CRA is without prejudice to Revenu Quebec’s ability to re-evaluate and reach a contrary conclusion in respect of matters raised in the Corporate Income Tax Re-assessment. We understand that the completion of the Corporate Income Tax Re-assessment and its delivery to Revenu Quebec enables Revenu Quebec to commence its final re-assessment process. Upon Revenu Quebec’s issuance of a re-assessment, it appears Barzel Canada’s outstanding tax issues will have been addressed.

25. As previously reported to the Court, the Applicant owes approximately \$470,000 (exclusive of interest and penalties) with respect to QST. A representative of Revenu Quebec has advised the Tax Consultant and the Monitor that the Applicant will not be liable for any post-filing interest and penalties in respect of any QST obligation.
26. The Monitor is advised by the Tax Consultant that the Applicant was not fully aware of the extent of its QST-related obligations until after the commencement of the CCAA proceeding because QST audits were underway in the period leading up to the filing date. In addition, Revenu Quebec administers both GST and QST collection in the province of Quebec and Barzel Canada's QST liabilities up to February 2009 had been offset against GST credits. The Tax Consultant, who was the former Director of Tax at Barzel Canada, has advised the Monitor that this practice was discontinued in respect of Barzel Canada in or around the spring of 2009. As noted above, QST audits have resulted in a QST liability of approximately \$470,000 (exclusive of interest and penalties).
27. The Tax Consultant has advised the Monitor that, in addition to its QST liability, Barzel Canada currently has a Quebec corporate income tax credit relating to installments made by Barzel Canada of approximately \$558,000 in respect of its fiscal year ended 2009 for which an assessment has not been received from Revenu Quebec. The Tax Consultant has further indicated that at least a portion of the Quebec corporate income tax credit may be released and become available for application against the QST-related obligation. However, according to the Tax Consultant, Revenu Quebec has indicated that the Quebec corporate income tax credits have been frozen by Revenu Quebec pending its review of the final Corporate Income Tax Re-assessment.
28. As noted in the Eleventh Report, the Tax Consultant previously provided the Monitor with an estimate of the Quebec corporate income tax liability which indicated that a portion of the Quebec corporate income tax credit might be available for application against the QST-related obligation. However, because the Re-Assessed Federal Corporate Income Taxes were ultimately greater than originally anticipated, there is a possibility that a lesser amount of the pre-filing overpayment credit will be available to satisfy the QST obligation.

29. The Applicant will not know whether all or a portion of the Quebec corporate income tax credit will be available to offset the QST liability until Revenu Quebec has reviewed the final Corporate Income Tax Re-assessment. The Monitor has been advised by the Tax Consultant that the Tax Consultant has made efforts to contact Revenu Quebec to discuss the status of Revenu Quebec's review of the Corporate Income Tax Re-assessment and its implications for the Applicant's QST and Quebec corporate income tax liabilities. Although a representative of Revenu Quebec was included in certain discussions between the Monitor, the Tax Consultant, the Department of Justice and CRA that took place in the fall and winter of 2010, the Monitor is advised that the Tax Consultant has not yet been able to substantively engage with his contact at Revenu Quebec since the completion of the Corporate Income Tax Re-assessment. The Monitor has been advised by counsel to the Applicant and the CRO that Revenu Quebec has not informed the Applicant whether it agrees with CRA's determination reflected in the Corporate Income Tax Re-assessment. If Revenu Quebec does agree with CRA's position, then it is expected that this will have an impact on the Applicant's Quebec corporate income tax liability (and, in turn, the extent to which existing credits are available to offset QST obligations).
30. The directors and officers of the Applicant may have liability in respect of QST arrears. Even if the Applicant is able to off-set Quebec corporate income tax credits against its QST liability, a portion of the arrears may remain outstanding.
31. The Monitor is currently holding approximately \$489,000 in reserve in respect of potential liabilities that might be secured by the Directors' Charge.
32. As noted in the Eleventh Report, Revenu Quebec has told the Tax Consultant and the Monitor that there is a risk that if there is a bankruptcy filing before the Quebec corporate income tax credit is released by Revenu Quebec, the existing credit will remain frozen and will not be available to be applied to off-set the Applicant's QST liability. Revenu Quebec has further advised the Tax Consultant and the Monitor that a bankruptcy could administratively complicate the resolution of the outstanding tax matters.
33. Since the date of the Eleventh Report, the Tax Consultant has corresponded with Revenu Quebec in efforts to clarify the Applicant's Quebec tax liabilities. Throughout this time,

Revenu Quebec has not stated its position in respect of the Applicant's Quebec tax liability pending its review of the Corporate Income Tax Re-assessment.

PROVINCIAL SOURCE DEDUCTION CLAIMS SETTLEMENT

34. As noted in the Eleventh Report, on February 23, 2011, the Monitor was advised by the Tax Consultant of the possibility of additional Quebec provincial source deduction obligations that could total up to \$6,000. The Tax Consultant has continued to communicate with Revenu Quebec in respect of outstanding source deduction obligations in order to confirm the extent and validity of such obligations. The Tax Consultant informed the Monitor that Revenu Quebec has verbally indicated that the outstanding source deduction obligations may be as much as approximately \$11,000. Once Revenu Quebec has issued a final statement and the outstanding source obligations are confirmed by the Tax Consultant, the Monitor, after consultation with the Applicant and the Secured Lenders, intends to settle the provincial source deduction obligation with funds reserved for payment of liabilities of the directors and officers of Barzel Canada. The Monitor will ask the Tax Consultant to request closure of all of Barzel Canada's source deduction accounts subsequent to the settlement of all outstanding source deduction obligations.

COLLECTION OF OUTSTANDING ACCOUNTS RECEIVABLE

35. The Monitor has continued to pursue the collection of \$447,000 of outstanding accounts receivable. The Monitor has not been able to collect any additional accounts receivable since the date of the Eleventh Report.

36. The Monitor is of the view that it is no longer worthwhile to continue efforts to recover and/or negotiate the settlement of outstanding receivables because the cost of pursuit is likely to exceed any ultimate recovery.

REQUEST TO EFFECT AN INTERIM DISTRIBUTION

37. The Stay Extension Motion seeks authorization from this Court to direct the Monitor to forthwith distribute the Interim Distribution to The Bank of New York Mellon, as indenture trustee relating to certain secured notes in favour of the Secured Lenders. As noted above,

the Barzel Group remains indebted to the Secured Lenders in an amount in excess of USD \$310 million.

38. Due to the collection of funds transferred from Barzel Canada, accounts receivable collections, and miscellaneous receipts, the Monitor has sufficient funds held in trust to meet the requirements of the Reserve, pursuant to the Order granted by this Court on January 14, 2010, pending resolution of any claims secured by the Directors' Charge and the Administration Charge.
39. Further, the cash flow forecast (discussed in detail below) demonstrates that the Applicant has sufficient funds on hand, subsequent to the Interim Distribution, to continue to fund this CCAA proceeding through the end of the requested extension to the Stay Period. Accordingly, the Monitor supports effecting the Interim Distribution.

CASH FLOW PROJECTIONS

40. Attached as Exhibit "B" to this Twelfth Report is an updated cash flow projection. The Monitor holds approximately \$1.09 million in trust as part of the Reserve. This amount includes approximately:
 - (a) \$300 in respect of the Administration Charge (which was originally \$750,000 and which has been used to make disbursements of professional fees to the Monitor, its counsel, and counsel to the Applicant);
 - (b) \$489,000 in respect of the Directors' Charge;
 - (c) \$301,000 held in anticipation of costs of administration of the wind-down of the Barzel Canada estate. This reserve was originally \$500,000 but has been reduced for disbursements of professional fees totaling \$199,000 to the Tax Consultant, the Monitor and its legal counsel for wind-down related services including the drafting and filing of final 2009 federal and provincial corporate income tax returns, the closure of various tax accounts and the finalization of the Corporate Income Tax Re-assessment;
 - (d) \$248,000 in funds transferred from Barzel Canada;

- (e) \$15,000 representing collections of accounts receivable;
 - (f) \$31,000 in miscellaneous receipts including insurance and hydro refunds; and
 - (g) \$6,000 in earned interest.
41. If necessary, additional funds may be available through the Reimbursement Agreement if amounts in excess of \$500,000 are required to settle claims that would permit recourse to the Directors' Charge. The Reimbursement Agreement, executed on January 14, 2010, has a term ending the earlier of (a) the later of (i) January 14, 2012, or (ii) if any claims against the directors or officers of Barzel Canada are made before January 14, 2012, the date on which the final determination of such claims have been made and, if any such claims are determined to be valid, all reimbursement amounts in respect of such claims have been paid; and (b) the day on which the aggregate amount of all reimbursement amounts paid equal \$1.8 million. Accordingly, the Reimbursement Agreement is set to expire on January 14, 2012 unless a valid claim(s) is made against the directors and officers of Barzel Canada prior to that date.
42. The cash flow forecast demonstrates that the Applicant has sufficient liquidity, subsequent to the Interim Distribution, to fund the CCAA proceeding through the end of the requested extension to the Stay Period.

REQUEST FOR EXTENSION TO STAY OF PROCEEDINGS

43. The Stay Period for these proceedings expires on August 31, 2011. The Applicant is now seeking a further extension of the Stay Period for a period up to and including December 21, 2011. As discussed above, the additional time is intended to permit the applicant to continue to work toward the resolution of outstanding tax matters and clarify the availability of existing credits for offset against the QST liability. The Monitor understands that the Secured Lenders support the requested stay extension.
44. As noted previously, the cash flow forecast demonstrates that the Applicant has sufficient funds on hand, subsequent to the Interim Distribution, to continue to fund this CCAA proceeding through the end of the requested extension to the Stay Period.

45. Although the Tax Consultant and the Monitor have been working diligently to advance the outstanding tax issues, the Monitor cannot currently express a viewpoint as to how long it will take for such issues to be finally resolved. At this point in time, because the Secured Lenders continue to support the Applicant's current request for a stay extension to enable the applicant to work toward resolution of outstanding tax issues, the Monitor is of the view that it remains worthwhile to continue to work toward the resolution of the outstanding tax issues.
46. The Monitor is of the view that the Applicant has acted and is continuing to act with due diligence and in good faith. The Monitor therefore supports the requested extension to the Stay Period.

ACTIVITIES OF THE MONITOR SINCE THE ELEVENTH REPORT

47. Since the Eleventh Report of the Monitor filed February 23, 2011, the Monitor has:
- (a) consulted with the Tax Consultant to obtain updates on the Corporate Income Tax Re-assessment, statutory tax audits with federal and provincial tax authorities and potential claims against Barzel Canada that could result in recourse to the Directors' Charge;
 - (b) communicated with Revenu Quebec, CRA and the Department of Justice regarding QST and Corporate Income Tax Re-assessment related issues;
 - (c) consulted with Barzel Group's CRO regarding efforts to collect the outstanding accounts receivable not assumed by Metco and the general administration of the wind-down of Barzel Canada;
 - (d) communicated with counsel to the Secured Lenders regarding various outstanding issues; and
 - (e) responded to creditor queries and provided general information on the CCAA proceedings.

APPROVAL OF FEES AND DISBURSEMENTS OF THE MONITOR AND THE MONITOR'S COUNSEL

48. The Applicant also seeks Court approval of the fees and disbursements of the Monitor and Monitor's counsel. Attached as Exhibit "C" to this Twelfth Report is the Affidavit of Daniel Weisz sworn August 26, 2011 in respect of the fees of the Monitor. Attached as Exhibit "D" to this Twelfth Report is the Affidavit of Elizabeth Allen Putnam sworn August 19, 2011 in respect of the fees of the Monitor's counsel.
49. The Monitor has reviewed the accounts of Osler, Hoskin & Harcourt LLP and believes that they are reasonable. The Monitor has received valuable, comprehensive and ongoing legal advice from its counsel throughout the course of these CCAA proceedings. Osler Hoskin & Harcourt LLP has actively participated in discussions with the Tax Consultant, CRA, Revenu Quebec, the Department of Justice, Applicant's counsel and counsel to the Secured Lenders and has substantively assisted the Monitor in the carrying out of its duties in the course of these CCAA proceedings. The Monitor is of the view that the rates of Osler Hoskin & Harcourt LLP are consistent with those of other Toronto law firms providing insolvency and restructuring advice in CCAA proceedings.

MONITOR'S CONCLUSIONS

50. The Monitor believes that the relief requested by the Applicant is reasonable in the circumstances for the following reasons:
- the Monitor is of the view that it remains worthwhile to continue to work toward the resolution of the outstanding tax issues, as the ongoing effort continues to be supported by the Secured Lenders;
 - the Monitor is of the view that the Applicant is continuing to act with due diligence and in good faith and that the Applicant has sufficient funds to administer its affairs through the requested extension to the Stay Period; and
 - the Secured Lenders have been consulted about the matters in this Twelfth Report and support the requested extension to the Stay Period.

RECOMENDATION

51. Based on the foregoing, the Monitor respectfully recommends that this Court grant the relief being requested by Barzel Canada.

All of which is respectfully submitted this 26th day of August, 2011.

DELOITTE & TOUCHE INC.

In its capacity as Monitor of Barzel Industries Canada Inc.



for

Paul Casey, CA•CIRP
Senior Vice-President

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 Barzel Industries Canada Inc.

Court File No: 09-8363-00CL

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

TWELFTH REPORT OF THE MONITOR

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Exhibit A

**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
BARZEL INDUSTRIES CANADA INC.**

Applicant

**ELEVENTH REPORT OF THE MONITOR
DATED FEBRUARY 23, 2011**

INTRODUCTION AND OVERVIEW

1. On September 15, 2009, Barzel Industries Canada Inc. ("**Barzel Canada**" or the "**Applicant**") filed for and obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**"). Pursuant to the Order of this Court dated September 15, 2009 (the "**Initial Order**"), Deloitte & Touche Inc. ("**Deloitte**") was appointed as the Monitor of Barzel Canada (the "**Monitor**") in the CCAA proceeding. Deloitte filed a report (the "**Pre-Filing Report**") with this Court in its capacity as proposed Monitor in connection with the application. The Pre-Filing Report of the Monitor (without exhibits) is attached as Exhibit "A" to this Eleventh Report of the Monitor (the "**Eleventh Report**").
2. On the same day, Barzel Canada's parent, Barzel Industries Inc. ("**BI**") and certain affiliated U.S. entities including Barzel Holdings Inc., Barzel Finco Inc. ("**Barzel Finco**"), Barzel Industries U.S. Inc., American Steel and Aluminum Corporation, Nova Tube and Steel Inc., Novamerican Tube Holdings, Inc. and Nova Tube Indiana, LLC (collectively, the "**U.S. Debtors**") filed voluntary petitions under chapter 11 of title 11 of the *United States Code*, 11 U.S.C. §101-1532 (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**").

3. The U.S. bankruptcy proceedings were recognized by this Court as a "foreign proceeding" under s. 18.6 of the CCAA in a companion order entered on September 15, 2009.
4. Collectively, Barzel Canada and the U.S. Debtors are known as the "Barzel Group".
5. The Applicant is bringing a motion returnable February 28, 2011 seeking, *inter alia*, an extension of the stay of proceedings (the "Stay Period") to August 31, 2011. Barzel Canada is currently working in good faith to facilitate the resolution of certain outstanding tax matters. This Eleventh Report is filed in connection with the Applicant's motion.

PURPOSE

6. The purpose of this Eleventh Report is to provide information to this Court in respect of:
 - the corporate income tax re-assessment affecting Barzel Canada and these CCAA proceedings;
 - the proposed extension to the Stay Period;
 - the fees and disbursements of the Monitor and its counsel, Osler, Hoskin & Harcourt LLP;
 - the activities of the Monitor since the Tenth Report; and
 - an updated statement of cash flow projections.

TERMS OF REFERENCE

7. In preparing this Eleventh Report, the Monitor has relied upon unaudited financial information, Barzel Canada's books and records, financial information prepared by Barzel Canada and its advisors, and discussions with management of Barzel Canada and management of the Barzel Group including Mr. Wayne Day, Chief Restructuring Officer of the Barzel Group (the "CRO"). The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information and, accordingly, the

Monitor expresses no opinion or other form of assurance on the information contained in this report.

8. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
9. Capitalized terms not defined in this Eleventh Report are as defined in the Pre-Filing Report of the Monitor and the Tenth Report of the Monitor dated November 17, 2010 (the "**Tenth Report**"). A copy of the Tenth Report of the Monitor (without exhibits) is attached as Exhibit "A" to this Eleventh Report.

BACKGROUND

10. On September 14, 2009, the Barzel Group entered into an asset purchase agreement (as amended on September 30, 2009), (the "**APA**") with Chriscott USA Inc. and 4513614 Canada Inc. (collectively, "**Metco**") for the sale of substantially all of the assets, property and undertaking of the Barzel Group.
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12. The sale transaction (the "**Sale Transaction**") in respect of the Canadian assets closed on November 19, 2009.
13. Barzel Canada and the Secured Lenders¹ agreed that a portion of the Canadian Proceeds would be set aside in a reserve to be held by the Monitor (the "**Reserve**") pending resolution of any claims secured by the Directors' Charge and the Administration Charge. By Order dated January 14, 2010, the Monitor was empowered to hold the Reserve.

¹ The "Secured Lenders" are JPMorgan Chase Bank, N.A. ("JPM"), CIBC World Markets Corp. ("CIBC") and CIBC Inc.

14. The Tenth Report provided an extensive update to the Court in respect of matters relating to claims received by the Applicant to date, various statutory audits performed on Barzel Canada's tax accounts and the potential impact of the corporate income tax re-assessment.

OVERVIEW OF TAX-RELATED ISSUES

15. Over the course of the last three months the Monitor has worked closely with the Tax Consultant², the Canada Revenue Agency ("CRA"), Revenu Quebec, and the Department of Justice to resolve the outstanding tax issues. During this time, the Tax Consultant and the Monitor have made significant progress towards the finalization of the corporate income tax re-assessment in respect of fiscal years 2003-2006 (the "**Corporate Income Tax Re-Assessment**").
16. In the Tenth Report, the Monitor reported that there were two outstanding and inter-related tax issues: (i) the Corporate Income Tax Re-Assessment; and (ii) a significant QST liability and the extent to which existing credits would be available to be applied against such liability. As described in greater detail below, the Corporate Income Tax Re-Assessment is close to being finalized by CRA. Once the Corporate Income Tax-Re-Assessment is finalized, the Applicant and the Monitor will be able to work directly with Revenu Quebec to finally determine whether any Quebec provincial credits will be available to offset QST liability.
17. The Tax Consultant has reviewed the Eleventh Report and, in particular, the discussions of the ongoing tax audits and the Corporate Income Tax Re-Assessment. The Tax Consultant has confirmed that the tax-related information contained in this Eleventh Report is accurate.

CORPORATE INCOME TAX RE-ASSESSMENT

18. As previously reported to the Court, on December 22, 2008, CRA issued a re-assessment rejecting the income tax treatment of approximately \$46 million of expenses related to historical transfer pricing, management fees and corporate jet usage incurred by the

² As reported in the Tenth Report of the Monitor, Barzel Canada has retained Mr. Gerard Char (the "Tax Consultant") to provide periodic tax consulting advice, including in respect of the ongoing statutory audits. Prior to the commencement of the CCAA proceeding, Mr. Char was employed as the director of tax at both Barzel Canada and BII.

Applicant's predecessors, Novamerican Steel Inc. and Nova Steel Ltd. There are federal and Quebec provincial components to the Corporate Income Tax Re-Assessment.

19. Since November 2009, the Applicant, the Tax Consultant and, more recently, the Monitor have engaged in various discussions with CRA over the appropriate treatment of such expenses. In the fall of 2010, the Tax Consultant and a representative from the appeals division of CRA ("CRA Appeals") provisionally agreed, subject to final confirmation by CRA Appeals and CRA headquarters ("CRA HQ"), upon a tax treatment that would reduce the amount of disallowed expenses to approximately \$21 million. Because a portion of this disallowance relates to international transfer pricing, the Tax Consultant formally requested that the international component of the disallowance be reduced by an additional 50% to reflect the fact that the Applicant was otherwise being subjected to double taxation by the Canadian and U.S. taxing authorities.
20. On December 16, 2010, Ms. Diane Winters, as representative for the Department of Justice, contacted the Monitor regarding the ongoing efforts to resolve the Corporate Income Tax Re-Assessment. The Monitor is advised that the Department of Justice routinely becomes involved in complex tax cases involving companies under CCAA protection. From December 2010 through February 2011, Ms. Winters helped to facilitate discussions and communications between CRA, Revenu Quebec, the Monitor and the Tax Consultant in furtherance of the efforts to settle the outstanding tax matters.
21. On January 6, 2011, the Monitor convened a conference call with the Department of Justice and CRA to discuss the Corporate Income Tax Re-Assessment. In the telephone conversation, the Department of Justice and CRA advised the Monitor that CRA could not, as a matter of law or policy, grant the requested 50% reduction in the international component of the Corporate Income Tax Re-Assessment. The Department of Justice and CRA further advised that Barzel Canada should refer the Corporate Income Tax Re-Assessment to the Canadian and U.S. competent authorities if it wanted to formally appeal the international component of the Corporate Income Tax Re-Assessment on grounds that it constituted double taxation. As noted in prior reports, in or around June 2010, a

determination was made by the Applicant that it would not refer the matter to the competent authorities because of concerns regarding costs and delays.

22. During the January 6, 2011 phone conversation and subsequent conversations with the Department of Justice, CRA and Revenu Quebec, the Monitor was also advised of the following:

- per CRA, the Applicant's GST credit of approximately \$1.1 million would remain frozen pending settlement of the Corporate Income Tax Re-Assessment;
- per CRA, any GST credit would be applied first to federal corporate income tax obligations before any credits would be released to Revenu Quebec for application against QST liabilities;
- per Revenu Quebec, the Quebec corporate income tax credit of approximately \$558,000 that resulted from an overpayment of Quebec corporate income tax obligations would remain frozen pending formal acceptance and confirmation by Revenu Quebec of the Quebec component of the Corporate Income Tax Re-Assessment;
- per Revenu Quebec, any Quebec corporate income tax credits would first be applied to unsecured Quebec corporate income tax obligations prior to any credits being released for application against QST obligations; and
- per CRA and Revenu Quebec, a bankruptcy assignment by the Applicant would likely delay the completion of the Corporate Income Tax Re-assessment by CRA and Revenu Quebec because of the potential for associated administrative delays and complications.

23. CRA also confirmed that before the Corporate Income Tax Re-Assessment could be finalized: (i) the Tax Consultant and CRA needed to agree on the application of loss carry-backs from fiscal 2004 and 2007 through 2009 to corporate income tax obligations of the Applicant's predecessor, Novamerican Steel Inc., for fiscal years 2003 through 2006; (ii) the Applicant needed to provide written notice to CRA that it was in agreement with the

settlement of the federal portion of corporate income tax obligations and the application of available loss-carry backs.

24. On February 2, 2011, the Tax Consultant, on behalf of the Applicant, notified CRA in writing that the Applicant agreed with CRA's position on the application of loss carry-backs. By letter dated February 8, 2011, CRA confirmed that the Applicant had complied with its information requests and that no further information or action was required by the Applicant. The Applicant and the Monitor are now awaiting final confirmation from CRA that the agreed upon tax treatment has been finally approved by CRA Appeals and CRA HQ.
25. CRA Appeals has informed the Tax Consultant and the Monitor that the formal conclusion of the Corporate Income Tax Re-Assessment will take 6-8 weeks (from February 8, 2011). Once the Corporate Income Tax Re-Assessment is finalized, CRA will provide a copy of the final Corporate Income Tax Re-assessment to the Applicant, the Monitor, the Tax Consultant and Revenu Quebec.
26. In the Tenth Report, the Monitor informed the Court that CRA had verbally confirmed that a GST credit of approximately \$1.1 million was restored to the Barzel Canada account following an appeal that was filed by the Tax Consultant in August 2010. CRA further informed the Monitor and the Tax Consultant that the GST refund would remain frozen by CRA pending the outcome of (i) the Corporate Income Tax Re-Assessment; and (ii) the filing of the Applicant's final corporate income tax returns for fiscal 2009.
27. Although a final Corporate Income Tax Re-assessment has yet to be received, the Tax Consultant has advised the Monitor that it anticipates that the federal portion of the corporate income tax obligation will exceed the \$1.1 million GST credit available. Both CRA and the Department of Justice have taken the position that the GST credit will first be applied to federal corporate income tax obligations before any credit is refunded to the Applicant or transferred to Revenu Quebec for setoff against QST obligations. If this position is supportable, it is unlikely that GST credits will be available to be applied against QST obligations.

QUEBEC TAX LIABILITY

28. As noted above, there are federal and Quebec components to the Corporate Income Tax Re-Assessment. CRA has had carriage of the Corporate Income Tax Re-Assessment, and the tax treatment that has been recommended for final approval by CRA Appeals and CRA HQ includes certain determinations in respect of Quebec corporate income tax liability. Notwithstanding this fact, the Monitor is advised by Revenu Quebec and the Tax Consultant that any final determination by CRA is without prejudice to Revenu Quebec's ability to re-evaluate and reach a contrary conclusion in respect of the Quebec portion of the Corporate Income Tax Re-Assessment.
29. As previously reported to the Court, the Applicant has net payables in arrears of approximately \$470,000 (exclusive of interest and penalties). The Monitor is advised by the Tax Consultant that the Applicant was not fully aware of the extent of its QST-related obligations until after the commencement of the CCAA proceeding because a QST audit was underway in the period leading up to the filing date. Representatives of Revenu Quebec have verbally confirmed that the Applicant will not be liable for any post-filing interest and penalties in respect of the QST obligation.
30. Revenu Quebec is currently holding a Quebec corporate income tax credit relating to an overpayment of Quebec corporate income taxes in the amount of approximately \$558,000. The Applicant will not know whether all or a portion of the credit will be available to offset the QST liability until the Corporate Income Tax Re-Assessment is finally resolved. The Tax Consultant has provided the Monitor with an estimate of the Quebec corporate income tax liability that suggests that a portion of the Quebec corporate income tax credit may be released and become available for application against the QST-related obligation. In the event that Quebec corporate income tax credits are applied to the QST liability, the Tax Consultant has advised that it is possible the Applicant may not be liable for a portion of the interest and penalties accrued pre-filing because the Quebec corporate income tax credits were available for off-set as of the date that the QST obligation accrued.
31. The directors and officers of the Applicant have liability in respect of QST arrears. Even if the Applicant is able to off-set Quebec corporate income tax credits against its QST

liability, a portion of the arrears is likely to remain outstanding and payable. The Monitor is currently holding approximately \$489,000 in reserve in respect of potential liabilities that would be secured by the Directors' Charge.

32. Revenu Quebec has advised the Tax Consultant and the Monitor that there is a risk that the Quebec corporate income tax credit will remain frozen and not be available to be applied to off-set QST liability in the event of a bankruptcy filing before the credit is released by Revenu Quebec.
33. The Monitor is of the view that any assignment into bankruptcy should be delayed pending the completion of the Corporate Income Tax Re-assessment described above so that the Applicant maximizes the likelihood that it is able to take advantage of any Quebec corporate income tax credit. Although both the Tax Consultant and the Monitor have endeavoured to expedite matters with the taxing authorities, it is difficult to predict when such issues will be resolved.
34. Since November 2010, the Monitor and the Tax Consultant have communicated regularly with Revenu Quebec in efforts to clarify the Applicant's Quebec tax liabilities. Throughout this time, Revenu Quebec has consistently expressed resistance to taking a position in respect of the Applicant's Quebec tax liability pending the conclusion of the Corporate Income Tax Re-Assessment. The Monitor is advised that once CRA delivers the final Corporate Income Tax Re-Assessment to Revenu Quebec, Revenu Quebec will review the Quebec component of the Corporate Income Tax Re-Assessment and advise as to whether it is in agreement with the determinations made by CRA. At that time, Revenu Quebec may request additional information from the Applicant regarding loss carry-backs relating to the provincial portion of the Corporate Income Tax Re-Assessment.

MISCELLANEOUS TAX-RELATED ISSUES

A. Wage Earner Claims

35. As reported in the Tenth Report, the Monitor has received a number of wage earner claims (the "Wage Earner Claims") from former employees of Barzel Canada that are claiming termination or group termination benefits and associated annual leave benefits pursuant to

subsection 81.3 of the *Bankruptcy & Insolvency Act* (the "BIA"). The total amount of the Wage Earner Claims may be in excess of \$250,000.

36. The Monitor remains of the view that the Wage Earner Claims are not applicable because the Applicant has not yet commenced a proceeding under the BIA. Further, the Monitor and its counsel have reviewed the *Wage Earner Protection Program Act* and it appears that the Wage Earner Claims would not be payable even in the event of a future bankruptcy because the wages in question would not have been earned within six months of the date of the bankruptcy's commencement. Finally, the Monitor has provisionally concluded based on its review of the Wage Earner Claims that such claims are likely unsecured obligations that would rank behind the claims of the Secured Lenders. The Monitor anticipates that this issue would be addressed in greater detail by the administrator of the program and any trustee in bankruptcy following any bankruptcy of the Applicant.

B. Final Corporate Income Tax Returns

37. The final 2009 federal and provincial corporate income tax returns have been filed by the Tax Consultant on behalf of Barzel Canada. CRA and Revenu Quebec have confirmed receipt of such tax returns.

C. Closure of Source Deduction Account

38. As noted in the Tenth Report, the Monitor made payment of \$10,376 in November 2010 in respect of the federal source deduction obligations of the Applicant. This amount was paid out of the funds reserved for payment of liabilities of the directors and officers of Barzel Canada leaving approximately \$489,000 in the reserve being held to fund obligations of the directors and officers. The Tax Consultant has requested closure of the related account and is awaiting confirmation from CRA.
39. On February 23, 2011, the Monitor was advised by the Tax Consultant of the possibility of additional Quebec provincial source deduction obligations that could total up to \$6,000. The Monitor has requested that the Tax Consultant obtain clarification and confirmation of this information from Revenu Quebec and will consult with the Applicant and the Secured Lenders before making any payments in respect thereof.

D. La Commission de la Sante et de la Securite du Travail du Quebec ("CSST")

40. In the Tenth Report, the Monitor informed the Court that it had been advised by the Tax Consultant that the Applicant owes approximately \$67,500 to La Commission de la Sante et de la Securite du Travail du Quebec ("CSST"). The Tax Consultant further advised that the CSST filings have not yet been prepared in respect of 2009. The Monitor remains of the view that Barzel's directors and officers do not have any liability in respect of the CSST obligation, and that the CSST obligation ranks behind the claims of the Secured Lenders. Therefore, the CSST liability remains unpaid at this point in time.

COLLECTION OF OUTSTANDING ACCOUNTS RECEIVABLE

41. The Monitor has continued to pursue the collection of \$447,000 of outstanding accounts receivable through cost-efficient means pending a contrary determination by the Applicant in consultation with the Secured Lenders. The Monitor has not recovered any additional amounts relating to accounts receivable since the date of the Tenth Report, however \$22,000 was collected in relation to a hydro refund from Hydro Quebec.
42. The Monitor is of the view that it remains worthwhile to continue to take reasonable steps to recover and/or negotiate the settlement of the outstanding receivables.

CASH FLOW PROJECTIONS

43. Attached as Exhibit "B" to this Eleventh Report is an updated cash flow projection. The Monitor holds approximately \$1.2 million in trust, which is the remains of the Canadian Proceeds and forms the Reserve, in part. This amount includes:
- (a) approximately \$300 in respect of the Administration Charge (which was originally \$750,000 and which has been utilized on account of disbursements of professional fees to the Monitor, its counsel, and counsel to the Applicant);
 - (b) approximately \$489,000 in respect of the Directors' Charge;
 - (c) \$443,000 held in anticipation of costs for administration of the wind-down of the Barzel Canada estate. This reserve was originally \$500,000 but has been reduced

on account of disbursements of professional fees of \$57,000 to the Tax Consultant for wind-down related services including the drafting and filing of final 2009 federal and provincial corporate income tax returns, the closure of various tax accounts and the finalization of the Corporate Income Tax Re-Assessment;

- (d) approximately \$248,000 in funds transferred from Barzel Canada;
- (e) approximately \$15,000 representing collections of accounts receivable; and
- (f) approximately \$31,000 in miscellaneous receipts including insurance and hydro refunds.

44. The funds transferred to the Monitor by Barzel Canada (approximately \$248,000) will also be available, in addition to the approximately \$489,000 held in the Reserve in respect of the Directors' Charge, to satisfy payables that would rank in priority to the Secured Lenders. To the extent that it become necessary to satisfy any such claims by using these funds, the Monitor will either (i) consult with the Secured Lenders prior to making payment in respect of such obligations; or (ii) seek Court authorization to make such payments in a motion on notice to the service list. This will allow the Secured Lenders an opportunity to make submissions to this Court to the extent that they dispute the priority of such claims. If necessary, additional funds may be available through the Reimbursement Agreement if amounts in excess of \$500,000 are required to settle claims that would permit recourse to the Directors' Charge.
45. The cash flow forecast demonstrates that the Applicant has sufficient liquidity to fund the CCAA proceeding through the end of the requested extension to the Stay Period.

ASSIGNMENT INTO BANKRUPTCY

46. The Monitor is advised that the Applicant currently intends to effect an assignment into bankruptcy at the conclusion of this CCAA proceeding. The assignment is expected to occur after the Applicant receives final confirmation as to the extent of the QST liability (and, if applicable, any other Directors' liabilities). It is anticipated that a distribution of excess funds will be made to the Secured Lenders after payment in respect of any QST

liability but before such assignment into bankruptcy. Significantly, CRA and Revenu Quebec have informed the Tax Consultant and the Monitor that if Barzel Canada makes an assignment into bankruptcy before the credits are released and applied, whether in whole or in part, the bankruptcy filing could delay the finalization of the Corporate Income Tax Re-Assessment. Accordingly, a determination has been made by the Applicant and the Barzel Group to postpone the assignment into bankruptcy pending the settlement of the Corporate Income Tax Re-Assessment and the release and the resolution of issues relating to the application of existing tax credits and the QST liability.

47. The Monitor supports the Applicant's decision to postpone any bankruptcy filing pending finalization of the outstanding tax issues.

REQUEST FOR EXTENSION TO STAY OF PROCEEDINGS

48. The Stay Period for these proceedings expires on February 28, 2011. The Applicant is now seeking a further extension of the Stay Period for a period up to and including August 31, 2011. As discussed above, the additional time will permit the Applicant to negotiate a final settlement of the Corporate Income Tax Re-assessment and obtain clarity in respect of the availability of existing credits for off-set of the QST liability. As noted previously, the cash flow forecast demonstrates that the Applicant has sufficient funds on hand to continue to fund this CCAA proceeding through the end of the requested extension to the Stay Period.
49. As discussed above, CRA and Revenu Quebec have confirmed that a bankruptcy will delay and complicate resolution of the tax-related issues. Although the Tax Consultant and the Monitor have been working diligently to advance the outstanding tax issues, the Monitor cannot currently express a viewpoint as to how long it will take for such issues to be finally resolved. Therefore, in the interest of timely and efficient resolution of the tax issues, the Monitor is of the view that the requested extension of the Stay Period is necessary at this time.
50. The Monitor is of the view that the Applicant has acted and is continuing to act with due diligence and in good faith.

ACTIVITIES OF THE MONITOR SINCE LAST REPORTED TO THE COURT

51. Since the Tenth Report of the Monitor filed November 17, 2010, the Monitor has:

- (a) consulted with the Tax Consultant to obtain updates on the Corporate Income Tax Re-assessment, statutory tax audits with federal and Provincial tax authorities and potential claims against Barzel Canada that could result in recourse to the Director's Charge;
- (b) communicated with Revenu Quebec, CRA and the Department of Justice regarding QST and Corporate Income Tax Re-assessment related issues
- (c) reviewed various claims received by Barzel Canada up to the date of this Eleventh Report;
- (d) consulted with Barzel Group's CRO regarding efforts to collect the outstanding accounts receivable not assumed by Metco and the general administration of the wind-down of Barzel Canada;
- (e) communicated with counsel to the Secured Lenders regarding various outstanding issues; and
- (f) responded to creditor queries and provided general information on the CCAA proceedings.

APPROVAL OF FEES AND DISBURSEMENTS OF THE MONITOR AND THE MONITOR'S COUNSEL

52. The Applicant also seeks Court approval of the fees and disbursements of the Monitor and Monitor's counsel. Attached as Exhibit "C" to this Eleventh Report is the Affidavit of Huey Lee sworn February 23, 2011 in respect of the fees of the Monitor. Attached as Exhibit "D" to this Eleventh Report is the Affidavit of Elizabeth Allen Putnam sworn February 23, 2011 in respect of the fees of the Monitor's counsel.

53. The Monitor has reviewed the Osler accounts and believes that they are reasonable. The Monitor has received valuable, comprehensive and ongoing legal advice from its counsel throughout the course of these CCAA proceedings. Osler has actively participated in discussions with the Tax Consultant, CRA, Revenu Quebec, the Department of Justice, Applicant's counsel and counsel to the Secured Lenders and has substantively assisted the Monitor in the carrying out of its duties in the course of these CCAA proceedings. The Monitor is of the view that the rates of Osler are consistent with those of other Toronto law firms providing insolvency and restructuring advice.

MONITOR'S CONCLUSIONS AND RECOMMENDATIONS

54. The Monitor believes that the relief requested by the Applicant is reasonable in the circumstances for the following reasons:

- the Monitor is of the view that the Applicant's requested extension to the Stay Period is required to facilitate the completion of the outstanding tax issues in the most expedient and efficient way possible;
- the Monitor is of the view that the Applicant is continuing to act with due diligence and in good faith and that the Applicant has sufficient funds to administer its affairs through the requested extension to the Stay Period; and
- the Secured Lenders have been consulted about the matters in this Eleventh Report.

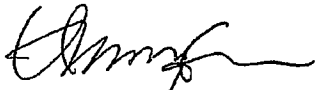
CONCLUSION

55. Based on the foregoing, the Monitor respectfully recommends that this Court grant the relief being requested by Barzel Canada.

All of which is respectfully submitted this 23rd day of February, 2011.

DELOITTE & TOUCHE INC.

In its capacity as Monitor of Barzel Industries Canada Inc.



Huey Lee, MBA, CMA, CIRP
Vice President

Exhibit B

Barzel Industries Canada Inc. - CCAA Proceedings
Cash Flow Forecast
for the period September 1, 2011 to December 21, 2011

(Unaudited) (In \$'000 CDN)	FCST	FCST	FCST	FCST	Forecast Period
	September 2011	October 2011	November 2011	December 2011	
Monitor - Funds Held in Trust					
Beginning Cash on Hand	1,090	711	680	645	1,090
Receipts:					
Realization of Accounts Receivable (Note 1)	-	-	-	-	-
Total Receipts	-	-	-	-	-
Disbursements:					
Monitor and Counsel Fees					
Deloitte - Monitor	(25)	(5)	(10)	(5)	(45)
Osler - Monitor Counsel	(20)	(5)	(10)	(5)	(40)
Davies - Barzel Canada Counsel	(20)	(5)	(10)	(5)	(40)
	(65)	(15)	(30)	(15)	(125)
Other Obligations					
Potential Wind-down Expenses (Note 2)	(14)	(5)	(5)	(5)	(29)
Potential Directors' Charge Obligations (Note 3)	-	(11)	-	-	(11)
	(14)	(16)	(5)	(5)	(40)
Fund Distributions					
Distribution to Trustee in Bankruptcy (Note 4)	-	-	-	(35)	(35)
Distribution to Secured Lenders (Note 5)	(300)	-	-	(112)	(412)
	(300)	-	-	(147)	(447)
Total Disbursements	(379)	(31)	(35)	(167)	(612)
Net Cash Flow	(379)	(31)	(35)	(167)	(612)
Ending Cash on Hand (Note 6)	711	680	645	478	478

Cash Flow Forecast Assumptions:

Note 1: Monitor accounts receivable collections and miscellaneous receipts to date are approximately \$46,000. The Monitor is of the view that it is no longer worthwhile to continue efforts to recover and/or negotiate the settlement of outstanding receivables because the cost of pursuit is likely to exceed any ultimate recovery.

Note 2: Wind-down expenses are in connection with professional fees of the Tax Consultant to assist in Barzel Canada tax matters including the preparation and filing of final corporate income tax returns for fiscal 2010, Revenu Quebec final corporate income tax re-assessments, and ongoing tax matters. Costs to finalize tax related issues and filing of corporate income taxes were originally forecasted to be incurred subsequent to a bankruptcy filing, therefore these costs are considered in the notional Wind-down Reserve.

Note 3: The Monitor has been advised by the Tax Consultant of the possibility of Quebec provincial employee source deduction obligations with an estimated value of approximately \$11,000. The Monitor has requested that the Tax Consultant obtain clarification and confirmation of the employee source deduction obligations from Revenu Quebec and will consult with the Applicant and the Secured Lenders before making any payments in respect thereof.

Note 4: The \$35,000 transfer of funds relates to estimated professional fees required to administer a "no-asset" bankruptcy proceeding. The disbursement date may change depending on the actual date of bankruptcy. To the extent that excess funds remain in trust with the Trustee after complete administration of the estate, such funds will be distributed to certain of the Secured Lenders subject to a levy payable to the Office of the Superintendent of Bankruptcy.

Note 5: In the Notice of Motion dated August 26, 2011, the Applicant is requesting the Court to approve an interim distribution of \$300,000. For reasons stated in the Twelfth Report, the Monitor supports effecting the interim distribution. Further, to the extent that excess funds remain in trust with the Monitor after payment of wind-down expenses of the Applicant including bankruptcy administration funds transferred to the Trustee in bankruptcy, Administration Charge expenses, and any secured or priority tax related obligations, such funds are intended to be distributed to the Secured Lenders.

Note 6: The ending cash on hand of \$478,000 represents the amount remaining on account of the Directors' Charge. To the extent funds are not required to be expended on account of the Directors' Charge, such funds would be available for distribution to the Secured Lenders.

Note 7: This cash flow forecast assumes a Stay Period extension of the current CCAA proceedings to December 21, 2011.

Exhibit C

**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
BARZEL INDUSTRIES CANADA INC.**

Applicant

**AFFIDAVIT OF DANIEL WEISZ
(Sworn August 26, 2011)**

I, DANIEL WEISZ, of the City of Vaughan, in the Province of Ontario,
MAKE OATH AND SAY:

1. I am a Senior Vice President of Deloitte & Touche Inc. ("**Deloitte**"), and as such I have knowledge of the matters deposed to herein. Deloitte is the Court-appointed Monitor in the proceedings commenced on September 15, 2009 by Barzel Industries Canada Inc. under the *Companies Creditors' Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

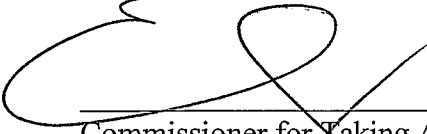
2. This affidavit is made in support of a motion to be made by the Applicant that seeks, *inter alia*, approval of the fees and disbursements of Deloitte in its capacity as Monitor in respect of services provided in connection with these CCAA proceedings.

3. Deloitte's invoice, dated August 3, 2011, discloses in detail: (i) the names, hourly rates and time expended by each person who rendered services; and (ii) a description of services rendered for the relevant time period. The invoice is attached as Exhibit "A" to this Affidavit.

4. Paul Casey, Senior Vice President of Deloitte, has confirmed to me that he has been actively involved in these CCAA proceedings for the period referred to in the

invoice attached as Exhibit "A", namely February 1, 2011 to June 30, 2011, and of his belief that the time expended and the fees charged are reasonable in light of the services performed and the prevailing market rates for such services.

SWORN BEFORE ME at the City of
Toronto, in the Province of Ontario, on
August 26, 2011.



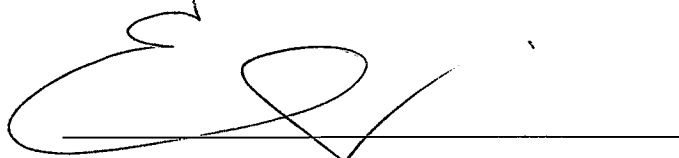
Commissioner for Taking Affidavits

ELAINE MARGARET MCKAY
A Commissioner, etc., City of Toronto,
for Deloitte & Touche Inc., Trustee in
Bankruptcy and Deloitte & Touche LLP,
Chartered Accountants.
Expires March 19, 2012.



DANIEL WEISZ

This is Exhibit "A" to the
Affidavit of Daniel Weisz
Sworn August 26, 2011

A handwritten signature in black ink, appearing to read 'EM', is written over a horizontal line.

Commissioner for Taking Affidavits

ELAINE MARGARET MCKAY
A Commissioner, etc., City of Toronto,
for Deloitte & Touche Inc., Trustee in
Bankruptcy and Deloitte & Touche LLP.
Chartered Accountants.
Expires March 19, 2012.



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www.deloitte.ca

Barzel Industries Canada Inc.
c/o Day Seckler LLP
300 Westage Business Center Drive
Suite 403
Fishkill, NY 12524 USA

Date: August 3, 2011
Invoice No: 2906392
Client/Mandate No: 560456.1000016
Billing Partner: Paul Casey
HST Registration no: 133245290

Attention: Mr. Wayne Day, CRO

Invoice

For professional services rendered in Canada from February 1, 2011 to June 30, 2011 in connection with the appointment of Deloitte & Touche Inc. by the Ontario Superior Court of Justice [Commercial List] as Monitor of Barzel Industries Canada Inc. ("Barzel Canada").

- Preparation of the Monitor's Eleventh Report with respect to matters relating to various statutory tax audits, the potential impact of corporate income tax re-assessments, estate wind-down matters and extension of CCAA proceedings;
- Continued meetings, discussions and correspondence with Canada Revenue Agency, Revenu Quebec, Department of Justice and Barzel Canada's Tax Consultant regarding corporate income tax re-assessments, statutory tax audits with Federal and Provincial tax authorities and potential claims against Barzel Canada that may be subject to the Director's Charge;
- Continued discussions and correspondence with counsels for Barzel Canada, Monitor and the Secured Lenders to provide updates on the corporate income tax re-assessment, statutory tax audits with Federal and Provincial tax authorities and potential claims against Barzel Canada;
- Assessment of Barzel Canada Tax Consultant's status update reports on the corporate income tax re-assessment, statutory tax audits with Federal and Provincial tax authorities and potential Barzel Canada claims;
- Review of Secured Lender's draft settlement offer to Revenu Quebec, and discussions with counsels of Barzel Canada, Monitor and the Secured Lenders regarding same; and
- Responding to creditor queries and providing general information on the CCAA proceedings.

Professional fees	\$68,320.50
Less discount	(19,600.00)
Subtotal	\$48,720.50
HST @ 13%	6,333.67
Total Amount Due:	CAD \$55,054.17

Payable upon receipt to: Deloitte Management Services LP

Please Return One Copy With Remittance

Accounts shall be due and payable when rendered. Interest shall be charged at a simple daily rate of 0.0493% (equivalent to 18% per annum). Interest shall be charged and payable at this rate on any part of an account which remains unpaid from thirty (30) days after the invoice date to the date on which the entire account is paid.

Summary of Fees

For period February 1, 2011 to June 30, 2011

Professional	Position	Hours	Hourly Rate	Fees
Paul Casey	Partner	9.4	750.00	\$ 7,050.00
Robert Demers	Tax Partner	1.0	750.00	750.00
Huey Lee	Senior Manager	5.5	585.00	3,217.50
Nadine Dugal	Tax Senior Manager	0.8	585.00	468.00
Neil Jones	Manager	117.0	475.00	55,575.00
Alison Brown	Estate Administration	7.2	175.00	1,260.00
Total hours and professional fees		<u>140.9</u>		<u>\$ 68,320.50</u>
Less Discount				(19,600.00)
Total Professional fees				<u>\$ 48,720.50</u>
HST @ 13%				6,333.67
Total Amount Due				<u><u>\$ 55,054.17</u></u>

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 Barzel Industries Canada Inc.

Court File No: 09-8363-00CL

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

AFFIDAVIT OF DANIEL WEISZ

Osler Hoskin & Harcourt LLP
1 First Canadian Place
P.O. Box 50
Toronto, ON M5X 1B8

Marc Wasserman LSUC#44066M
Tel: (416) 862-4908

Elizabeth Allen Putnam LSUC#53194L
Tel: (416) 862-6835
Fax: (416) 862-6666

Lawyers for the Monitor, Deloitte & Touche Inc.

Exhibit D

**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
BARZEL INDUSTRIES CANADA INC.**

Applicant

**AFFIDAVIT OF ELIZABETH ALLEN PUTNAM
(Sworn August 19, 2011)**

I, ELIZABETH ALLEN PUTNAM, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am an associate with the law firm of Osler, Hoskin & Harcourt LLP ("Osler"), lawyers for the Monitor, Deloitte & Touche Inc. ("Deloitte"), and as such I have knowledge of the matters deposed to herein.

2. This affidavit is made in support of a motion to be made by the Applicant in the proceedings commenced by Barzel Industries Canada Inc. under the *Companies Creditors' Arrangement Act*, R.S.C. 1985, c. C-36, as amended. The motion seeks, *inter alia*, approval of the fees and disbursements of Osler in its capacity as legal counsel for the Monitor for the period through March 31, 2011.

3. The Osler fee summary discloses in detail: (i) the names, hourly rates and time expended by each person who rendered services; (ii) the dates on which the services were rendered; (iii) the time expended each day; and (iv) the total charges for each of the categories of services rendered for the relevant time period. The Osler Billing Summary is attached as Exhibit "A" to this Affidavit.

4. I have been actively involved in this matter. I have time charges and I am advised by Marc Wasserman, who is a partner at Osler, that the time expended and the legal fees charged are reasonable in light of the services performed and the prevailing market rates for legal services.

SWORN BEFORE ME at the City of Toronto, in the Province of Ontario, on August 19, 2011.

DAA

Commissioner for Taking Affidavits

Duncan Hall

Elizabeth Allen Putnam

ELIZABETH ALLEN PUTNAM

This is Exhibit "A" to the
Affidavit of Elizabeth Allen Putnam
Sworn August 19, 2011

DAA

Commissioner for Taking Affidavits

Duncan Ault

Osler, Hoskin & Harcourt LLP
1 First Canadian Place
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CANADA
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OSLER

Steven G. Golick, Partner
Invoice No. 11317590
Client No. 204067
GST/HST Registration No. 121983217 RT0001

ACCOUNT FOR PROFESSIONAL SERVICES RENDERED

March 31, 2011

Deloitte & Touche Inc.
181 Bay Street, Suite 1400
Brookfield Place
Toronto, ON M5J 2V1
CANADA

ATTENTION: Huey Lee

Barzel Industries Inc.
Our File Number: 1118359

<u>Name</u>	<u>Hours Billed</u>	<u>Current Hourly Rate in CAD</u>	<u>Fee</u>
Partner			
Marc Wasserman	0.50	670.00	335.00
Associate			
Elizabeth Putnam	0.70	450.00	315.00
Elizabeth Putnam	25.10	515.00	12,926.50
Paraprofessional			
Kevin MacEachern	0.50	150.00	75.00
OUR FEE HEREIN			13,651.50
HST @ 13% Payable on Fees			1,774.70
<u>OTHER CHARGES</u>			
Printing Costs *		75.00	
Telecommunications - External *		53.44	
Subtotal		128.44	

Invoice No.: 11317590

Barzel Industries Inc.
Our File Number: 1118359

TO: PROFESSIONAL SERVICES RENDERED IN THIS MATTER AT YOUR REQUEST

DATE	NAME	HOURS	DESCRIPTION
Dec-23-10	Elizabeth Putnam	0.30	Emails to H. Lee and N. Jones regarding tax issues.
Dec-29-10	Elizabeth Putnam	0.40	Reviewing Barzel notes; drafting email to T. Miller and L. Crozier; drafting emails to H. Lee and N. Jones.
Jan-04-11	Elizabeth Putnam	1.30	Call with H. Lee and G. Char regarding tax issues.
Jan-05-11	Elizabeth Putnam	0.20	Discussion with M. Wasserman regarding Barzel issues; discussion with H. Lee.
Jan-06-11	Elizabeth Putnam	2.00	Drafting script for call with D. Winters; call with D. Winters from Justice, CRA, Deloitte; call with Deloitte and G. Char; drafting email to D. Winters; call with N. Jones regarding WEPPA issues.
Jan-07-11	Elizabeth Putnam	0.30	Drafting email to D. Winters; drafting email to G. Char; preparing for meeting with M. Wasserman.
Jan-10-11	Elizabeth Putnam	0.70	Preparing for call with Deloitte; discussion with M. Wasserman; call with Deloitte to discuss remaining issues and tomorrow's call with secured lenders.
Jan-10-11	Marc Wasserman	0.50	Discussions with B. Putnam regarding issues in respect of QST claims and other matters.
Jan-11-11	Elizabeth Putnam	0.50	Call with L. Crozier, T. Miller and Deloitte regarding tax issues.
Jan-18-11	Elizabeth Putnam	0.30	Call with Justice, CRA, RQ regarding re-assessment and liabilities.
Jan-19-11	Elizabeth Putnam	0.30	Discussion with H. Lee regarding scope of Directors' Charge; discussion with N. Jones regarding accrual of QST liabilities and customary practice at Barzel.
Jan-20-11	Elizabeth Putnam	0.50	Call with Justice, CRA, Revenu Quebec.
Jan-21-11	Elizabeth Putnam	0.30	Discussion with N. Jones regarding tax liability issues.
Feb-01-11	Elizabeth Putnam	1.30	Reviewing and providing comments on letter to CRA; call with L. Crozier and W. Rostrum regarding tax

OSLER

DATE	NAME	HOURS	DESCRIPTION
			issues and next steps; call with T. Miller regarding tax liability issues; call with M. Wasserman, H. Lee and N. Jones regarding issues going forward.
Feb-02-11	Elizabeth Putnam	0.40	Reviewing and commenting on letter to CRA; drafting emails to H. Lee and N. Jones; drafting email to R. Schwill.
Feb-03-11	Elizabeth Putnam	0.80	Call with Deloitte; call with R. Schwill and Deloitte; drafting emails to W. Rostrum, L. Crozier, Deloitte.
Feb-04-11	Elizabeth Putnam	0.30	Call with N. Jones; reviewing law on tax issues; drafting emails.
Feb-09-11	Elizabeth Putnam	1.00	Update call with Deloitte, R. Schwill and McMillan; discussion with N. Jones regarding update.
Feb-15-11	Elizabeth Putnam	0.60	Update call with Davies and McMillan; drafting email to N. Jones re report; call with N. Jones re cash flows requested by lenders and different potential scenarios.
Feb-17-11	Elizabeth Putnam	1.40	Reviewing and revising report; reviewing cash flows; call to N. Jones to discuss cash flows.
Feb-18-11	Elizabeth Putnam	2.40	Call with N. Jones; marking up Eleventh Report.
Feb-22-11	Elizabeth Putnam	3.60	Reviewing draft Notice of Motion and Order; drafting emails to Deloitte and Tax Consultant; drafting email to R. Schwill; revising Eleventh Report; drafting email to M. Wasserman; drafting emails to W. Rostrum; drafting emails to G. Char; reviewing cash flows.
Feb-23-11	Elizabeth Putnam	3.30	Revising Eleventh Report; calls with N. Jones and T. Miller; discussion with M. Wasserman; discussions with H. Lee and N. Jones; drafting emails; emails to H. Lee, N. Jones, G. Char, M. Wasserman; discussion with W. Rostrum; revising report; finalizing report.
Feb-24-11	Kevin MacEachern	0.50	Attending at Commercial Court; filing eleventh report of the monitor.
Feb-24-11	Elizabeth Putnam	1.30	Call with N. Jones regarding updated cash flows; call with W. Rostrum; finalizing report.
Feb-28-11	Elizabeth Putnam	2.30	Preparing for and attending at Barzel stay extension motion.

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 Barzel Industries Canada Inc.

Court File No: 09-8363-00CL

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

TWELFTH REPORT OF THE MONITOR

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