FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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Barzel Industries Inc.

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SIC: **3310** Steel works, blast furnaces & rolling & finishing mills

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended: May 30, 2009

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from --- to ---

Commission File Number: 001-33342

Barzel Industries Inc.

(Exact name of registrant as specified in its charter)

Delaware	20-4790836
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
320 Norwood Park South – 2nd Floor, Norwood, MA 02062	(781) 762-0123
(Address of principal executive offices, Zip Code)	(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months or for such period that the registrant was required to submit and post such files. Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

As of June 30, 2009, 26,564,607 shares of the registrant's common stock, par value $0.001 per share, were outstanding.

BARZEL INDUSTRIES INC.
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Barzel Industries Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands of U.S. dollars, except share and per share data)

	May 30, 2009	November 29, 2008
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,102	$ 25,298
Trade accounts receivable, less allowance for doubtful accounts of $398 and $2,940 at May 30, 2009 and November 29, 2008, respectively	13,467	53,940
Income taxes receivable	560	1,262
Inventories (Note 7)	24,405	53,171
Prepaid expenses and other assets	1,794	3,832
Assets held for sale (Note 8)	4,430	—
Deferred income taxes	2,746	2,234
Total current assets	52,504	139,737
Investment in a joint venture	2,040	2,288
Property, plant and equipment, net (Note 9)	108,017	124,922
Goodwill	134,126	133,511
Intangibles, net	61,669	63,625
Deferred financing charges	11,730	12,798
Other assets	59	59
Total assets	$ 370,145	$ 476,940
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	$ 10,200	$ 20,173
Accounts payable to a joint venture (Note 12)	1,891	1,523
Accrued liabilities	26,527	13,172
Restructuring charges payable (Note 5)	3,998	7,207
Income taxes payable	531	299
Total current liabilities	43,147	42,374
Long-term debt (Note 10)	315,000	348,814
Restructuring charges payable (Note 5)	130	358
Deferred income taxes	13,519	37,070
Other long term liabilities (Note 14)	3,616	3,127
Total liabilities	375,412	431,743
Commitments and contingencies (Note 15)		
Stockholders' equity (deficiency):		
Preferred stock: $0.001 par value; authorized 10,000,000 shares; none issued	—	—
Common stock: $0.001 par value; authorized 100,000,000 shares; issued and outstanding 26,564,607 at May 30, 2009 and at November 29, 2008	26	26
Additional paid-in capital	128,311	128,311
Accumulated deficit	(120,663)	(58,546)
Accumulated other comprehensive loss	(12,941)	(24,594)
Total stockholders' equity (deficiency)	(5,267)	45,197
Total liabilities and stockholders' equity (deficiency)	$ 370,145	$ 476,940

The accompanying notes are an integral part of the consolidated financial statements.

Barzel Industries Inc. and Subsidiaries
Consolidated Statements of Operations and Comprehensive Loss
(In thousands of U.S. dollars, except share data)

	Three Months Ended		Six Months Ended	
	May 30, 2009	**May 31, 2008**	**May 30, 2009**	**May 31, 2008**
	(Unaudited)		(Unaudited)	
Net sales	$ 25,799	$ 241,336	$ 73,754	$ 436,965
Cost of sales	28,099	187,657	74,950	350,641
Gross margin	(2,300)	53,679	(1,196)	86,324
Operating expenses				
Plant	12,571	18,624	28,795	36,285
Delivery	2,948	8,307	6,389	14,489
Selling	2,086	3,786	4,287	7,113
Administrative and general	7,964	11,247	15,810	18,911
Impairment loss (Note 8)	—	—	3,280	—
Amortization of intangibles	2,094	2,077	4,172	4,005
Restructuring (Note 5)	181	4,913	(468)	4,913
	27,844	48,954	62,265	85,716
Operating (loss) income	(30,144)	4,725	(63,461)	608
Interest expense	(10,083)	(11,457)	(19,910)	(22,229)
Interest income	13	120	212	301
Other income (expense)	(1,334)	247	(1,321)	515
Share in income (loss) of a joint venture	(196)	304	(222)	390
	(11,600)	(10,786)	(21,241)	(21,023)
Loss before benefit for income taxes	(41,744)	(6,061)	(84,702)	(20,415)
Benefit for income taxes (Note 14)	10,405	1,700	22,585	8,165
Net loss	$ (31,339)	$ (4,361)	$ (62,117)	$ (12,250)
Net loss per share (Note 6)				
Basic	$ (1.18)	$ (0.20)	$ (2.34)	$ (0.57)
Diluted	$ (1.18)	$ (0.20)	$ (2.34)	$ (0.57)
Comprehensive loss				
Net loss	$ (31,339)	$ (4,361)	$ (62,117)	$ (12,250)
Changes in cumulative translation adjustment	13,472	2,201	11,653	1,195
	$ (17,867)	$ (2,160)	$ (50,464)	$ (11,055)

The accompanying notes are an integral part of the consolidated financial statements.

Barzel Industries Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity (Deficiency)
(Unaudited)
(In thousands of U.S. dollars, except share data)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity (deficiency)
	Number	Amount				
Balance at November 29, 2008	26,564,607	$ 26	$ 128,311	$ (58,546)	$ (24,594)	$ 45,197
Net loss				(62,117)		(62,117)
Changes in cumulative translation adjustment	—	—	—	—	11,653	11,653
Balance at May 30, 2009	26,564,607	$ 26	$ 128,311	$ (120,663)	$ (12,941)	$ (5,267)

The accompanying notes are an integral part of the consolidated financial statements.

Barzel Industries Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands of U.S. dollars)

	Six Months Ended	
	May 30, 2009	**May 31, 2008**
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (62,117)	$ (12,250)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation	4,927	7,195
Amortization of intangibles	4,172	4,005
Impairment loss	3,280	—
Gain on disposal of property, plant and equipment	(1,089)	(81)
Unrealized loss (gain) on foreign exchange	1,813	—
Amortization of deferred financing charges	1,069	1,121
Deferred income taxes	(23,152)	(5,500)
Share in (income) loss of a joint venture	222	(390)
Other non-cash charges	13	—
Changes in working capital items		
Trade accounts receivable	43,258	(19,098)
Income taxes receivable	708	1,931
Inventories	30,356	1,914
Prepaid expenses and other assets	2,092	(8,702)
Accounts payable	(10,532)	16,678
Accrued restructuring	(3,684)	(1,041)
Accrued liabilities	12,795	(1,121)
Income taxes payable	230	—
Other assets	—	427
Net cash provided by (used in) operating activities	4,361	(14,912)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	19,522	134
Additions to property, plant and equipment	(10,486)	(4,466)
Net cash provided by (used for) investing activities	9,036	(4,332)
CASH FLOWS FROM FINANCING ACTIVITIES		
Refund of deposit	—	200
Proceeds from revolving credit facility	—	28,249
Repayment of revolving credit facility	(33,844)	(16,431)
Net cash used for financing activities	(33,844)	12,018
Effect of exchange rate changes on cash and cash equivalents	251	34
Net decrease in cash and cash equivalents	(20,196)	(7,192)
Cash and cash equivalents, beginning of period	25,298	19,638
Cash and cash equivalents, end of period	$ 5,102	$ 12,446
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 539	$ 20,723
Income taxes paid (refunds)	$ (2,707)	$ 2,751

The accompanying notes are an integral part of the consolidated financial statements.

1 – DESCRIPTION OF BUSINESS, ORGANIZATION AND GOING CONCERN

Headquartered in Norwood, Massachusetts, with an operational hub in Ontario, Canada, Barzel Industries Inc. ("Barzel" or the "Company") operates a network of 15 metal processing, manufacturing, and distribution facilities throughout the Canadian provinces of Ontario and Quebec and in the Northeastern, Mid-Atlantic and Mid-Western United States. The Company operates these strategically located facilities as one integrated system. Through an innovative management system that includes close statistical monitoring and analysis of its plant capabilities, the Company services its customers with speed, quality and reliability.

The Company is a well-diversified, multi-process provider of value-added services and offers a wide range of metal processing solutions to a variety of industries, from construction and industrial manufacturing to transportation, infrastructure development and mining.

On February 13, 2009, the Company changed its name to Barzel Industries Inc. ("Barzel") from Novamerican Steel Inc. Effective February 17, 2009, the Company's common stock and warrants commenced trading on NASDAQ under the symbols "TPUT" and "TPUTW," respectively.

Going Concern

The accompanying unaudited consolidated financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. The Company has experienced losses of $31.3 million and $62.1 million, for the three and six months ended May 30, 2009, respectively, has a stockholders' deficiency in the amount of $5.3 million and has secured deferral until October 13, 2009 of payment of $18.1 million of interest due on its Notes (as defined below).Management believes the use of the going concern assumption is appropriate. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of business.

Due to the Company's recent significant losses, its stockholders deficit, its substantial leverage and liquidity constraints, and the current recession and its impact on the Company's revenues, the recoverability of its recorded assets and the satisfaction of its liabilities depends on the success of its business plan, the continued support of stockholders, lenders, noteholders, suppliers and customers and its ability to restructure debt service obligations and obtain access to additional liquidity, to refinance its debt and/or to raise additional capital.

On May 14, 2009, the Company entered into a deferral agreement (the "Deferral Agreement") with the holders of its 11.5% Senior Secured Notes due 2015 (the "Notes"). Under the Deferral Agreement, the $18.1 million interest payment due on May 15, 2009 was deferred until August 14, 2009. On July 17, 2009, the Company and the holders of the Notes entered into an amendment to the Deferral Agreement, under which the $18.1 million interest payment due on August 14, 2009 pursuant to the Notes and the Deferral Agreement was further deferred until October 13, 2009.

No default or event of default under the Indenture occurred by reason of such deferral. The Company's ability to service these obligations is dependent upon its ability to restructure debt service obligations and obtain access to additional liquidity, to refinance its debt and/or to raise additional capital and upon future profitable operations. Management has agreed to use its best efforts to consummate a debt and/or equity recapitalization or restructuring, a debt refinancing, a capital raising transaction, or a sale of equity securities or assets of the Company. No assurance can be given that any such transaction will be successfully completed, as to the proceeds thereof, if any, or as to the timing thereof. The Company retained an independent third party investment banker to assist in connection therewith.

During the second fiscal quarter of 2009, the Company initiated additional actions to further reduce its operating expenses to address its liquidity needs, including further reductions in labor expense through reduced work hours, layoffs, additional severances and salary reductions, further strategic purchasing efficiencies in consumables and other plant expenses, deferral of certain non-critical projects and the sale of certain other non-operating assets. The Company believes these actions will contribute an additional $15.0 million in cash savings, primarily from a reduction in annual operating expenses in fiscal 2009 as compared to fiscal 2008. These savings began in May 2009. These savings are in addition to actions taken in fiscal 2008 and in the first fiscal quarter of 2009, for an aggregate annualized reduction of operating expenses in fiscal 2009 of approximately $40.0 million as compared to fiscal 2008.

1 – DESCRIPTION OF BUSINESS, ORGANIZATION AND GOING CONCERN (Continued)

Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The Company generated deferred tax assets through net operating loss carryforwards. However, a valuation allowance of 100% has been established, as the utilization of the deferred tax assets is not reasonably certain based on going concern considerations.

There is no assurance that the Company's initiatives to improve its liquidity and financial position will be successful. Accordingly, without this assurance, these material uncertainties are such that there exists substantial doubt that the Company will be able to continue as a going concern.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial reporting and in accordance with Article 10 of Regulation S-X. Accordingly, they do not include all of the information and note disclosures required by GAAP for annual financial statements. The policies are consistent with those outlined in the Company's audited consolidated financial statements for
the fiscal year ended November 29, 2008. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended November 29, 2008.

In the opinion of management, the accompanying unaudited consolidated financial statements contain all material adjustments (consisting of normal recurring items) necessary for a fair presentation of results for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year.

Certain amounts in the comparative 2008 financial statements have been reclassified to conform to the 2009 financial statement classification, including the reclassification of certain allocated overhead expenses totaling $4.4 million for the three months ended May 31, 2008 and $9.3 million for the six months ended May 31, 2008 to include them as part of plant expense rather than a component of cost of sales.

Fiscal period

The Company's current and future interim quarterly financial statements are reported on a fiscal quarter basis with each three month period ending on the last Saturday of February, May and August, respectively.

Basis of consolidation

The consolidated financial statements for the three and six months ended May 30, 2009, include the financial results of Barzel and its wholly-owned subsidiaries Barzel Holdings Inc. ("Barzel Holdings"), Barzel Finco Inc. ("Barzel Finco"), Barzel Industries Canada Inc. (including the former Novamerican Steel Inc. ("Barzel Canada")), and Barzel Industries U.S. Inc. ("Barzel U.S."). All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

Translation of foreign currencies

The consolidated financial statements of the Company and its subsidiaries are prepared using their respective functional currencies, which are the U.S. dollar for U.S. operations and the Canadian dollar for Canadian operations. As a result, in the Company's consolidated financial statements, the financial statements of the Canadian operations are translated into U.S. dollars using the current rate method.

Under this method, assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Revenues and expenses are translated at the average rates in effect during the period. Gains and losses arising from translation are included in accumulated other comprehensive loss.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transactions conducted in foreign currencies by the Company are translated into their respective functional currency as follows: monetary assets and liabilities are translated at the exchange rate in effect at quarter end and revenues and expenses are translated at the average exchange rate for the month in which they occur. Exchange gains and losses arising from transactions denominated in foreign currencies are included in the consolidated statements of operations and comprehensive loss.

Losses amounted to $1.3 million in the three and six months ended May 30, 2009. Gains amounted to $0.2 million and $0.5 million in the three and in the six months ended May 31, 2008, respectively. The gains/losses are included in Other income (expense) in the Consolidated Statements of Operations and Comprehensive Loss.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of
revenues and expenses during the reporting period. On an ongoing basis, management reviews its estimates based on currently available information. Management believes the most sensitive estimates include the allowance for doubtful accounts, the recoverability of inventory, property, plant and equipment, goodwill and other intangibles, and the provision for income taxes. Actual results could differ from these estimates.

3 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (FASB) issued SFAS No. 167, *Amendments to FASB Interpretation No. 46R* (SFAS 167). SFAS 167 amends FASB Interpretation No. (FIN) 46 (revised December 2003), *Consolidation of Variable Interest Entities* (FIN 46R) to require an analysis to determine whether a variable interest gives the entity a controlling financial interest in a variable interest entity. This statement requires an ongoing reassessment and eliminates the quantitative approach previously required for determining whether an entity is the primary beneficiary. This statement is effective for fiscal years beginning after November 15, 2009. SFAS 167 is effective for the Company's year beginning November 29, 2009. The Company is currently evaluating the impact of adopting this standard on the consolidated financial statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets* (SFAS 166). SFAS 166 removes the concept of a qualifying special-purpose entity (QSPE) from SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* (SFAS 140) and removes the exception from applying FIN 46R. This statement also clarifies the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. This statement is effective for fiscal years beginning after November 15, 2009. SFAS 166 is effective for the Company's year beginning November 29, 2009. The Company is currently evaluating the impact of adopting this standard on the consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. This statement is effective for interim and annual periods ending after June 15, 2009. SFAS 165 will be effective for the Company beginning the third quarter of fiscal 2009. The Company does not expect the adoption of this standard to have a material effect on the consolidated financial statements.

In April 2009, the FASB issued FSP FAS 141(R)-1, "Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies." FSP FAS 141(R)-1 amends and clarifies SFAS 141(R) to address application issues on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The FSP is effective for assets and liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. This FSP is effective for the Company's year beginning November 29, 2009. The Company is currently evaluating the impact of adopting this standard on the consolidated financial statements.

3 – RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

In April 2009, the FASB issued FSP FAS 157-4, “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly.” FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liability have significantly decreased. The FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4 is effective for interim and annual periods ending after June 15, 2009, and shall be applied prospectively. Earlier adoption is permitted for periods ending after March 15, 2009. This statement will be effective for the Company beginning the third quarter of fiscal 2009. Adoption of FSP FAS 157-4 is not expected to have a material impact on the Company’s consolidated financial statements.

In April 2009, the FASB issued FSP FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments.” FSP FAS 107-1 and APB 28-1 amends SFAS No. 107, “Disclosures about Fair Value of Financial Instruments,” to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. In addition, the FSP amends APB Opinion No. 28, “Interim Financial Reporting,” to require those disclosures in summarized financial information at interim reporting periods. The FSP is effective for interim periods ending after June 15, 2009, with earlier adoption permitted for periods ending after March 15, 2009. This statement will be effective for the Company beginning the third quarter of fiscal 2009. Adoption of FSP FAS 107-1 and APB 28-1 is not expected to have a material impact on the Company’s consolidated financial statements.

In April 2009, the FASB issued FSP FAS 115-1 and FAS 124-2, “Recognition and Presentation of Other-Than-Temporary Impairments.” FSP FAS 115-1 and FAS 124-2 amend other-than-temporary impairment guidance for debt securities to make guidance more operational and to improve the presentation and disclosure of other- than-temporary impairments on debt and equity securities. The FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. FSP FAS 115-1 and FAS 124-2 are effective for interim and annual periods ending after June 15, 2009, with earlier adoption permitted for periods ending after March 15, 2009. This statement will be effective for the Company beginning the third quarter of fiscal 2009. The Company is currently evaluating the impact of adopting this standard on the consolidated financial statements.

In April 2009, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 111 (SAB 111). SAB 111 amends and replaces SAB Topic 5.M. in the SAB Series entitled “Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities.” SAB 111 maintains the SEC Staff’s previous views related to equity securities and amends Topic 5.M. to exclude debt securities from its scope. SAB 111 is effective upon the adoption of FSP FAS 115-1 and FAS 124-2. Implementation of SAB 111 is not expected to have a material impact on the Company’s consolidated financial statements.

4 – DISPOSITION OF LONG-LIVED ASSETS

On February 13, 2009, as part of a previously implemented restructuring program (Note 5), the Company completed the sale of substantially all of the machinery and equipment, furniture and fixtures and computer equipment located at its Cumberland, Rhode Island and Albany, New York distribution facilities, including the real property in Cumberland. The total consideration for the assets sold was $1.9 million net of closing adjustments. The Company recognized a net gain of approximately $42,000 related to the sale of the assets, which is included in the line item “Restructuring” in the Consolidated Statements of Operations and Comprehensive Loss. As part of the agreement, the Albany facility was not sold, but will be leased for a period of two years at a rental amount of $0.1 million per annum paid monthly commencing at the date of the sale. In the event the Company receives an offer to sell the facility during the lease term, the lessee has the right of first refusal. Additionally, the lessee has the option to purchase the facility at any time during the lease term for $1.0 million. The lease is classified as an operating lease.

4 – DISPOSITION OF LONG-LIVED ASSETS (Continued)

On February 27, 2009, as part of a previously implemented restructuring program (Note 5), the Company completed the sale and purchase of certain assets in Canada. As part of the transaction, Barzel sold the machinery and equipment at its processing facilities in Dorval, Quebec and Lasalle, Quebec. As the Dorval and Lasalle facilities were also leased properties, the transaction included the termination of these leases as well as the lease on property in Cambridge, Ontario, which the Company had leased and which the Company exited in April 2008. The total consideration for the assets sold was $17.1 million, net of closing adjustments. Pursuant to the agreement, the Company acquired the real property in Baie D'Urfe, Quebec, on which its existing tubular products facility is situated, for $1.6 million. Previously, the Company had leased the Baie D'Urfe real property and building. The Company also entered into a two-year option to purchase the land adjacent to the Company's Stoney Creek facility. Should the option be exercised, the land would be purchased for a purchase price of $3.5 million. The Company recognized a net gain of approximately $0.9 million on these transactions, which is included in the line item "Restructuring" in the Consolidated Statements of Operations and Comprehensive Loss.

5 – RESTRUCTURING

2009 Actions

During the six months ended May 30, 2009, the Company advanced its plan for implementing the Decalogue™ operating methodology at the Company, transforming it to operate as one integrated system. As a result of the realignment and simplification of the Company's operating network, the Company initiated a further reduction in its U.S. and Canadian workforces during the three months ended May 30, 2009 and the disposition of certain redundant and surplus assets (Note 4) during the three months ended February 28, 2009. The divested Canadian processing assets were redundant with the Company's processing capabilities in Stoney Creek, Ontario, Auburn, Massachusetts and Morrisville, Pennsylvania. The divested U.S. distribution facility assets were redundant with the Company's distribution facilities in Auburn, Massachusetts and Syracuse, New York. The Company continues to provide its customers with structural tubing, roll formed steel sections, a wide range of manufactured sub-assemblies and accessories, as well as processing services that include pickling, slitting, cut-to-length and precision blanking in steel and other metals.

The costs incurred under this action include the following:

- Employee termination costs
- Gains or losses on the disposition of assets or asset groupings that do not qualify as discontinued operations

During the six months ended May 30, 2009, the Company entered into an agreement to sell substantially all of the assets at its Cumberland, Rhode Island and certain assets at its Albany, New York facilities. See Note 4 – Disposition of Long-Lived Assets. The transaction was completed on February 13, 2009. The Cumberland and Albany facilities are distribution facilities. The facilities employed approximately 33 employees. Under the agreement, the purchaser agreed to offer employment to the employees at the Cumberland and Albany facilities. The purchaser also acquired prepaid expenses related to the facilities, including taxes and health and life insurance coverage of those employees. These prepaid expenses were included in the calculation of the gain on the sale of assets. As a result of the transaction, the Company recorded an approximate $42,000 net gain on the sale of assets. The gain is included in the line item "Restructuring" in the Consolidated Statements of Operations and Comprehensive Loss for the six months ended May 30, 2009.

During the six months ended May 30, 2009, the Company also closed the Norwood, Massachusetts and Hartford, Connecticut distribution facilities. In connection with the closure of these facilities, the Company recorded $0.2 million of employee severance and benefit costs. The charge is included in the line item "Restructuring" in the Consolidated Statements of Operations and Comprehensive Loss for the six months ended May 30, 2009.

During the six months ended May 30, 2009, the Company also completed the sale of certain assets at its Canadian processing facilities in Dorval, Quebec and Lasalle, Quebec, terminated the building leases for these facilities, and purchased real property in Baie D'Urfe, Quebec. See Note 4 – Disposition of Long-Lived Assets. The transaction was completed on February 27, 2009. The Quebec facilities employed approximately 66 employees. The Company recorded a gain on the sale of assets of approximately $0.9 million. Additionally, as part of the transaction, the lease for the Cambridge, Ontario property was also terminated, resulting in a reversal of $0.1 million of lease termination obligations

5 – RESTRUCTURING (Continued)

previously charged to restructuring costs. The reversal of the charge is included in the line item "Restructuring" in the Consolidated Statements of Operations and Comprehensive Loss for the six months ended May 30, 2009.

The following table summarizes the components of the restructuring charge for the six months ended May 30, 2009 (in thousands):

Severance, payroll and other related costs (1)	$	386
Lease termination obligations and related costs (2)		(105)
Other exit costs (3)		(749)
Total restructuring	$	(468)

(1) Represents severance for 203 employees; 40 employees related to Canadian plants and 163 related to U.S. plants and corporate overhead personnel for the six months ended May 30, 2009.
(2) Represents the reversal of lease termination obligations for the Cambridge facility lease previously charged to restructuring costs for the six months ended May 30, 2009.
(3) Consists primarily of gain associated with the sale of real property, machinery and equipment, furniture and fixtures, and computer equipment, at the Company's Cumberland, Rhode Island and Albany, New York facilities and its Canadian processing facilities in Dorval, Quebec and Lasalle, Quebec and other exit costs for the six months ended May 30, 2009.

2008 Actions

In April 2008, the Company announced a limited restructuring program associated with the closure of the Cambridge, Ontario facility and the implementation of organizational changes, particularly in the replenishment, processing, distribution and sales processes. The program resulted in the termination of certain employees, the relocation or reassignment of other employees and other exit costs associated with the closure of the Cambridge facility.

The following table summarizes the liability related to the 2008 and 2009 restructuring program (in thousands):

	Balance at November 29, 2008	Charges	Payments	Other	Balance at May 30, 2009
Severance, payroll and other related costs	$ 8,138	$ 386	$ (3,849)	$ —	$ 4,675
Lease termination obligations and related costs	245	(105)	(140)	—	—
Other facility exit costs	22	—	—	—	22
Foreign exchange	(840)	—	—	271	(569)
Total	$ 7,565	$ 281	$ (3,989)	$ 271	$ 4,128

6 – LOSS PER SHARE

Due to the net losses incurred for the three and six months ended May 30, 2009 and May 31, 2008, the calculation of diluted weighted average shares outstanding for the three and six months ended May 30, 2009 and May 31, 2008 exclude potential common shares related to 6,352,847 and 25,579,069 dilutive warrants, respectively.

The following table provides the reconciliation between basic and diluted income loss per share (in thousands except share and per share data):

	Three months ended		Six months ended	
	May 30, 2009	**May 31, 2008**	**May 30, 2009**	**May 31, 2008**
Net loss	$ (31,339)	$ (4,361)	$ (62,117)	$ (12,250)
Weighted average number of common stock outstanding	26,564,607	21,452,304	26,564,607	21,452,304
Effect of dilutive warrants	—	—	—	—
Weighted average number of diluted common stock outstanding	26,564,607	21,452,304	26,564,607	21,452,304
Net loss per share				
Basic	$ (1.18)	$ (0.20)	$ (2.34)	$ (0.57)
Diluted	$ (1.18)	$ (0.20)	$ (2.34)	$ (0.57)

7 – INVENTORIES

Inventories consist of the following (in thousands):

	May 30, 3009	**November 29, 2008**
Raw materials	$ 12,021	$ 32,450
Finished goods	12,384	20,721
	$ 24,405	$ 53,171

As part of the sale of the assets of the Cumberland, Rhode Island and Albany, New York facilities during the first fiscal quarter of 2009, the Company sold inventory of steel, steel products and other goods (including raw materials, finished goods and work in progress). See Note 4 – Disposition of Long-Lived Assets. Total consideration for inventory sold was approximately $1.1 million and the Company recorded approximately $1.9 million as part of cost of goods sold, which generated a negative impact on gross margin of approximately $0.8 million for the six months ended May 30, 2009.

For the three months ended May 30, 2009, the Company also recorded an inventory impairment of approximately $2.3 million, resulting primarily from the write down of flat rolled carbon steel inventory to market prices that were lower than purchased cost.

8 – ASSETS HELD FOR SALE

In February 2009, the Company made the decision to sell the real property and buildings located in Norwood, Massachusetts and Hartford, Connecticut, formerly associated with its distribution business, within the next 12 months for an amount expected to be less than their current carrying amount. As a result, the Company recorded a pre-tax impairment loss of approximately $2.5 million to write down the Norwood and Hartford facilities to their estimated realizable value of $3.4 million for the three months ended February 28, 2009 and reclassified the associated real property and buildings to “Assets held for sale” on the Company’s Consolidated Balance Sheets as of May 30, 2009. The impairment loss is included in the line item “Impairment loss” in the Consolidated Statements of Operations and Comprehensive Loss for the six months ended May 30, 2009. The Company ceased depreciating the real property and buildings located in Norwood, Massachusetts and Hartford, Connecticut at the time they were classified as held for sale.

As discussed in Note 4, certain real property and buildings associated with the former Albany, New York facility were not sold but will be leased for a period of two years at a rental amount of $0.1 million per annum paid monthly commencing at the date of the sale. Additionally, the lessee was granted the option to purchase the facility at any time during the lease term for $1.0 million.

Since the Albany facility is for sale, the Company recorded a pre-tax impairment loss of approximately $0.7 million to write down the Albany facility to its estimated realizable value of $1.0 million for the six months ended May 30, 2009 and reclassified the associated real property and building to “Assets held for sale” in the Company’s Consolidated Balance Sheets as of May 30, 2009. The impairment loss is included in the line item “Impairment loss” in the Consolidated Statements of Operations and Comprehensive Loss for the six months ended May 30, 2009. The Company ceased depreciating the real property and building associated with the Albany facility at the time it was classified as held for sale.

9 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following (in thousands):

	May 30, 2009	November 29, 2008
Land	$ 8,483	$ 10,722
Buildings and building improvements	39,618	43,659
Machinery and equipment – light gauge	12,651	12,970
Machinery and equipment – heavy gauge	44,312	56,416
Furniture and fixtures	655	1,188
Computer equipment	1,450	465
Leasehold improvements	1,798	1,055
Assets under construction	14,105	9,685
	123,072	136,160
Accumulated depreciation	15,055	11,238
	$ 108,017	$ 124,922

Depreciation expense related to property, plant and equipment was $2.3 million and $4.9 million for the three and six months ended May 30, 2009, respectively. Depreciation expense related to property, plant and equipment was $3.2 million and $7.2 million for the three and six months ended May 31, 2008, respectively. Gains on disposal of property, plant and equipment were $0.2 million and $1.1 million for the three and six months ended May 30, 2009, respectively. Gains on disposal of property, plant and equipment were $81,000 for both the three and six months ended May 31, 2008, respectively.

In the six months ended May 30, 2009, the Company recorded a pre-tax impairment loss of $3.3 million to write down the Company’s real property and buildings associated with the Norwood, Hartford and Albany facilities to their estimated realizable value and reclassified these assets to “Assets held for sale” in the Company’s Consolidated Balance Sheets as of May 30, 2009. See Note 8 – Assets Held for Sale.

10 – LONG-TERM DEBT

Long-term debt obligations consist of the following (in thousands):

	Maturity	May 30, 2009	November 29, 2008
11.5% Senior Secured Notes	2015	$ 315,000	$ 315,000
ABL Credit Facility	September 30, 2010	-	33,814
		$ 315,000	$ 348,814

On May 14, 2009, the Company entered into a Deferral Agreement with the holders of its 11.5% Senior Secured Notes due 2015 (the "Notes"). Under the Deferral Agreement, the $18.1 million interest payment due on May 15, 2009 was deferred until August 14, 2009. No default or event of default under the Indenture occurred by reason of such deferral. See Note 16 – Subsequent Events for information as to a further deferral.

Under the Deferral Agreement, the Company agrees to use its best efforts to consummate a debt and/or equity recapitalization or restructuring, a debt refinancing, a capital raising transaction, or a sale of equity securities or assets of the Company. No assurance can be given that any such transaction will be successfully completed, as to the proceeds thereof, if any, or as to the timing thereof. The Company retained an independent third party investment banker to assist in connection therewith. Under the Deferral Agreement, the Company also agrees to certain covenants, including restrictions on the creation and existence of liens other than in the ordinary course, the sale, lease or other disposition of assets other than in the ordinary course, dividends and other distributions, debt and equity repurchases, management incentive fees, earn-out payments and bonus payments.

Under the Deferral Agreement, interest shall accrue during the deferral period on the deferred interest and on the principal amount outstanding under the Notes, both at an interest rate of 11.5% plus 2.0% per annum. The deferral is subject to early termination (i) after notice from the Noteholders, upon acceleration of the maturity of any obligations under the Company's principal asset-based revolving loan facility, (ii) upon a breach of the covenants under the Deferral Agreement, or (iii) the occurrence of a default or event of default under the Indenture.

Interest expense on the Notes and the asset based loan credit facility (the "ABL Credit Facility") was $9.4 million and $0.1, respectively, for the second fiscal quarter of 2009 and $9.8 million and $1.1 million, respectively, for the second fiscal quarter of 2008.

Interest expense on the Notes and the ABL Credit Facility was $18.5 million and $0.4 million, respectively, for the first two fiscal quarter of 2009 and $18.9 million and $2.3 million, respectively, for the first two fiscal quarters of 2008.

The weighted-average interest rate on funds borrowed under the Company's ABL Credit Facility was 4.45% for the three and six months ended May 30, 2009 and 5.80% and 6.17% for the three and six months ended May 31, 2008, respectively.

As of May 30, 2009, the aggregate eligible assets in the Company's borrowing base totaled $24.9 million (representing the sum of the U.S. borrowing base and the Canadian borrowing base) that was subject to a $15.0 million availability block, of which $0.9 million was utilized for letter of credit obligations and no loans were outstanding under the ABL Credit Facility. See Note 16 – Subsequent Events for information as to amendments to the ABL Credit Facility.

As of November 29, 2008, the aggregate eligible assets in the Company's borrowing base totaled $66.4 million (representing the sum of the U.S. borrowing base and the Canadian borrowing base) that was subject to a $15.0 million availability block, of which $0.9 million was utilized for letter of credit obligations and $33.8 million was outstanding under the ABL Credit Facility.

11 – COMMON STOCK AND WARRANTS

On May 30, 2009, the Company had 26,564,607 shares of common stock outstanding and 6,352,847 warrants outstanding. On November 29, 2008, the Company had 26,564,607 shares of common stock outstanding and 6,352,847 warrants outstanding. At May 30, 2009, the Company had reserved 6,352,847 shares of common stock for issuance upon exercise of warrants.

Exchange of Warrants

Between August 1, 2008 and November 29, 2008, pursuant to Exchange Agreements between the Company and various holders of an aggregate of 19,226,222 warrants to purchase common stock, the Company issued an aggregate of 5,112,303 shares of common stock to such holders in exchange for such warrants, which were cancelled upon such surrender. The warrants are exercisable at $5.50 and expire on March 7, 2011. The exchanges were privately negotiated, and the aggregate shares issued included an aggregate of 2,305,145 shares issued to certain officers and directors of the Company (at an exchange ratio based upon the consolidated closing bid prices for the common stock and warrants on various dates in accordance with NASDAQ regulations) and an aggregate of 2,807,158 shares issued to certain non-affiliates of the Company. The shares issued were exempt from registration under Section 3(a)(9) of the Securities Act of 1933, as amended, as the exchanges were effected with existing security holders and no commissions or other remuneration was paid or given directly or indirectly for soliciting such exchanges.

The Company and certain stockholders agreed to hold in escrow an aggregate of 842,415 shares of common stock issued in such exchanges (the “Escrow Shares”) until such time as the shareholders could approve the issuance of such shares. At the Company’s 2009 Annual Meeting of Stockholders on May 12, 2009, the issuance of the Escrow Shares were submitted for stockholder approval and such approval was obtained. Therefore, the Escrow Shares were released to the appropriate stockholders.

12 – RELATED PARTY TRANSACTIONS

The following transactions with related parties were concluded in the normal course of business and were measured at their respective exchange values, which are the amounts established and agreed to by the related parties (in thousands):

	Three months ended		Six months ended	
	May 30, 2009	**May 31, 2008**	**May 30, 2009**	**May 31, 2008**
Processing revenue from a joint venture	$ 20	$ 103	$ 40	$ 136
Processing charges paid to a joint venture	$ 964	$ 1,262	$ 1,356	$ 2,097
Consulting fees paid to an entity owned by an officer and director	$ 394	$ 628	$ 875	$ 922

The Company had trade accounts payable and accrued liabilities of $1.9 million and $1.5 million for processing charges due to a joint venture (Delta Tube Inc.) at May 30, 2009 and November 29, 2008, respectively.

13 – INVESTMENT IN A JOINT VENTURE

The Company holds a 60% equity interest and a 50% voting interest in a joint venture with ArcelorMittal Tubular Products Montreal Inc., that processes carbon steel into tubing. The joint venture, Delta Tube and Company, Ltd. ("Delta Tube"), is located in LaSalle, Québec, Canada.

Condensed financial information of the joint venture is summarized below (in thousands):

	Three Months Ended		Six Months Ended	
	May 30, 2009	**May 31, 2008**	**May 30, 3009**	**May 31, 2008**
Operations				
Net sales	$ 495	$ 1,671	$ 1,179	$ 2,716
Operating income	$ 223	$ 443	$ 149	$ 585

14 – INCOME TAXES

For the three and six months ended May 30, 2009, the Company incurred a pretax loss of $41.7 million and $84.7 million, respectively, and recorded a tax benefit of $10.4 million and $22.6 million, respectively, partially offset by a valuation reserve of $4.2 million and $8.9 million, respectively. For the three and six months ended May 31, 2008, the Company incurred a pretax loss of $6.1 million and $20.4 million, respectively, and recorded a tax benefit of $1.7 million and $8.2 million, respectively. The effective income tax rates were 24.9% and 26.7% for the three and six months ended May 30, 2009, respectively. The effective income tax rates were 28.0% and 40.0% for the three and six months ended May 31, 2008, respectively.

The change in the total valuation allowance for the three and six months ended May 30, 2009 was an increase of $4.2 million and $8.9 million, respectively. During the first two fiscal quarters of 2009, the Company determined that the timing of when it will generate sufficient Canadian taxable income to realize its Canadian deferred tax assets (primarily from net operating loss carryforwards) became less certain, because the likelihood of generating sufficient future taxable income of the right nature and timing to effectively utilize these assets was considered insufficient for meeting the required “more likely than not” standard. Accordingly, during the first two fiscal quarters of 2009, the Company recorded a full valuation allowance of $8.9 million against the net deferred tax assets in Canada. Until the Company determines that it is more likely than not that it will generate sufficient Canadian taxable income to realize its deferred income tax assets, income tax benefits in each current period will be fully reserved.

Income tax expense is provided on an interim basis based upon the Company’s estimate of the annual effective income tax rate, adjusted each quarter for discrete items. In determining the estimated annual effective income tax rate, the Company analyzes various factors, including projections of its annual earnings and the taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, the Company’s ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives.

The effective income tax rates for the three and six months ended May 31, 2008 were higher than the estimated rates because the first three months included a $1.3 million deferred tax benefit due to a statutory rate reduction in Canada, which is not reflected in the estimated annual rate. The effective income tax rate increased due to a greater percentage of domestic losses expected, which are recoverable at a higher rate.

Management is required to estimate the annual effective tax rate based upon its estimate of annual pre-tax income or loss for domestic and foreign operations. To the extent that actual pre-tax results for the year differ from the estimates applied at the end of the most recent interim period, the actual tax rate recognized in fiscal 2009 could be materially different from the estimated rate for the three and six months ended May 30, 2009.

14 – INCOME TAXES (Continued)

The Company accrues interest and penalties associated with unrecognized tax benefits in income tax benefit in the Consolidated Statements of Operations and in Other long-term liabilities in the Consolidated Balance Sheets. The expense for interest and penalties reflected in the Consolidated Statements of Operations (interest net of related income tax benefits) was $40,000 and $41,000 for the three and six months ended May 30, 2009, respectively. The expense for interest and penalties reflected in the Consolidated Statements of Operations (interest net of related income tax benefits) was $51,000 and $73,000 for the three and six months ended May 31, 2008, respectively. The corresponding liabilities in the Consolidated Balance Sheets were $3.6 million and $3.1 million at May 30, 2009 and November 29, 2008, respectively, which are included within Other long-term liabilities in the Consolidated Balance Sheets.

During the year ended November 29, 2008, Barzel Canada was notified of a Canada Revenue Agency audit for the periods 2003-2007. Fieldwork was completed and a reassessment proposal, primarily related to intercompany transactions, was received in December 2008. To this effect, on June 22, 2009, Barzel Canada issued a response letter of representation contesting the Canada Revenue Agent's proposed changes. Currently, the Canada Revenue Agent is reviewing the response letter for both the tangible and intangible support on all transactions. The CRA's tax reassessment should be issued by mid to end of August 2009. Prior to receiving the tax reassessment, Barzel Canada plans to seek competent authority relief from the United States in order to avoid double taxation.

During the six months ended May 30, 2009, the Company did not increase its reserve for unrecognized tax benefits as it believes that the increase in potential Canadian liability would be offset by a reduction in US liability due to the fact that the US rate was higher than the Canadian rate during the years under audit.

15 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company has various operating leases for manufacturing facilities, warehouses, office space, vehicles, machinery and equipment. As part of the sale of substantially all of the assets of the Cumberland and Albany facilities, the Company terminated various personal property and equipment (including trucks) leases located at the Cumberland and Albany facilities. In addition, as part of the sale and purchase of certain assets in Canada, the Company terminated various leases outlined below.

- Lease with respect to certain leased office space and industrial space in Lasalle, Quebec.
- Lease with respect to certain leased space in Dorval, Quebec.
- Lease with respect to certain leased space in Baie D'Urfe, Quebec.
- Lease with respect to certain leased space in Cambridge, Ontario.

As a result of the terminations of the various real property, operating and equipment (including trucks) leases, the Company's operating lease obligations are scheduled to be paid as follows: $1.1 million in the remainder of 2009; $1.5 million in 2010; $1.1 million in 2011; $0.7 million in 2012; $0.4 million in 2013; and $0.3 million, thereafter.

Contingencies

In October 2001, the Company's subsidiary, American Steel and Aluminum Corporation ("ASA"), was named as one of 57 defendants in an action brought by two private parties under the Comprehensive Environmental Response Compensation and Liability Act, or CERCLA, to recover costs incurred and to be incurred in connection with a waste disposal facility in Cumberland, Rhode Island which has been categorized as a Superfund site by federal authorities.

15 – COMMITMENTS AND CONTINGENCIES (Continued)

During 2006, ASA entered into a settlement with the plaintiffs, with the approval of the United States Environmental Protection Agency, or EPA, resolving its alleged liability for all claims for past and future response and oversight costs in connection with the Remedial Investigation/Feasibility Study for the site.

The litigation remains pending against the non-settling defendants. The settlement does not address future remediation costs and the Company does not believe it is currently possible to estimate its share, if any, of such costs should claims for their recovery be pursued against ASA. As part of the rationalization of the Company's distribution facilities, on February 13, 2009, the Company sold the facility in Cumberland, Rhode Island. The sale of this facility does not relieve the Company of its potential liability for such environmental claims.

The Company is involved in various other lawsuits, claims, demands, and other legal proceedings and investigations arising out of or incidental to the conduct of its business. While it is not possible to determine the ultimate disposition of each of these matters, the Company does not believe that their ultimate disposition will have a material adverse effect on its results of operations, financial condition or cash flows.

16 – SUBSEQUENT EVENTS

On June 1, 2009, the Company, Barzel Finco Inc. (the "US Borrower") and Barzel Industries Canada Inc. (the "Canadian Borrower" and, together with the Company and US Borrower, "Barzel") entered into Amendment No. 2 ("Amendment No. 2") to the Credit Agreement dated as of November 15, 2007 among the Company, the US Borrower, the Canadian Borrower, the lenders party thereto (each, a "Lender"), JPMorgan Chase Bank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent, and CIT Business Credit Canada Inc. and The CIT Group/Business Credit, Inc., as Syndication Agents (as amended, the "Credit Agreement"). Amendment No. 2 changes a number of provisions in the Credit Agreement to increase the liquidity currently available to Barzel based on its current business plan. The changes include, among others, a reduction in the availability block, a reduction in the maximum borrowings to $20.0 million, an increase in the interest rates and fees on borrowings and letters of credit outstanding under the Credit Agreement, an increase in the commitment fees, a change in the maturity date of the Credit Agreement to September 30, 2010 and additional operating covenants, including restrictions on dividends and other distributions and debt and equity repurchases. Under Amendment No. 2, the lenders under the Credit Agreement are the holders of Barzel's 11.5% Senior Secured Notes due 2015.

Under Amendment No. 2, the Company's aggregate borrowings may not exceed the excess of: (A) the lesser of (1) the aggregate borrowing base and (2) the revolving commitment of $20.0 million minus (B) the availability block of $7.5 million. The Company's aggregate eligible assets could decrease below the $20.0 million if accounts receivable decline due to lower sales, aging of uncollected receivables, decline in the market value of inventory and other factors beyond its control. In addition, the amount of borrowings requested each week cannot cause the aggregate borrowings to exceed at any time the sum of: (A) the projected borrowings for the week in the current 13 week budget plus (B) the greater of (1) US $2.0 million above or (2) 120% of the projected ending borrowings for each week as set forth in the current 13 week budget, as approved by the lenders.

On July 17, 2009, the Company entered into Amendment No. 3 ("Amendment No. 3") to the Credit Agreement. Under Amendment No. 3, the availability block was reduced to $1.5 million, which provides up to an additional $6.0 million of liquidity to the Company.

On June 2, 2009, the Company borrowed $3.0 million in U.S. dollars under the ABL Credit Facility at 7.75% per annum. On June 25, 2009, the Company borrowed $2.7 million under the ABL Credit Facility, of which $2.0 million was in Canadian dollars with an interest rate of 6.25% per annum and $1.0 million was in U.S. dollars with an interest rate of 5.62% per annum. On July 2, 2009, the Company also borrowed $2.0 million under the ABL Credit Facility, of which $1.5 million was in Canadian dollars with an interest rate of 6.25% per annum and $0.5 million in U.S. dollars with an interest rate of 5.60% per annum. U.S. dollar borrowings will bear interest, at the Company's option, at a rate equal to a margin over either LIBOR (3 month LIBOR rate 0.60% at July 2, 2009) or the U.S. base rate (3.75% at July 2, 2009). The applicable margin for borrowings are, in the case of the alternative base rate and Canadian Prime, 4.00% per annum, and in the case of LIBOR Spread, 5.00%, per annum.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements, the notes to our unaudited consolidated financial statements and the other financial information appearing elsewhere in this report. Data for the quarters ended May 30, 2009 ("second fiscal quarter of 2009)" and May 31, 2008 ("second fiscal quarter of 2008") and for the six months ended May 30, 2009 ("first two fiscal quarters of 2009") and for the six months ended May 31, 2008 ("first two fiscal quarters of 2008), have been derived from our unaudited consolidated financial statements. The terms "Barzel," the "Company," "we," "us," and "our" refer to Barzel and its consolidated subsidiaries.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. All statements, other than statements of historical facts, included in this report, are forward-looking statements. In addition, we or our representatives have made or may make forward-looking statements on telephone or conference calls, by webcasts or e-mails, in person, in presentations or written materials, or otherwise. Forward-looking statements include statements about matters such as: future prices and sales of, and demand for our products and our customers' products; future changes in production capacity in our operations and our customers' operations; future costs of materials and production and future overhead costs; productivity, business process and operational initiatives, and their impact on us; future economic conditions; future industry market conditions and anticipated changes in our position in markets we serve; future employment and contributions of personnel; employee relations and collective bargaining agreements; tax rates; capital expenditures and their impact on us; nature and timing of restructuring charges and the impact thereof; interest rate management activities; currency rate management activities; deleveraging activities; rationalization, restructuring, realignment, strategic alliance, raw material and supply chain, investment, acquisition, venture, consulting, operational, tax, financial and capital projects; legal proceedings, contingencies, and environmental compliance; potential actions relating to strategic alternatives including asset sales, debt and/or equity offerings and debt restructurings, and the need therefore and impact thereof; and future asset sales, costs, working capital, revenues, business opportunities, debt levels, cash flows, cost savings and reductions, margins, earnings and growth. The words "believe," "expect," "anticipate," "estimate," "project," "plan," "should," "intend," "may," "will," "would," "potential" and similar expressions identify forward-looking statements, but are not the exclusive means of doing so.

These statements are based on assumptions and assessments made by our management in light of their experience and their perception of historical and current trends, current conditions, possible future developments and other factors they believe to be appropriate. Forward-looking statements are not guarantees, representations or warranties and are subject to risks and uncertainties that could cause actual results, developments and business decisions to differ materially from those contemplated by such forward-looking statements. Some of those risks and uncertainties include the risk factors set forth in this report and in our Annual Report on Form 10-K for the fiscal year ended November 29, 2008 and the following:

- the current global economic downturn;
- the current weakness in the automotive, transportation, manufacturing and construction industries in the United States and Canada;
- our substantial indebtedness and the impact such indebtedness may have on the way we operate our business;
- the possibility that the recession, our operating performance and operating prospects and capital market conditions will limit our ability to timely meet our debt service obligations, comply with debt covenants, obtain necessary financing or refinancing or restructure indebtedness or our debt service obligations on acceptable terms or at all;
- our ability to continue to comply with government regulations;
- adoption of or changes in legislation or regulations adversely affecting our businesses;
- changes in the United States or other monetary or fiscal policies or regulations in response to the recent capital markets and economic crises;
- changes in the financial stability of our major customers or in demand for our products and services;
- interruptions in our production capabilities due to unexpected equipment failures;
- fluctuation of prices for steel and other raw materials or a shortage of supply;
- changes in generally accepted accounting principles;

- geopolitical events;
- competition in the industry;
- industry consolidation;
- the possibility that we may not be able to implement our business plans or that such business plans may result in unanticipated operating performance due to economic conditions or otherwise;
- currency risks;
- our ability to meet our objective of growing revenues organically;
- our ability to attract and retain key sales, marketing and operations management professionals;
- interruptions in supply of critical raw materials due to credit or other limitations imposed by suppliers;
- assertion of claims, lawsuits and proceedings against us;
- our ability to maintain an effective system of internal controls over financial reporting;
- failure to timely file periodic reports with the SEC or to continue listing of our securities on Nasdaq;
- geographic concentration of our business;
- work stoppages or our inability to renegotiate labor contracts when they expire; and
- outsourcing by our customers to overseas facilities.

Occurrence of any of the events or circumstances described above could have a material adverse effect on our business, financial condition, results of operations or cash flows or the market price of our securities.

All subsequent written and oral forward-looking statements by or attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors.

All forward-looking statements in this report are based upon information available to us on the date of this report. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise.

Business Overview

Headquartered in Norwood, Massachusetts, with an operational hub in Ontario, Canada, we operate a network of 15 metal processing, manufacturing and distribution facilities throughout the Canadian provinces of Ontario and Québec and in the Northeastern, Mid-Atlantic and Mid-Western United States. We operate these strategically located facilities as one integrated system. Through an innovative management system that includes close statistical monitoring and analysis of our plant capabilities, we service our customers with speed, quality and reliability.

We are a well-diversified, multi-process provider of value-added services and offer a wide range of metal processing solutions to a variety of industries, from construction and industrial manufacturing to transportation, infrastructure development and mining. We believe we are one of only two independent continuous process picklers in Canada.

We process, manufacture and distribute carbon steel, stainless steel and aluminum products and operate as an intermediary between primary metal producers and the manufacturers that require processed metal, often with a short lead time delivery basis. We produce steel tubing in various sizes primarily for the structural markets. We also produce roll formed steel sections and manufacture heavy equipment parts and accessories. Our flat rolled processing capabilities include pickling, slitting, blanking, leveling, temper-rolling and cutting-to-length to precise customer specifications. Additionally, we perform many of these processing services for customers who provide their own steel, referred to in the industry as toll processing.

Business Strategy and Outlook

Our company operates as one system, governed by The Decalogue™ operating methodology. Our operating methodology was developed by our President, Dr. Domenico Lepore, and a member of our Board of Directors, Oded Cohen. The Decalogue methodology brings together the ideas of Dr. W. Edwards Deming's Theory of Profound Knowledge and Dr. Eli Goldratt's Theory of Constraints, and facilitates their application through a set of logical thinking tools and statistical methods. Through these methods, we thoroughly map our processes and identify, measure and address the constraint in our system, which is defined as the part of our system that most hinders the generation of throughput.

Throughput is the speed at which a system can generate cash through sales. In our case, it is the speed at which we can move metal through the system, starting from our suppliers' ability to provide us with the raw materials, to the delivery of the final product to our customer and our receipt of payment for the work done.

As the generation of throughput takes into account supplier capabilities and customer feedback, it is critical that a holistic approach be used to understand our business. To do that, we use a systemic organizational design to replace a traditional hierarchal organizational model. What the Decalogue methodology acknowledges, that other management systems do not, is the systemic nature of an organization, meaning that the effectiveness of the manufacturing processes in the system can be profoundly impacted by other processes, like human resources or marketing. Thus, the same tools that are used to monitor and manage variations in manufacturing are also used to monitor and manage variations in other processes within our system. The aim is to have a totally synchronized system that is moving, in its entirety, towards the same goal.

We have significantly progressed our project plans for implementing the Decalogue operating methodology at the Company. This transformation allows us to simplify, realign and operate our network as one system, and has enabled (a) the system to operate at much faster cycle times, enabling us to maximize the throughput from the sale of our enhanced capacity, (b) a permanent cash inventory reduction of approximately $110.0 million primarily from this faster replenishment and operating cycle, and (c) the implementation of organizational changes, especially in our replenishment, processing, distribution and sales processes, which we believe will result in a reduction of operating expenses of over $10.0 million in fiscal 2009 as compared to fiscal 2008.

Through May 2009, we have effected further rationalizations of certain of our U.S. distribution facilities and processing centers in Quebec, including the sale of non-strategic assets that will result in additional annualized savings of $15.0 million in fiscal 2009 as compared to fiscal 2008. These organizational changes, when added to the changes effected in 2008, have resulted in the reduction of approximately 593 employees, primarily in the areas of administration and general management, purchasing, inside sales, accounting and plant operating personnel since January 1, 2008. These reductions have been offset by the addition of approximately 82 new employees of substantially different competencies, educational backgrounds and cultural diversities. To date, we have hired professionals in the areas of marketing, sales, quality, technical services, new product development, logistics, safety, process engineering and synchronized manufacturing, among others.

In addition, we have initiated additional actions to further reduce our operating expenses, including further reductions in labor expense through reduced work hours, layoffs, additional severances and salary reductions, further strategic purchasing efficiencies in consumables and other plant expenses, deferral of certain non-critical projects and the sale of certain other non-operating assets. We believe these actions will contribute an additional $15.0 million in cash savings, primarily from a reduction in annual operating expenses in fiscal 2009 as compared to fiscal 2008. These savings began in May 2009.

Our revenue has been severely impacted by the economic recession, including lower North American demand from service centers, lower average selling prices and the impact of changes in the exchange rate of the Canadian dollar. Our sales have also been negatively impacted by certain of our transformation actions, including our exit of inventory-based automotive sales, our exit of other non-replenishable material customers (in particular, sheet product customers of our distribution business), and the loss of certain customers as a result of the rationalization of certain of our US distribution facilities and Quebec processing centers.

We intend to maintain and grow our revenue by identifying and pursuing additional market segments in which we can sell our production capacity. We have identified numerous end markets and we intend to incrementally exploit these market segments to fully utilize our existing capacity. For example, we intend to expand our sales end markets to transportation, non-residential construction, energy, aerospace and defense, railroad manufacturing and mining machinery. We have also identified additional opportunities in certain export market segments.

The combination of a dramatic decrease in demand in both the US and Canada and relatively higher service center inventory levels has resulted in unprecedented declines in pricing over the prior ten months; we believe that prices have finally reached a bottom in June 2009. Flat rolled carbon steel sheet prices fell from over $1,100 per ton in August 2008 to about $370 per ton in early June 2009 as a result of lower customer demand. The market has experienced some recovery with June prices increasing over $50 per ton to over $425 per ton in late June 2009. It also appears that global sheet prices have bottomed and that steel pricing has improved slightly in Europe. In the US market, real demand remains weak, yet local mills are raising prices. We have seen increases in prices and volumes for tubular products over the last few weeks and a meaningful increase in tons ordered. We have successfully launched our new A53 pipe capacity and have seen favorable order patterns though June for this new product. We have also seen an increase in manufacturing and distribution order levels resulting more from our geographic and product expansions, rather than from market recovery.

While there are multiple factors that affect our results, the first two fiscal quarters of 2009 were most affected by the dramatic decrease in steel demand and an unprecedented reduction in the overall price of steel, which was exaggerated by a decrease in consumer confidence resulting from the global financial crisis and the impacted recessionary environment. Demand throughout most sectors of the economy decreased significantly in the first two fiscal quarters of 2009. Construction, heavy manufacturing, and automotive were hit particularly hard. As a result of the large decrease in demand, market prices for our products experienced continued decline through May 2009. This change in the market compressed margins in the first two fiscal quarters of 2009. This resulted in the challenge of selling higher priced inventory into a declining price market, while demand was also shrinking significantly. On a prospective basis, we believe that our shorter lead times and faster inventory turnover will significantly mitigate this effect.

We expect our volumes in the third fiscal quarter of 2009 to be higher than the second fiscal quarter of 2009, as a result of our sales efforts, particularly in our structural tubing, A53 pipe, manufacturing and distribution businesses. We have already begun experiencing significant increases in toll processing during the first two weeks of July as automotive producers increase production in the U.S. and Canada. Overall, our third fiscal quarter of 2009 is expected to result in increased revenue, significantly lower cost of sales, and lower operating expenses when compared to our second fiscal quarter of 2009. Actions taken in the first six months of fiscal 2009 have resulted in an annual reduction of operating expenses of approximately $15.0 million as compared to 2008. The additional actions discussed above to reduce operating expenses further began contributing an additional $15.0 million in cash savings, primarily from a reduction in annual operating expenses, in May 2009. We also believe that these actions, coupled with increasing sales should return the Company to a net operating profit rate by the end of the year.

Selected Operating Data

The following table sets forth certain unaudited operating data for each of the periods presented:

	Three Months Ended May 30, 2009		**Three Months Ended May 31, 2008**		**Six Months Ended May 30, 2009**		**Six Months Ended May 31, 2008**	
	Amount	%	Amount	%	Amount	%	Amount	%
Tons - Direct sales	29,781	33.9	232,400	57.9	85,168	44.2	435,000	56.2
Tons - Toll processing	58,053	66.1	168,900	42.1	107,568	55.8	338,500	43.8
Total Tons	87,834	100.0	401,300	100.0	192,736	100.0	773,500	100.0

Results of Operations

The following table and discussion sets forth, for the periods presented, our consolidated results of operations expressed in dollar terms and as a percentage of net sales. Such information has been derived from our unaudited consolidated statements of operations and comprehensive loss.

	Three Months Ended May 30, 2009 Amount (U.S. dollars in thousands)	%	Three Months Ended May 31, 2008 Amount (U.S. dollars in thousands)	%	Six Months Ended May 30, 2009 Amount (U.S. dollars in thousands)	%	Six Months Ended May 31, 2008 Amount (U.S. dollars in thousands)	%
Net sales	$ 25,799	100.0	$ 241,336	100.0	$ 73,754	100.0	$ 436,965	100.0
Cost of sales	28,099	108.9	187,657	77.8	74,950	101.6	350,641	80.3
Gross margin	(2,300)	(8.9)	53,679	22.2	(1,196)	(1.6)	86,324	19.7
Operating expenses								
Plant	12,571	48.7	18,624	7.7	28,795	39.0	36,285	8.3
Delivery	2,948	11.4	8,307	3.4	6,389	8.7	14,489	3.3
Selling	2,086	8.1	3,786	1.6	4,287	5.8	7,113	1.6
Administrative and general	7,964	30.9	11,247	4.7	15,810	21.4	18,911	4.3
Impairment loss	---	---	---	---	3,280	4.4	---	---
Amortization of intangibles	2,094	8.1	2,077	0.8	4,172	5.7	4,005	0.9
Restructuring	181	0.7	4,913	2.0	(468)	(0.6)	4,913	1.1
	27,844	107.9	48,954	20.2	62,265	84.4	85,716	19.5
Operating (loss) income	(30,144)	(116.8)	4,725	2.0	(63,461)	(86.0)	608	0.2
Interest expense	(10,083)	(39.1)	(11,457)	(4.7)	(19,910)	(27.0)	(22,229)	(5.0)
Interest income	13	---	120	---	212	0.2	301	---
Other income (expense)	(1,334)	(5.1)	247	0.1	(1,321)	(1.8)	515	0.1
Share in (loss) income of joint venture	(196)	(0.8)	304	0.1	(222)	(0.3)	390	0.1
	(11,600)	(45.0)	(10,786)	(4.5)	(21,241)	(28.8)	(21,023)	(4.8)
Loss before benefit for income taxes	(41,744)	(161.8)	(6,061)	(2.5)	(84,702)	(114.8)	(20,415)	(4.6)
Benefit for income taxes	10,405	40.3	1,700	0.7	22,585	30.6	8,165	1.8
Net loss	$ (31,339)	(121.5)	$ (4,361)	(1.8)	$ (62,117)	(84.2)	$ (12,250)	(2.8)

Three Months Ended May 30, 2009 as compared to Three Months Ended May 31, 2008

The consolidated financial statements for the second fiscal quarter of 2009 include the financial results of Barzel, and its wholly-owned subsidiaries Barzel Holdings Inc., Barzel Finco Inc., Barzel Industries Canada Inc., and Barzel Industries U.S. Inc. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Net Sales

Net sales for the second fiscal quarter of 2009 decreased by $215.5 million, or 89.3%, to $25.8 million from $241.3 million for the second fiscal quarter of 2008. Net sales include direct sales and toll processing revenues. For the second fiscal quarter of 2009, direct sales and toll processing revenues were approximately $24.3 million and $1.5 million, respectively. For the second fiscal quarter of 2008, direct sales and toll processing revenues were approximately $238.8 million and $2.5 million, respectively.

Decreased direct sales and toll processing revenues were primarily due to a dramatic decline in the price and volume of our products in the second fiscal quarter of 2009, driven by weaker global economic conditions, particularly in the industrial manufacturing, construction, transportation and energy industries, resulting in continued weakened demand for steel. Our sales were also negatively impacted by our exit of certain market segments where the end user product and/or terms of sale were not consistent with our replenishment model. In addition, to minimize our credit risks, we reduced our sales of steel in the US and Canada to certain customers and market segments (except for cash on delivery), particularly to customers in the automotive segment.

Total tons directly sold and toll processed for the second fiscal quarter of 2009 decreased by 313,466 tons, or 78.1%, to 87,834 tons from 401,300 tons for the second fiscal quarter of 2008. Direct sale tons decreased by 202,619 tons, or 87.2%, to 29,781 tons in the second fiscal quarter of 2009 from 232,400 tons in the second fiscal quarter of 2008. The decrease in direct sale tons resulted from continued softening demand from our distribution and structural tubing customers, stemming from the sustained decline in steel demand, particularly in the transportation and construction industries. Our automotive business was down substantially in the second fiscal quarter of 2009, based both on the industry's pervasive weakness and our decision to exit most of the inventory-based automotive segment. Toll processed tons decreased by 110,847 tons, or 65.6%, to 58,053 tons in the second fiscal quarter of 2009 from 168,900 in the second fiscal quarter of 2008. The decrease in toll processed tons was primarily driven by decreased automotive volumes, including weaker processing for steel mills and processing centers in Canada, primarily resulting from weaker Canadian automotive and manufacturing sectors.

Cost of Sales

Cost of sales includes direct and indirect costs associated with our manufactured and distributed products. Direct costs include material, while indirect costs include, but are not limited to, inbound freight charges, purchasing and receiving costs, inspection costs, internal transfer costs and other costs of our distribution network.

Cost of sales for the second fiscal quarter of 2009 decreased by $159.6 million, or 85.0%, to $28.1 million from $187.7 million for the second fiscal quarter of 2008. As a percentage of net sales, cost of sales increased to 108.9% in the second fiscal quarter of 2009 from 77.8% in the second fiscal quarter of 2008. The cost of sales for the second fiscal quarter of 2009 included an inventory impairment of $2.3 million. Excluding the impact of the inventory impairment of $2.3 million, cost of sales for the second fiscal quarter of 2009 would have decreased by $157.3 million, as compared to the first fiscal quarter of 2008. The overall increase in cost of sales as a percentage of net sales in the second fiscal quarter of 2009 primarily resulted from lower average selling prices of our products during the quarter as we experienced unprecedented declines in pricing from higher cost steel inventories in cost of sales.

Gross Margin

Gross margin for the second fiscal quarter of 2009 was negative $2.3 million, or 8.9% of net sales, compared to $53.7 million, or 22.2% of net sales, for the second fiscal quarter of 2008. Our gross margins may not be comparable to those of other entities, since some entities include all of the costs related to their distribution network in cost of sales, and others (like us) exclude a portion of such costs from gross margin. Gross margin in the second fiscal quarter of 2009 was negatively impacted by an inventory impairment of approximately $2.3 million. Excluding the inventory impairment of $2.3 million, gross margin would have decreased by $53.7 million, as compared to the second fiscal quarter of 2008. The decrease in gross margin in the second fiscal quarter of 2009 is due to the dramatic decline in the selling price of our products, driven by declining market conditions. From August 2008 to late May/early June 2009, the price per ton for hot rolled coil fell from over $1,100 to $370, a decline of over 66.4%.

Operating Expenses

Operating expenses for the second fiscal quarter of 2009 decreased by $21.7 million, or 44.6%, to $27.0 million, from $48.7 million for the second fiscal quarter of 2008. As a percentage of net sales, operating expenses increased to 104.6% in the second fiscal quarter of 2009 from 20.1% in the second fiscal quarter of 2008. Operating expenses for the second fiscal quarter of 2009 included $2.3 million associated with debt refinancing costs, or 9.1% of net sales. Operating expenses for the second fiscal quarter of 2009 also included restructuring of $0.2 million, or 0.7% of net sales, associated with exit activities and asset disposition actions related to the 2009 restructuring actions. See Note 5 to the Consolidated Financial Statements, Restructuring. Additionally, operating expenses for the second fiscal quarter of 2008 included approximately $0.4 million in higher depreciation expense associated with the purchase price allocation to property, plant and equipment and approximately $2.1 million of amortization associated with the purchase price allocation to intangible assets other than goodwill. Excluding the debt refinancing costs of $2.3 million, restructuring of $0.2 million, additional depreciation and amortization of $2.5 million, operating expenses for the second fiscal quarter of 2009 would have decreased by $16.7 million, as compared to the second fiscal quarter of 2008.

Plant operating expenses were $12.6 million in the second fiscal quarter of 2009, or 48.7% of net sales, as compared to $18.6 million or 7.7% of net sales in the second fiscal quarter of 2008. The $6.0 million dollar decrease in plant expenses in the second fiscal quarter of 2009 is primarily attributable to continued cost reductions implemented at the plant level as more fully discussed in Note 5 to the Consolidated Financial Statements, Restructuring. Delivery expenses were $2.9 million in the second fiscal quarter of 2009, or 11.5% of net sales, as compared to $8.3 million or 3.4% of net sales in the second fiscal quarter of 2008. The increase in delivery expenses as a percentage of sales is principally due to shipping less than full truckloads to customers, choosing to maintain reliable delivery to our customers despite the decrease in demand and the associated increased costs. In addition, fuel costs continued to increase and our efforts to reduce our rolling stock did not keep pace with our decline in sales. Selling expenses were $2.1 million in the second fiscal quarter of 2009, or 8.1% of net sales, as compared to $3.8 million in the second fiscal quarter of 2008, or 1.6% of net sales. The increase in selling expenses as a percentage of sales is primarily due to the disproportionate decrease in sales and, to a lesser extent, an increase in travel expense component of selling expense from expanded selling activities and selling geographies. Administrative and general expenses were $7.9 million in the second fiscal quarter of 2009, or 30.9% of net sales, as compared to $11.2 million in the second fiscal quarter of 2008, or 4.7% of net sales. Administrative and general expenses for the second fiscal quarter of 2009 included $2.3 million associated with debt refinancing costs, or 9.1% of net sales. Excluding the debt refinancing costs of $2.3 million, administrative and general expenses for the second fiscal quarter of 2009 would have been $5.6 million, or 21.7% of net sales, as compared to $11.2 million in the second fiscal quarter of 2008, or 4.7% of net sales. The decrease in general and administrative expenses is primarily due to lower training, recruiting and consulting expenses.

Interest Expense and Income, Net

Interest income for the second fiscal quarter of 2009 was $0 as compared to $0.1 million for the second fiscal quarter of 2008. Interest expense for the second fiscal quarter of 2009 decreased $1.4 million, or 12.1%, to $10.1 million, from $11.5 million for the second fiscal quarter of 2008. Interest expense on our 11.5% senior secured notes due 2015 (the “Senior Secured Notes”) and our asset based loan credit facility (the “ABL Credit Facility”) was $9.4 million and $0.1 million, respectively, for the second fiscal quarter of 2009 and $9.8 million and $1.1 million, respectively, for the second fiscal quarter of 2008. The remaining $0.5 million of interest expense for the second fiscal quarter of 2009 and 2008, respectively, primarily represents the amortization of deferred financing charges. The Senior Secured Notes outstanding are $315.0 million with a fixed interest rate of 11.5% plus 2% per annum. See Note 10 to the Consolidated Financial Statements, Long-Term Debt.

Other Income (Expense)

Other expense was $1.3 million for the second fiscal quarter of 2009 compared to other income of $0.2 million for the second fiscal quarter of 2008. The changes in other expense are primarily due to foreign exchange gains and losses on our assets and liabilities in currency other than the functional currency.

Loss Before Benefit For Income Taxes

Loss before benefit for income taxes for the second fiscal quarter of 2009 was $41.7 million, as compared to loss before benefit for income taxes for the second fiscal quarter of 2008 of $6.1 million. The loss before benefit for income taxes for the second fiscal quarter of 2009 was principally affected by a severe decrease in gross margin, including $2.3 million for inventory impairments, and, to a lesser extent, $2.3

million for refinancing charges, $0.2 million for restructuring charges, $2.1 million for the amortization associated with the purchase price allocation to intangible assets other than goodwill, and $0.4 million for additional depreciation associated with the purchase price allocation to property, plant and equipment.

Benefit For Income Taxes

Income taxes were a benefit of $14.6 million for the second fiscal quarter of 2009, partially offset by a valuation reserve of $4.2 million, and $1.7 million for the second fiscal quarter of 2008, and reflect an estimated effective income tax rate of approximately 24.9% and 28.0%, respectively.

Net Loss

Net loss was $31.3 million in the second fiscal quarter of 2009, or a net loss of $1.18 per basic and diluted share outstanding, as compared to net loss of $4.4 million in the second fiscal quarter of 2008, or net loss of $0.20 per basic and diluted share outstanding.

Six Months Ended May 30, 2009 as compared to Six Months Ended May 31, 2008

The consolidated financial statements for the first two fiscal quarters of 2009 include the financial results of Barzel, and its wholly-owned subsidiaries Barzel Holdings Inc., Barzel Finco Inc., Barzel Industries Canada Inc., and Barzel Industries U.S. Inc. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Net Sales

Net sales for the first two fiscal quarters of 2009 decreased by $363.2 million, or 83.1%, to $73.8 million from $437.0 million for the first two fiscal quarters of 2008. Net sales include direct sales and toll processing revenues. For the first two fiscal quarters of 2009, direct sales and toll processing revenues were approximately $70.5 million and $3.3 million, respectively. For the first two fiscal quarters of 2008, direct sales and toll processing revenues were approximately $431.4 million and $5.6 million, respectively.

Decreased direct sales and toll processing revenues were primarily due to a dramatic decline in the price and volume of our products in the first two fiscal quarters of 2009, driven by weaker global economic conditions, particularly in the industrial manufacturing, construction, transportation and energy industries, resulting in continued weakened demand for steel. Our sales were also negatively impacted by our exit of certain market segments where the end user product and/or terms of sale were not consistent with our replenishment model. In addition, to minimize our credit risks, we reduced our sales of steel in the US and Canada to certain customers and market segments (except for cash on delivery), particularly to customers in the automotive segment.

Total tons directly sold and toll processed for the first two fiscal quarters of 2009 decreased by 580,764 tons, or 75.1%, to 192,736 tons from 773,500 tons for the first two fiscal quarters of 2008. Direct sale tons decreased by 349,832 tons, or 80.4%, to 85,168 tons in the first two fiscal quarters of 2009 from 435,000 tons in the first two fiscal quarters of 2008. The decrease in direct sale tons resulted from continued softening demand from our distribution and structural tubing customers, stemming from the sustained decline in steel demand, particularly in the transportation and construction industries. Our automotive business was down substantially in the first two fiscal quarters of 2009, based both on the industry's pervasive weakness and our decision to exit most of the inventory-based automotive segment. Toll processed tons decreased by 230,932 tons, or 68.2%, to 107,568 tons in the first two fiscal quarters of 2009 from 338,500 in the first two fiscal quarters of 2008. The decrease in toll processed tons was primarily driven by decreased automotive volumes, including weaker processing for steel mills and processing centers in Canada, primarily resulting from weaker Canadian automotive and manufacturing sectors.

Cost of Sales

Cost of sales includes direct and indirect costs associated with our manufactured and distributed products. Direct costs include material, while indirect costs include, but are not limited to, inbound freight charges, purchasing and receiving costs, inspection costs, internal transfer costs and other costs of our distribution network.

Cost of sales for the first two fiscal quarters of 2009 decreased by $275.6 million, or 78.6%, to $75.0 million from $350.6 million for the first two fiscal quarters of 2008. As a percentage of net sales, cost of sales increased to 101.6% in the first two fiscal quarters of 2009 from 80.3% in the first two fiscal quarters of 2008. The cost of sales for the first two fiscal quarters of 2009 included net losses of $2.1 million from bulk sales of inventory at our Cumberland, Rhode Island, Norwood, Massachusetts and Albany, New York facilities recorded in the first fiscal quarter of 2009 and an inventory impairment of $2.3 million recorded in the second fiscal quarter of 2009. Additionally, the cost of sales for the first fiscal quarter of 2008 included the remaining $6.7 million of the total $7.8 million of purchase price that was allocated to inventory to increase certain acquired inventories up to their fair market value on the date of the acquisition of Novamerican Steel Inc. by Symmetry Holdings Inc. Excluding the impact of net losses of $2.1 million from bulk sales of inventory and an inventory impairment of $2.3 million in the first two fiscal quarters of 2009 and the purchase price allocation to inventory in the first fiscal quarter of 2008 of $6.7 million, cost of sales for the first two fiscal quarters of 2009 would have decreased by $264.5 million, as compared to the first two fiscal quarters of 2008. The overall increase in cost of sales as a percentage of net sales in the first two fiscal quarters of 2009 primarily resulted from lower average selling prices of our products during the first two fiscal quarters as we experienced unprecedented declines in pricing from higher cost steel inventories in cost of sales.

Gross Margin

Gross margin for the first two fiscal quarters of 2009 was negative $1.2 million, or 1.6% of net sales, compared to $86.3 million, or 19.7% of net sales, for the first two fiscal quarters of 2008. Our gross margins may not be comparable to those of other entities, since some entities include all of the costs related to their distribution network in cost of sales, and others (like us) exclude a portion of such costs from gross margin. Gross margin in the first fiscal quarter of 2009 was negatively impacted by losses of $2.1 million associated with bulk sales of inventory at our Cumberland, Rhode Island, Norwood, Massachusetts and Albany, New York facilities. In addition, gross margin in the second fiscal quarter of 2009 was negatively impacted by an inventory impairment of approximately $2.3 million. Gross margin for the first fiscal quarter of 2008 was reduced by $6.7 million of additional costs associated with the purchase price allocation to inventory. Excluding net losses of $2.1 million from bulk sales of inventory and an inventory impairment of $2.3 million in the first two fiscal quarters of 2009 and the purchase price allocation to inventory in the first fiscal quarter of 2008 of $6.7 million, gross margin would have decreased by $76.4 million, as compared to the first two fiscal quarters of 2008. The decrease in gross margin in the first two fiscal quarters of 2009 is due to the dramatic decline in the selling price of our products, driven by declining market conditions.

Operating Expenses

Operating expenses for the first two fiscal quarters of 2009 decreased by $23.8 million, or 27.9%, to $61.4 million, from $85.2 million for the first two fiscal quarters of 2008. As a percentage of net sales, operating expenses increased to 83.3% in the first two fiscal quarters of 2009 from 19.4% in the first two fiscal quarters of 2008. Operating expenses for the first two fiscal quarters of 2009 included an impairment loss of $3.3 million, or 4.4% of net sales, for the sale of real property and buildings associated with our Norwood, Hartford and Albany facilities. See Note 8 to the Consolidated Financial Statements, Assets Held for Sale. Operating expenses for the second fiscal quarter of 2009 included $2.3 million associated with debt refinancing costs, or 3.1% of net sales. Operating expenses for the first two fiscal quarters of 2009 also included restructuring benefit of $0.5 million, or 0.6% of net sales, associated with exit activities and asset disposition actions related to the 2009 restructuring actions. See Note 5 to the Consolidated Financial Statements, Restructuring. Additionally, operating expenses for the first two fiscal quarters of 2009 included approximately $0.9 million in higher depreciation expense associated with the purchase price allocation to property, plant and equipment and approximately $4.2 million of amortization associated with the purchase price allocation to intangible assets other than goodwill. Excluding the debt refinancing costs of $2.3 million, impairment loss of $3.3 million, restructuring benefit of $0.5 million and additional depreciation and amortization of $5.1 million, operating expenses for the first two fiscal quarters of 2009 would have decreased by $13.6 million, as compared to the first two fiscal quarters of 2008.

During the first two fiscal quarters of 2009, higher expenses associated with our Morrisville, Pennsylvania structural tubing facility expansion and higher repair and maintenance costs in our US and Canadian facilities combined with reduced leverage of fixed operating costs distributed over lower sales volumes, contributed to the overall increase in plant, delivery, selling and administrative and general expenses as a percentage of sales as compared to the first two fiscal quarters of 2008. Plant operating expenses were $28.8 million in the first two fiscal quarters of 2009, or 39.0% of net sales, as compared to $36.3 million or 8.3% of net sales in the first two fiscal quarters of 2008. The $7.5 million dollar decrease in plant expenses in the first two fiscal quarters of 2009 is primarily attributable to continued cost reductions implemented at the plant level as more fully discussed in Note 5 to the Consolidated Financial Statements, Restructuring. Delivery expenses were $6.4 million in the first two fiscal quarters of 2009, or 8.7% of net sales, as compared to $14.5 million or 3.3% of net sales in the first two fiscal quarters of 2008. The increase in delivery expenses as a percentage of sales is due to shipping less than full truck loads, higher fuel costs and excess rolling stock. Selling expenses were $4.3 million in the first two fiscal quarters of 2009, or 5.8% of net sales, as compared to $7.1 million in the first two fiscal quarters of 2008, or 1.6% of net sales. The increase in selling expenses as a percentage of sales is primarily due to the disproportionate decrease in sales and, to a lesser extent, an increase in travel expense component of selling expense from expanded selling activities and selling geographies. Administrative and general expenses were $15.8 million in the first two fiscal quarters of 2009, or 21.4% of net sales, as compared to $18.9 million in the first two fiscal quarters of 2008, or 4.3% of net sales. Administrative and general expenses for the first two fiscal quarters of 2009 included $2.3 million associated with debt refinancing costs, or 3.1% of net sales. Excluding the debt refinancing costs of $2.3 million, administrative and general expenses for the first two fiscal quarters of 2009 would have been $13.5 million, or 18.3% of net sales, as compared to $18.9 million in the first two fiscal quarters of 2008, or 4.3% of net sales. The decrease in general and administrative expenses is primarily due to lower training, recruiting and consulting expenses.

Interest Expense and Income, Net

Interest income for the first two fiscal quarters of 2009 was $0.2 million as compared to $0.3 million for the first two fiscal quarters of 2008. Interest expense for the first two fiscal quarters of 2009 decreased $2.3 million, or 10.3%, to $19.9 million, from $22.2 million for the first two fiscal quarters of 2008. Interest expense on our Senior Secured Notes and the ABL Credit Facility was $18.5 million and $0.4 million, respectively, for the first two fiscal quarter of 2009 and $18.9 million and $2.3 million, respectively, for the first two fiscal quarters of 2008. The remaining $1.1 million of interest expense for the first two fiscal quarters of 2009 and 2008, respectively, primarily represents the amortization of deferred financing charges. The Senior Secured Notes outstanding are $315.0 million with a fixed interest rate of 11.5%, plus 2% per annum.

Other Income (Expense)

Other expense was $1.3 million for the first two fiscal quarters of 2009 compared to other income of $0.5 million for the first two fiscal quarters of 2008. The changes in other expense are primarily due to foreign exchange gains and losses on our assets and liabilities in currency other than the functional currency.

Loss Before Benefit For Income Taxes

Loss before benefit for income taxes in the first two fiscal quarters of 2009 was $84.7 million, as compared to loss before benefit for income taxes in the first two fiscal quarters of 2008 of $20.4 million. The loss before benefit for income taxes for the first two fiscal quarters of 2009 was principally affected by a severe decrease in gross margin and, to a lesser extent, $3.3 million for an impairment loss, $2.3 million for refinancing charges, $4.2 million for the amortization associated with the purchase price allocation to intangible assets other than goodwill, and $0.9 million for additional depreciation associated with the purchase price allocation to property, plant and equipment.

Benefit For Income Taxes

Income taxes were a benefit of $31.5 million, partially offset by a valuation reserve of $8.9 million, and $8.2 million for the first two fiscal quarters of 2009 and the first two fiscal quarters of 2008, respectively, and reflect an estimated effective income tax rate of approximately 26.7% and 40.0%, respectively.

Net Loss

Net loss was $62.1 million in the first two fiscal quarters of 2009, or net loss of $2.34 per basic and diluted share outstanding, as compared to net loss of $12.3 million in the first two fiscal quarters of 2008, or net loss of $0.57 per basic and diluted share outstanding.

Liquidity and Capital Resources

Overview of Cash Flow and Plans to Manage Liquidity

We rely on cash generated from our internal operations, as well as available credit facilities, as our primary sources of liquidity. Our ability to generate cash from internal operations is affected by general economic, financial, competitive, legislative and regulatory factors beyond our control. Typically, our cash flow from operations fluctuates significantly between quarters due to various factors. These factors include customer and seasonal order patterns, fluctuations in working capital requirements, timing of interest payments, timing of capital investments, changes in customer and supplier credit policies, and changes in customer payment patters. We believe that the funds from internal operations, together with available credit facilities, will be sufficient to provide us with the liquidity necessary for anticipated working capital requirements through the recapitalization process.

On November 15, 2007, we, through our subsidiary Barzel Finco Inc., issued Senior Secured Notes in an aggregate principal amount of $315.0 million. Interest on the Senior Secured Notes accrues at the rate of 11.5% per annum and is payable semi-annually in arrears on May 15 and November 15, with the first interest payment having been due and paid on May 15, 2008. The Senior Secured Notes mature on November 15, 2015.

On May 14, 2009, we entered into a deferral agreement with the holders of our Senior Secured Notes. Under the Deferral Agreement, the $18.1 million interest payment due on May 15, 2009 was deferred until August 14, 2009. On July 17, 2009, we and the holders of the Senior Secured Notes entered into an amendment to the Deferral Agreement, under which the $18.1 million interest payment due on August 14, 2009 pursuant to the Notes and the Deferral Agreement was further deferred until October 13, 2009. No default or event of default under the Indenture occurred by reason of such deferral.

Under the Deferral Agreement, we agree to use our best efforts to consummate a debt and/or equity recapitalization or restructuring, a debt refinancing, a capital raising transaction, or a sale of equity securities or assets of our Company. We retained an independent third party investment banker to assist in connection therewith. Our Board of Directors has formed an Independent Committee of directors, comprised of Messrs. Playford and Mason, to assist the Board in meeting its duties in regard to the current financial challenges generally and any possible strategic transaction specifically. No assurance can be given that any such transaction will be successfully completed, as to the proceeds thereof, if any, or as to the timing thereof. Under the Deferral Agreement, we also agree to certain covenants, including restrictions on the creation and existence of liens other than in the ordinary course, the sale, lease or other disposition of assets other than in the ordinary course, dividends and other distributions, debt and equity repurchases, management incentive fees, earn-out payments and bonus payments.

Under the Deferral Agreement, interest shall accrue during the deferral period on the deferred interest and on the principal amount outstanding under the Senior Secured Notes, both at an interest rate of 11.5% plus 2.0% per annum. The deferral is subject to early termination (i) after notice from the Noteholders, upon acceleration of the maturity of any obligations under the our principal asset-based revolving loan facility, (ii) upon a breach of the covenants under the Deferral Agreement, or (iii) the occurrence of a default or event of default under the Indenture.

On June 1, 2009, the Company, Barzel Finco Inc. (the “US Borrower”) and Barzel Industries Canada Inc. (the “Canadian Borrower” and, together with the Company and US Borrower, “Barzel”) entered into Amendment No. 2 (“Amendment No. 2”) to the ABL Credit Agreement dated as of November 15, 2007 among the Company, the US Borrower, the Canadian Borrower, the lenders party thereto (each, a “Lender”), JPMorgan Chase Bank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent, and CIT Business Credit Canada Inc. and The CIT Group/Business Credit, Inc., as Syndication Agents (as amended, the “ABL Credit Agreement”). Amendment No. 2 changes a number of provisions in the ABL Credit Agreement to increase the liquidity currently available to Barzel based on its current business plan. The changes include, among others, a reduction in the availability block, a reduction in the maximum borrowings to $20.0 million, an increase in the interest rates and fees on borrowings and letters of credit outstanding under the Credit Agreement, an increase in the commitment fees, a change in the maturity date of the ABL Credit Agreement to September 30, 2010 and additional operating covenants, including restrictions on dividends and other distributions and debt and equity repurchases. Under Amendment No. 2, the lenders under the ABL Credit Agreement are the holders of Barzel's Senior Secured Notes.

Under Amendment No. 2, our aggregate borrowings may not exceed the excess of: (A) the lesser of (1) the aggregate borrowing base and (2) the revolving commitment of $20.0 million minus (B) the availability block of $7.5 million. Our aggregate eligible assets could decrease below the $20.0 million if accounts receivable decline due to lower sales, aging of uncollected receivables, decline in the market sale of inventory and other factors beyond its control. In addition, the amount of borrowings requested each week cannot cause the aggregate borrowings to exceed at any time the sum of: (A) the projected borrowings for the week in the current 13 week budget plus (B) the greater of (1) US $2.0 million above or (2) 120% of the projected ending borrowings for each week as set forth in the current 13 week budget, as approved by the lenders.

The $20.0 million available under the ABL Credit Facility is subject to a borrowing base consisting of certain eligible accounts receivable and inventory and a permanent $7.5 million availability block of the calculated borrowing base.

On July 17, 2009, we entered into Amendment No. 3 ("Amendment No. 3") to the ABL Credit Agreement. Under Amendment No. 3, the availability block was reduced to $1.5 million, which provides up to an additional $6.0 million of liquidity to us.

On May 30, 2009, our total long-term debt was $315.0 million (representing $315.0 million of Senior Secured Notes and $0 drawn on the ABL Credit Facility) and we had $5.1 million of cash and cash equivalents. The weighted-average interest rate on funds borrowed under our ABL Credit Facility was 4.45% for the three and six months ended May 30, 2009 and 5.80% and 6.17% for the three and six months ended May 31, 2008, respectively.

As of May 30, 2009, the aggregate eligible assets in our borrowing base totaled $24.9 million (representing the sum of the U.S. borrowing base and the Canadian borrowing base) that was subject to a $15.0 million availability block, of which $0.9 million was utilized for letter of credit obligations and no loans were outstanding under the ABL Credit Facility. As of May 30, 2009, the excess availability under the ABL Credit Facility was $11.6 million. Since the borrowing base under the ABL Credit Facility is calculated in U.S. dollars and includes certain eligible accounts receivable and inventory denominated in Canadian dollars, a change in the exchange rate could affect our borrowing base. At May 30, 2009, our liquidity consisted of $5.1 million of cash on hand and up to $11.6 million of availability under the ABL Credit Facility. On June 1, 2009, the ABL Credit Facility commitment was established at $20.0 million with an availability block of $7.5 million, which block was further reduced to $1.5 million on July 17, 2009.

On June 2, 2009, we borrowed $3.0 million in U.S. dollars under the ABL Credit Facility at 7.75% per annum. On June 25, 2009, we borrowed $2.7 million under the ABL Credit Facility, of which $2.0 million was in Canadian dollars with an interest rate of 6.25% per annum and $1.0 million was in U.S. dollars with an interest rate of 5.62% per annum. On July 2, 2009, we also borrowed $2.0 million under the ABL Credit Facility, of which $1.5 million was in Canadian dollars with an interest rate of 6.25% per annum and $0.5 million in U.S. dollars with an interest rate of 5.60% per annum. U.S. dollar borrowings will bear interest, at our option, at a rate equal to a margin over either LIBOR (3 month LIBOR rate 0.60% at July 2, 2009) or the U.S. base rate (3.75% at July 2, 2009). The applicable margin for borrowings are, in the case of the alternative base rate and Canadian Prime, 4.00% per annum, and in the case of LIBOR Spread, 5.00%, per annum.

In addition to our primary sources of liquidity, during the first fiscal quarter of 2009, we generated cash totaling $18.4 million from the sale of redundant and surplus assets, principally machinery and equipment in Albany, Cumberland, Dorval and Lasalle and the real property in Cumberland (net of the purchase price of $1.6 million to purchase our previously leased facility in Baie D'Urfe). We also terminated certain real estate leases which reduced operating expenses by $0.6 million per month. We are proposing to sell certain other miscellaneous smaller assets, but can give no assurance that we will be successful in completing such sales or as to the proceeds therefrom.

In the first two fiscal quarters of 2009, we recorded a restructuring benefit of $0.5 million. We recorded a $0.7 million gain for the six months ended May 30, 2009 associated with the sale of real property, machinery and equipment, furniture and fixtures, and computer equipment, at the Company's Cumberland, Rhode Island and Albany, New York facilities and its Canadian processing facilities in Dorval, Quebec and Lasalle, Quebec and other exit costs. In addition, we reversed lease termination obligations of $0.1 million for the Cambridge facility lease previously charged to restructuring costs for the six months ended May 30, 2009. The restructuring charges of $0.4 million are primarily for severance and related costs for 203 terminated employees for the six months ended May 30, 2009. In the first two fiscal quarters of 2009, we made cash restructuring payments of $3.9 million. In fiscal year 2009, we expect future cash restructuring payments of approximately $1.8 million to be paid as follows: approximately $1.1 million and $0.7 million in the fiscal third and fourth quarters of 2009, respectively.

We have initiated additional actions to further reduce our operating expenses to address the liquidity position, including further reductions in labor expense through reduced work hours, layoffs, additional severances and salary reductions, further strategic purchasing efficiencies in consumables and other plant expenses, deferral of certain non-critical projects and the sale of certain other non-operating assets. We believe these actions will generate an additional $15.0 million in cash savings, primarily from a reduction in annual operating expenses in fiscal 2009 as compared to fiscal 2008. These savings began in May 2009.

We spent $10.5 million in capital expenditures in the first two fiscal quarters of 2009, including $5.2 million for our Morrisville, Pennsylvania structural tubing facility expansion, $1.6 million for real property in Baie D'Urfe, Quebec, on which our existing tubular products is situated, and $3.7 million for various tooling and equipment. We expect minimal capital expenditures in the remainder of fiscal year 2009.

In light of the current severe recession, our purchases from some suppliers and our sales to some customers have been reduced (except for cash on delivery) in light of credit concerns. We cannot assure you that we will not be materially adversely affected by accounts receivable losses or that we will not need to further reduce sales to avoid accounts receivable losses in the future.

In connection with any restructuring of our payment obligations under the Senior Secured Notes, or otherwise, we may from time to time and at any time issue, exchange, restructure or repurchase our debt or equity securities. Such transactions may involve a receipt or use of cash, may involve notes, guarantees, warranties, common stock or other securities or a combination thereof, and may be affected in open market or privately negotiated transactions.

Overview of Cash Flow Activities for the Six Months Ended May 30, 2009 and May 31, 2008

Operating Activities

Cash provided by operating activities was $4.4 million in the first two fiscal quarters of 2009 compared to cash used in operating activities of $14.9 million in the first two fiscal quarters of 2008. Cash used by operations in the first two fiscal quarters of 2009 included a decrease in accounts payable of $10.5 million, decrease in accrued restructuring of $3.7 million and a decrease of $23.2 million related to deferred income taxes. Such uses were offset by cash provided by operating activities resulting from a decrease in accounts receivable of $43.3 million, a decrease in inventories of $30.4 million, an increase in accrued liabilities of $12.8 million, and a decrease of prepaid expenses and other assets of $2.1 million. The decrease in accounts receivable is a result of an overall economic decline in the market coupled with a specific reduction of customers whose products and/or terms of sale are not consistent with our replenishment model. During the first two fiscal quarters of 2009, we further reduced our carrying inventory as part of the implementation of our replenishment model. In the first two fiscal quarters of 2009, we also made cash restructuring payments of $3.9 million.

Investing Activities

Cash flow provided by investing activities was $9.0 million in the first two fiscal quarters of 2009, primarily related to proceeds of $19.5 million from disposal of property, plant and equipment, offset by $10.5 million in additions to property, plant and equipment. Capital expenditures in the first two fiscal quarters of 2009 included $5.2 million for our Morrisville, Pennsylvania structural tubing facility expansion, $1.6 million for real property in Baie D'Urfe, Quebec and $3.7 million for various tooling and equipment.

Cash used in investing activities was $4.3 million in the first two fiscal quarters of 2008, primarily for $4.4 million in additions to property, plant and equipment associated with our Morrisville, Pennsylvania facility expansion, partially offset by $0.1 million in proceeds on disposal of property and equipment.

Financing Activities

Cash used in financing activities was $33.8 million in the first two fiscal quarters of 2009, related to the repayment of borrowings under the ABL Credit Facility. Cash used in financing activities was $12.0 million in the first two fiscal quarters of 2008. We received proceeds from borrowings of $28.2 million and repaid $16.4 million of borrowing under the ABL Credit Facility during the first two fiscal quarters of 2008. This was partially offset by $0.2 million from a refund of deposit.

Critical Accounting Policies

There have been no material changes in our critical accounting policies, as disclosed in our Annual Report on Form 10-K for the year ended November 29, 2008.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 2 of Notes to Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We incur costs in U.S. dollars and Canadian dollars, the currency of our manufacturing and distribution facilities, and we sell our products in both U.S. dollars and Canadian dollars. In general, our results of operations, cash flows and financial condition are affected by changes in the Canadian dollar relative to the U.S. dollar. During the second fiscal quarter of 2009, the average exchange rate of the Canadian dollar versus the U.S. dollar was 1.2189 compared to 1.0044 for the second fiscal quarter of 2008. The impact of changes in the exchange rate of the Canadian dollar on sales in the second fiscal quarter of 2009 was a decrease of $4.1 million in net sales, $4.0 million in cost of goods sold and $3.1 million in operating expenses as compared to the second fiscal quarter of 2008. During the first two fiscal quarters of 2009, the average exchange rate of the Canadian dollar versus the U.S. dollar was 1.2274 compared to 1.0051 for the first two fiscal quarters of 2008. The impact of changes in the exchange rate of the Canadian dollar on sales in the first two fiscal quarters of 2009 was a decrease of $10.9 million in net sales, $10.6 million in cost of goods sold and $6.8 million in operating expenses as compared to the first two fiscal quarters of 2008.

During the first two fiscal quarters of 2009, we had Canadian dollar denominated long term debt under the ABL Credit Facility. At May 30, 2009, no loans were outstanding under the ABL Credit Facility. Currency losses amounted to $1.3 million in the three and six months ended May 30, 2009. Currency gains amounted to $0.2 million and $0.5 million in the three and in the six months ended May 31, 2008, respectively.

We cannot predict changes in currency exchange rates in the future or whether those changes will have net positive or negative impacts on our net sales, cost of sales or net income. Exchange rate fluctuations are beyond our control and we cannot assure you that we would be able to mitigate any adverse effects of such changes. There can be no assurance that changes in the rate of exchange between the Canadian dollar and the U.S. dollar will not adversely affect our business, results of operations, financial condition or cash flows.

We are exposed to market risk from changes in interest rates and exchange rates. From time to time, we may enter into financial contracts in the ordinary course of business in order to hedge these exposures. We do not use financial instruments for trading or speculative purposes. At May 30, 2009 and November 29, 2008, we had no such contracts outstanding.

Exchange Rate Risk. We estimate that a 10% movement in the value of the Canadian dollar would affect our net sales by approximately $9.9 million annually, based on our annualized Canadian dollar net sales for the first six months of 2009.

Item 4T. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and participation of our management team, including our chief executive officer, who also serves as our principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of May 30, 2009. Based on this evaluation, our principal financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act, is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our chief executive officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended May 30, 2009, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

In October 2001, our subsidiary, American Steel and Aluminum Corporation (“ASA”), was named as one of 57 defendants in an action brought in the United States District Court for the District of Rhode Island by two private parties under the Comprehensive Environmental Response Compensation and Liability Act, or CERCLA, to recover costs incurred and to be incurred in connection with a waste disposal facility in Cumberland, Rhode Island which has been categorized as a Superfund site by federal authorities. During 2006, ASA entered into a settlement with the plaintiffs, with the approval of the United States Environmental Protection Agency, or EPA, resolving its alleged liability for all claims for past and future response and oversight costs in connection with the Remedial Investigation/Feasibility Study for the site. The litigation remains pending against the non-settling defendants. The settlement does not address future remediation costs and we do not believe it is currently possible to estimate its share, if any, of such costs should claims for their recovery be pursued against ASA. As part of the rationalization of our distribution facilities, on February 13, 2009, we sold the facility in Cumberland, Rhode Island. The sale of this facility does not relieve us of potential future liability relating to this Superfund site.

We are involved in various other lawsuits, claims, demands, and other legal proceedings and investigations arising out of or incidental to the conduct of our business. While it is not possible to determine the ultimate disposition of each of these matters, we do not believe that their ultimate disposition will have a material adverse effect upon our results of operations, financial condition or cash flow.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for our fiscal year ended November 29, 2008. The risks discussed in our Annual Report on Form 10-K could materially affect our business, financial condition and future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us.

There have been no material changes to factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended November 29, 2008 except as set forth below.

The current recession and our substantial indebtedness is adversely affecting our liquidity and our ability to operate our business, remain in compliance with debt covenants, and react to changes in the economy and our industry. The consequences could have a materially adverse effect on our financial condition, liquidity, results of operations and securities.

The United States and Canadian economies are in severe recessions. If these recessions continue or deepen, they will have further material adverse effects on our financial position, liquidity and results of operations.

We are highly leveraged, particularly in comparison to some of our competitors, and we face significant liquidity constraints. We will need to obtain additional indebtedness, refinance or restructure all or a portion of our indebtedness or debt service obligations, sell assets, further restructure our business and/or raise equity. In addition, such constraints are adversely affecting our credit scores and ratings, which adversely affect our ability to take such actions. The current recession and capital markets crisis make it very difficult to successfully complete such actions on acceptable terms or at all. If we default on our debt service obligations, it would have a material adverse effect on our business, financial condition, liquidity and results of operations and the market and the market price of our common stock, warrants and Senior Secured Notes.

The ABL Credit Facility and the Senior Secured Notes significantly restrict our ability to dispose of assets, obtain additional debt or refinance debt and use the proceeds therefrom or from additional capital raising activities. Those proceeds, if any, may not be adequate to meet our needs. Any restructuring or refinancing of our indebtedness or debt service obligations could be at higher interest rates and may require us to comply with more onerous covenants. Even if we successfully restructure or refinance our indebtedness or debt service obligations, the relief afforded may be temporary and may not provide sufficient borrowing capacity to meet future growth working capital needs.

Under the Deferral Agreement, we agree to use our best efforts to consummate a debt and/or equity recapitalization or restructuring, a debt refinancing, a capital raising transaction, or a sale of our equity securities or our assets. We retained an independent third party investment banker to assist in connection therewith. No assurance can be given that any such transaction will be successfully completed, as to the proceeds thereof, if any, or as to the timing thereof.

If we issue additional equity securities in connection with a debt restructuring or refinancing, a capital raising transaction, or otherwise, our current stockholders and warrant holders could experience substantial dilution. If we sell substantial assets, it is unlikely that there would be substantial proceeds, if any, available for stockholders or warrant holders.

In addition, companies which are experiencing liquidity constraints frequently face other challenges as well, including distraction of management, loss of key personnel, increased difficulty in timely collection of accounts receivable, disruption of implementation of business strategies, longer and more difficult sales cycles and increased pricing pressures, and increased competition as competitors seek to take advantage of the companies' difficulties. Further, key suppliers may terminate their supply arrangements or impose volume or credit limits, cash on delivery requirements or other restrictions and timely supplies may not be available from other sources on acceptable terms or at all. Companies may also have to reduce or delay capital expenditures or change business strategies. We are experiencing some of those consequences. Any or all of those challenges could have a material adverse effect on our business, financial condition, liquidity and results of operations.

Our common stock and warrants could become delisted from Nasdaq due to failure of the price of our common stock to rise so that it meets Nasdaq's continued listing standards (when the temporary suspension of the price standard terminate, currently scheduled for July 31, 2009), the need to issue securities with shareholder approval when required by Nasdaq rules, the failure to remain current in our SEC reporting requirements, or otherwise. Delisting could result in material adverse consequences, including a reduction in or loss of a trading market for our securities, a reduction in the market prices thereof, a reduced amount of news and analyst coverage for us, a decreased ability to issue additional securities or obtain additional financing and a decreased ability of our warrant holders to exercise their warrants.

A default under the covenants contained in the ABL Credit Facility or Senior Secured Notes that is not cured or waived could have a material adverse effect on our financial condition, liquidity, results of operations and securities.

The breach of any of the covenants (including covenants to give notice of material developments as well as covenants to make debt service payments thereunder) contained in the ABL Credit Facility, unless waived by the lenders, would be a default under the ABL Credit Facility. This would permit the lenders to accelerate the maturity of the ABL Credit Facility and elect to terminate their commitments thereunder. This would have an immediate material adverse effect on our liquidity. An acceleration of maturity of the ABL Credit Facility would permit, unless our indebtedness thereunder is less than $10.0 million, the Noteholders to accelerate the maturity of the Senior Secured Notes. A breach of the covenants (including covenants to timely file periodic reports with the SEC as well as covenants to make debt service payments thereunder) in the Senior Secured Notes also will permit the Noteholders to accelerate the maturity of the Senior Secured Notes. Acceleration of maturity of the Senior Secured Notes would permit the lenders to accelerate the maturity of the ABL Credit Facility and elect to terminate their commitments thereunder. If we were unable to repay our debt to the lenders and Noteholders or otherwise obtain a waiver from the lenders and Noteholders, the lenders and Noteholders could sweep our cash, foreclose on the collateral securing the ABL Credit Facility and the Senior Secured Notes, which are substantially all of our assets, and exercise all other rights available to them. We cannot assure you that we will have sufficient funds to make these accelerated payments and we may not be able to obtain any such waiver on acceptable terms or at all. Any of such actions would adversely affect the market and market price for our common stock, warrants and Senior Secured Notes.

If our initiatives to improve liquidity and financial position are unsuccessful, there could exist substantial doubt that we would be able to continue as a going concern.

Our consolidated financial statements for the second fiscal quarter of 2009 were prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. As described in Note 1 to our consolidated financial statements, if our initiatives to improve liquidity and financial position are unsuccessful, such failure could create material uncertainties which could require us to reclassify our debt as short term and which may result in substantial doubt that we would be able to continue as a going concern.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

On May 12, 2009 we held our annual meeting of stockholders. The following summarizes the matters submitted to vote of our stockholders.

1. The election of the following nominees to serve on the Board of Directors constituting the full Board:

Nominee	For	Withheld
Gilbert E. Playford	22,749,181	121,410
Corrado De Gasperis	22,748,571	122,020
Domenico Lepore	22,748,571	122,020
Oded Cohen	22,748,571	122,020
Scott C. Mason	22,749,181	121,410
Martin D. Powell	22,749,181	121,410

2. Approval of the issuance of 842,415 shares of Barzel common stock in connection with certain warrant exchanges:
   For: 19,242,741
   Against: 3,626,811
   Abstain: 1,017

Item 5. Other Information

Not applicable.

Item 6. Exhibits.

10.1.1	Amendment No. 2, dated June 1, 2009, to Credit Agreement among Barzel Industries Inc., Barzel Finco Inc., Barzel Industries Canada Inc., the lenders party thereto, JPMorgan Chase Bank as Administrative Agent, JPMorgan Chase Bank N.A., Toronto Branch, as Canadian Agent, and CIT Business Credit Canada Inc. and The CIT Group/Business Credit, Inc., as Syndicate Agents.
10.1.2	Amendment No. 3, dated July 17, 2009, to Credit Agreement among Barzel Industries Inc., Barzel Finco Inc., Barzel Industries Canada Inc., the lenders party thereto, JPMorgan Chase Bank as Administrative Agent, JPMorgan Chase Bank N.A., Toronto Branch, as Canadian Agent, and CIT Business Credit Canada Inc. and The CIT Group/Business Credit, Inc., as Syndicate Agents.
10.2.1	Deferral Agreement, dated May 14, 2009, among Barzel Finco Inc., Barzel Industries Inc., JPMorgan Chase Bank, N.A. and CIBC World Markets Inc.
10.2.2	Amendment No. 1 to Deferral Agreement, dated July 17, 2009, among Barzel Finco Inc., Barzel Industries Inc., JPMorgan Chase Bank, N.A. and CIBC World Markets Inc.
31.1	Section 302 Certification of Principal Executive Officer
31.2	Section 302 Certification of Principal Financial Officer
32.1	Section 906 Certification

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARZEL INDUSTRIES INC.

Date: July 20, 2009

By: /s/ Corrado De Gasperis

Corrado De Gasperis
Chief Executive Officer (Principal Executive Officer and Principal Financial Officer)

Item 6. Exhibits.

10.1.1	Amendment No. 2, dated June 1, 2009, to Credit Agreement among Barzel Industries Inc., Barzel Finco Inc., Barzel Industries Canada Inc., the lenders party thereto, JPMorgan Chase Bank as Administrative Agent, JPMorgan Chase Bank N.A., Toronto Branch, as Canadian Agent, and CIT Business Credit Canada Inc. and The CIT Group/Business Credit, Inc., as Syndicate Agents.
10.1.2	Amendment No. 3, dated July 17, 2009, to Credit Agreement among Barzel Industries Inc., Barzel Finco Inc., Barzel Industries Canada Inc., the lenders party thereto, JPMorgan Chase Bank as Administrative Agent, JPMorgan Chase Bank N.A., Toronto Branch, as Canadian Agent, and CIT Business Credit Canada Inc. and The CIT Group/Business Credit, Inc., as Syndicate Agents.
10.2.1	Deferral Agreement, dated May 14, 2009, among Barzel Finco Inc., Barzel Industries Inc., JPMorgan Chase Bank, N.A. and CIBC World Markets Inc.
10.2.2	Amendment No. 1 to Deferral Agreement, dated July 17, 2009, among Barzel Finco Inc., Barzel Industries Inc., JPMorgan Chase Bank, N.A. and CIBC World Markets Inc.
31.1	Section 302 Certification of Principal Executive Officer
31.2	Section 302 Certification of Principal Financial Officer
32.1	Section 906 Certification

AMENDMENT NO. 2 dated as of June 1, 2009 (this "Amendment"), to the Credit Agreement dated as of November 15, 2007, among Barzel Industries Inc. (formerly known as Novamerican Steel Inc. and Symmetry Holdings Inc.), a Delaware corporation ("Parent"), Barzel Finco Inc. (formerly known as Novamerican Steel Finco Inc.), a Delaware corporation ("US Borrower"), Barzel Industries Canada Inc. (formerly known as Novamerican Steel Canada Inc. and Novamerican Steel Inc.), a Canadian corporation ("Canadian Borrower"), the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent, and CIT Business Credit Canada Inc. and The CIT Group/ Business Credit, Inc., as Syndication Agents (the "Credit Agreement").

WHEREAS, Parent wishes to terminate the Revolving Commitments of each Lender other than JPMorgan Chase Bank, N.A. ("JPMCB") and reduce the Revolving Commitment of JPMCB to US$20,000,000 and JPMCB is willing to continue its Revolving Commitment at such reduced level;

WHEREAS, CIBC Inc. ("CIBC") wishes to become a Lender and JPMCB is willing to assign to CIBC one-third of its Revolving Commitment;

WHEREAS, in connection therewith the parties wish to amend the Credit Agreement as provided herein;

NOW, THEREFORE, in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINED TERMS. EACH CAPITALIZED TERM USED AND NOT DEFINED HEREIN, INCLUDING IN THE RECITALS HERETO, SHALL HAVE THE MEANING ASSIGNED TO IT IN THE CREDIT AGREEMENT.

SECTION 2. AMENDMENTS. EFFECTIVE AS OF THE AMENDMENT EFFECTIVE DATE (AS DEFINED BELOW) THE REVOLVING COMMITMENT OF EACH LENDER OTHER THAN JPMCB SHALL BE REDUCED TO ZERO, THE REVOLVING COMMITMENT OF JPMCB SHALL BE REDUCED TO US$20,000,000 AND EACH LENDER OTHER THAN JPMCB SHALL CEASE TO BE A LENDER UNDER THE CREDIT AGREEMENT AND EACH OF SUCH LENDERS' RESPECTIVE OBLIGATIONS AND LIABILITIES UNDER THE CREDIT AGREEMENT SHALL TERMINATE. EFFECTIVE IMMEDIATELY AFTER SUCH REDUCTIONS THE FOLLOWING SECTIONS OF THE CREDIT AGREEMENT SHALL BE AMENDED AS SET FORTH BELOW:

(a) Section 1.01 shall be amended by replacing the definition of "Aggregate Borrowing Base" with the following:

"Aggregate Borrowing Base" means, at any time the sum at such time of the US Borrowing Base and the Canadian Borrowing Base (after the elimination of any duplication in Reserves).

and each reference in the Agreement to clause (b) of such definition shall be deleted.

(b) Section 1.01 shall be amended by replacing the definition of "Applicable Rate" with the following:

"Applicable Rate" means, for any day, (a) with respect to any Loan or BA, (i) in the case of the ABR/Canadian Prime Spread, 4.00%, and (ii) in the case of the Eurocurrency Spread/BA Stamping Fee, 5.00% and (b) with respect to the commitment fees payable hereunder, 0.75% per annum.

(c) Section 1.01 shall be amended by amending the definition of "Availability Block" to replace the reference therein to "US$15,000,000" with a reference to "US$7,500,000".

(d) Section 1.01 shall be amended by amending the definition of "Borrowing Base Certificate" to insert at the end thereof the following proviso: "; provided that the Administrative Agent may in its discretion waive the updating of any component of any Borrowing Base Certificate that it believes cannot be timely updated without unreasonable cost or effort".

(e) Section 1.01 shall be amended by amending the definition of "Borrowing Minimum" to replace the reference therein to "US$5,000,000" with a reference to "US$1,000,000" and the reference therein to "Cdn.$5,000,000" with a reference to "Cdn.$1,000,000".

(f) Section 1.01 shall be amended by inserting in the appropriate alphabetical location the following new definitions:

"Budgets" collectively means the Initial Budget and the 13-week Budgets.

"Initial Budget" means that certain weekly cash forecast prepared by the Borrowers in form, scope and detail satisfactory to the Lenders, which shall reflect the Borrowers' good faith projection of all cash receipts and disbursements in connection with the operation of their businesses for the period commencing the week of March 6, 2009, through the week of November 27, 2009, a certified copy of which was delivered to the Lenders on the Amendment Effective Date under Amendment No. 2 to this Agreement.

"13-week Budgets" collectively means the 13-week budgets prepared each week by the Borrowers in form, scope and detail satisfactory to the Lenders, each of which shall reflect the Borrowers' good faith projection of all cash receipts and disbursements in connection with the operation of their businesses for the next 13 week period commencing after the date such budget is delivered to the Lenders.

"Permitted Variances" has the meaning assigned to such term in Section 5.11(b).

(g) Section 1.01 shall be amended by amending the definition of "Required Lenders" to insert at the end thereof the following proviso: "; provided that "Required Lenders" shall include both JPMCB and CIBC Inc. at all times that both (a) JPMCB and its Affiliates alone would otherwise constitute the Required Lenders and (b) the Revolving Commitment held by CIBC Inc. and its Affiliates is not less than 10% of the aggregate Revolving Commitments.

(h) Section 1.01 shall be amended by amending the definition of "Revolving Maturity Date" to replace the reference therein to "November 15, 2012" with a reference to "September 30, 2010".

(i) Section 2.01 shall be amended by (1) replacing clause (iv) thereof with the following: "(iv) the sum of the Revolving Exposures exceeding the excess of (A) the lesser of (1) the Aggregate Borrowing Base then in effect and (2) the aggregate Revolving Commitments then in effect over (B) the Availability Block", (2) deleting the word "or" after clause (iv) and (3) inserting at the end thereof the following new clause (vi): "or (vi) the aggregate principal amount of Loans and BAs requested by the Borrower to be drawn or accepted during any week causing the aggregate Borrowings and BA Drawings to exceed at any time the sum of (A) the projected aggregate Borrowings and BA Drawings balance for such week as reflected in the then-current 13-week Budget under this Agreement, plus (B) the Permitted Variances for such week".

(j) Section 2.03 shall be amended by replacing clause (b) thereof with the following: "(b) in the case of an ABR Borrowing or a Canadian Prime Borrowing, not later than 11:00 a.m., Local Time, on the date of the proposed Borrowing".

(k) Section 2.04(a) shall be amended by (1) replacing the reference therein to "US$15,000,000" with a reference to "US$5,000,000" and (2) inserting at the end of the first sentence thereof the following proviso: "; and provided further that no Protective Advance shall be made without the approval of CIBC Inc. at any time that CIBC Inc.'s approval is required to constitute the Required Lenders if as a result of such Protective Advance the Revolving Exposures would exceed the excess of (x) the lesser of (1) the Aggregate Borrowing Base then in effect and (2) the aggregate Revolving Commitments then in effect over (y) the Availability Block".

(l) Section 2.05 shall be amended by inserting at the end thereof the following new paragraph (d): "(d) Notwithstanding any other provision of this

Agreement, no Borrower shall request, and the Swingline Lender shall not make to any Borrower, any Swingline Loan until this paragraph (d) shall have been amended to permit such request and advance in accordance with Section 9.02."

(m) Section 2.06(b) shall be amended by (1) replacing the reference in clause (i) thereof to "US$25,000,000" with a reference to "US$1,000,000" and (2) replacing clause (vi) thereof with the following: "(vi) the sum of the Revolving Exposures shall not exceed the excess of (A) the lesser of (1) the Aggregate Borrowing Base then in effect and (2) the aggregate Revolving Commitments then in effect over (B) the Availability Block".

(n) Section 2.12(b) shall be amended by replacing clause (iii) thereof with the following: "the sum of the Revolving Exposures exceeds the sum of (x) the excess of (1) the lesser of (I) the Aggregate Borrowing Base then in effect and (II) the aggregate Revolving Commitments then in effect over (2) the Availability Block and (y) the Protective Advance Exposure then outstanding,".

(o) Section 3.04(d) shall be amended by (1) replacing the reference therein to "November 25, 2006" with a reference to "February 28, 2009" and (2) inserting at the end thereof the following phrase: ", it being understood that for purposes of this Section 3.04(d), the forecasts contained in the Initial Budget shall not constitute a material adverse change in the prospects of Parent, the Borrowers and the Subsidiaries, taken as a whole, nor shall results consistent with the Initial Budget constitute a material adverse change in the business, assets, operations or condition, financial or otherwise, of Parent, the Borrowers and the other Subsidiaries, taken as a whole".

(p) Section 4.02(c) shall be amended by replacing clause (ii) thereof with the following: "(iv) the sum of the Revolving Exposures shall not exceed the excess of (A) the lesser of (1) the Aggregate Borrowing Base then in effect and (2) the aggregate Revolving Commitments then in effect over (B) the Availability Block".

(q) Section 4.02 shall be amended by inserting immediately after paragraph (c) thereof the following new paragraph (d):

> (d) After the Amendment Effective Date under Amendment No. 2 to this Agreement, at the time of and immediately after giving effect to such Borrowing or BA Drawing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, the Borrowers shall be in compliance with clause (iii) of Section 5.01(f) and the Borrowers' aggregate outstanding Borrowings and BA Drawings after giving effect thereto shall not exceed the amount permitted under Section 5.11(b) based on the then-current 13-week Budget under this Agreement.

(r) Section 5.01(f) shall be amended by (1) deleting clause (i) thereof, (2) replacing clause (ii) thereof with the following: "(i) 5:00 p.m., New York City time, on the Wednesday of each week (or if such Wednesday is not a Business Day, on the next succeeding Business Day), a Borrowing Base Certificate as of the immediately preceding Saturday"; (3) renumbering clause (iii) thereof as clause (ii) and (4) inserting at the end thereof the following new clause (iii): "and (iii) 5:00 p.m., New York City time, on the Wednesday of each week (or if such Wednesday is not a Business Day, on the next succeeding Business Day), (A) a 13-week Budget that rolls forward the then existing 13-week Budget to include the week immediately succeeding the thirteen weeks covered by the then existing 13-week Budget, (B) a report that sets forth the actual receipts and disbursements of the Borrowers during the immediately preceding week and includes a summary of all deposits in transit and reflects aggregate cash balances in, and all outstanding checks drawn against, all accounts of the Borrowers and their Subsidiaries with financial and other institutions as of the immediately preceding Saturday and (C) a comparison of actual performance for the preceding week to each of (i) the Initial Budget and (ii) the 13-week Budget previously provided and an explanation for any material variances, each in form satisfactory to the Lenders and accompanied by a certificate of the Chief Financial Officer or the Chief Executive Officer to the effect that such report and comparison are accurate and complete and that such Budget has been prepared in good faith and based upon assumptions believed to be reasonable at the time when prepared (it being agreed that each such 13-week Budget shall be deemed to have been accepted by the Lenders, and shall thereafter be the then-current 13-week Budget under this Agreement, if either (x) each Lender shall have advised the Administrative Agent in writing that such Lender accepts such 13-week Budget or (y) such 13-week Budget shall have been delivered at or prior to the time specified in this clause (iii) and no Lender shall have advised the Administrative Agent in writing at or prior to 5:00 p.m., New York City time, on the Friday immediately succeeding the Wednesday on which such delivery shall have been required (or if either such Wednesday or such Friday is not a Business Day, on the next succeeding Business Day following such Friday) that the 13-week Budget so delivered is not satisfactory to such Lender in form, substance or otherwise);

(s) Section 5.01 shall be amended by (1) deleting the word "and" at the end of subparagraph (i) thereof, (2) re-lettering subparagraph (j) thereof as subparagraph (k) and (3) inserting the following new subparagraph (j): "(j) when required to be delivered under the Deferral Agreement dated as of May 14, 2009, among Barzel Industries Inc., the US Borrower and the holders of the Senior Notes, all items required to be delivered under Section 5(a)(i)-(iv) and Section 5(c)(i)-(iv) thereof, in each case, as in effect on the Amendment Effective Date under Amendment No. 2 to this Agreement (whether or not such Deferral Agreement shall be in effect and, if in effect, without regard to the form of such Deferral Agreement then in effect); and".

(t) Section 5.09(b) shall be amended by replacing the first sentence thereof with the following sentence:

Each of Parent and the Borrowers will, and will cause each of the Subsidiaries to, permit any representatives designated by the Administrative Agent (including any consultants, accountants, lawyers and appraisers retained by the Administrative Agent) to conduct evaluations and appraisals as requested by the Administrative Agent at any time of the Borrowers' computation of the Borrowing Base and the assets included therein and such other assets and properties of the Borrowers or any other Subsidiary as the Administrative Agent may reasonably require. In addition, the Borrowers will on the Wednesday of each week deliver to the Administrative Agent a report prepared by Houlihan, Lokey, Howard & Zukin Capital, Inc. ("HL"), or use their best efforts to arrange (subject to ordinary scheduling conflicts of the relevant parties) for a status call between the Lenders and HL to report and update the Lenders, on the status of HL's activities on behalf of the Borrowers.

(u) Section 5.11 shall be amended by designating the existing provision as paragraph (a) and inserting at the end thereof the following additional paragraph:

(b) The proceeds of each Revolving Loan drawn, and each BA accepted and purchased, on and after June 1, 2009, will be used solely for the purposes and in the amounts (subject to the Permitted Variances) set forth in the Initial Budget and the 13-week Budget most recently delivered under Section 5.01(f) and, at any point during the term hereof, the Borrowers' aggregate outstanding Borrowings and BA Drawings shall not, without the express written consent of the Lenders, be more than the greater of (i) US$2,000,000 above, or (ii) 120% of, the projected ending Borrowings and BA Drawings balance for such week as set forth in the then-current 13-week Budget under this Agreement at the time, as applicable, any Revolving Loan is drawn or any BA is accepted and purchased (such variances from the amounts set forth in a Budget being referred to as the "Permitted Variances" in respect of such Budget). At any point during the term hereof, the aggregate amount of disbursements by Parent, Borrowers and the Subsidiaries during any week shall not, without the express written consent of the Lenders, be more than 120% of the projected aggregate amount of disbursements for such week as set forth in the then-current 13-week Budget under this Agreement.

(v) Section 5.13 shall be amended by adding a new paragraph (c) thereto reading in its entirety as follows:

(c) As soon as practicable after the Amendment Effective Date under Amendment No. 2 to this Agreement, the Borrowers shall retain a financial manager, acceptable in the absolute discretion of the Required Lenders, to assist and support management of the Borrowers, provided that such financial manager shall report to the Board of Directors of Parent and be subject to the authority and direction of such Board of Directors and provide services to Parent and its Subsidiaries pursuant to an agreement between Parent and such financial manager in form and substance reasonably satisfactory to the Lenders; and provided further, that notwithstanding the forgoing, nothing in this Section 5.13(c) shall restrict, interfere or otherwise affect the officers or the Board of Directors in satisfying their fiduciary obligations.

(w) Section 6.08(a) shall be amended (1) to delete clauses (iii), (iv), (v) and (vi) thereof and (2) to delete clauses (A) and (B) from clause (ii) thereof, to replace with a period the comma at the end of clause (ii) thereof and to add at the end of clause (i) thereof the word "and".

(x) Section 6.08(b) shall be amended to delete clause (v) thereof, to replace with a period the phrase "; and" at the end of clause (iv) thereof and to add at the end of clause (iii) thereof the word "and".

(y) Section 6.12 shall be replaced with the phrase "omitted" and the reference to Section 6.12 in Section 5.01(c) shall be deleted.

(z) Article VI shall be amended by inserting at the end thereof the following new Section 6.14:

SECTION 6.14. Control Agreements. Parent and the Borrowers will not permit the aggregate balance of cash and Permitted Investments of the Loan Parties in any account (other than (i) each deposit account, the funds in which are used, in the ordinary course of business, solely for the payment of salaries and wages, workers' compensation, pension benefits and similar expenses, (ii) each deposit account used, in the ordinary course of business, solely for daily accounts payable and that has an ending daily balance of zero, and (iii) each BofA Excluded Account (as defined below)) not subject to Deposit Account Control Agreements or other appropriate control agreements in favor of the Administrative Agent in form and substance reasonably satisfactory to the Administrative Agent to exceed an amount to be specified by the Lenders in their discretion. Notwithstanding anything to the contrary in any Loan Document, Parent and the Borrowers shall not be required to maintain any Deposit Account Control Agreement or other control agreement with respect to any BofA Excluded Account unless the Administrative Agent shall have delivered written notice to the Borrowers after the Amendment Effective Date for Amendment No. 2 to this Agreement stating that such agreement shall be required following a date specified in such notice (after which date clause (iii) in the immediately preceding sentence shall be deemed deleted). "BofA Excluded Account" means (A) each deposit account maintained with Bank of America, N.A., or any of its Affiliates in respect of which there is not in effect a Deposit Account Control Agreement as of the Amendment Effective Date under Amendment No. 2 to this Agreement and (B) at all times on and after the date on which the Deposit Account

Control Agreement in effect with respect thereto on the Amendment Effective Date under Amendment No. 2 to this Agreement shall cease to be effective, the concentration account maintained in Canada with Bank of America, N.A., or one of its Affiliates (the "Canadian Account"). The Borrowers shall at all times act to minimize the amount of cash held in BofA Excluded Accounts (and shall in any event ensure that the aggregate amount contained in (1) the BofA Excluded Accounts other than the Canadian Account, shall not at any time exceed an amount to be specified by the Lenders in their discretion for all such accounts taken together, and (2) the Canadian Account at any time that it is a BofA Excluded Account, shall not at any time exceed an amount to be specified by the Lenders in their discretion) and shall follow such procedures as the Administrative Agent or the Lenders may from time to time specify in connection therewith.

(aa) Paragraph (d) of Article VII shall be amended by inserting at the end thereof the phrase: "or the Borrowers shall fail to observe or perform any covenant, condition or agreement contained in Section 5.01(f) or 5.09(b) and such failure shall continue unremedied for a period of 2 Business Days".

(bb) Article IX shall be amended by inserting at the end thereof the following new Section 9.20:

SECTION 9.20. Administrative Agent Authority. (a) The Administrative Agent shall establish procedures satisfactory to the Administrative Agent, and the Borrowers shall cooperate with the Administrative Agent in effecting such procedures as soon as practicable after the Amendment Effective Date under Amendment No. 2 to this Agreement, pursuant to which (i) on each Business Day, to the extent specified by the Administrative Agent funds in deposit accounts and lockbox accounts of Parent, the Borrowers and the Subsidiaries shall be swept to one or more concentration accounts maintained with the Administrative Agent, and (ii) in the Administrative Agent's sole discretion, all or part of such funds shall be (A) remitted by the Administrative Agent to such account or accounts as may be specified by the Borrowers or (B) applied as set forth in Section 2.11(f). Each Lender agrees that remittances made under this Agreement are made on such Lender's behalf. The Administrative Agent is hereby authorized and directed to take all such actions as it may deem necessary or advisable under each Deposit Account Control Agreement to ensure the effectiveness of the foregoing procedures. Notwithstanding the foregoing or any other provision of any Loan Document, in the event that the Administrative Agent or the Required Lenders shall on any Business Day deliver written notice to the Borrowers stating that a Cash Dominion Period has commenced, then the period commencing on such Business Day and ending on the date on which the Administrative Agent or the Required Lenders shall deliver written notice to the Borrowers stating that such Cash Dominion Period has terminated shall for all purposes of the Loan Documents be a "Cash Dominion Period".

(b) At any time or from time to time, the Administrative Agent's authority to take the actions set forth in paragraph (a) may be suspended by any Lender upon notice delivered to the Administrative Agent in accordance with paragraph (d) of this Section (a "Suspension Notice"). No Suspension Notice shall be effective until one Business Day following the proper delivery of such Suspension Notice to the Administrative Agent.

(c) The Administrative Agent's authority to take the actions set forth in paragraph (a) shall be reinstated when each Lender that has previously delivered a Suspension Notice pursuant to paragraph (b) shall have delivered a second notice (a "Retraction Notice") to the Administrative Agent in accordance with paragraph (d) of this Section retracting its Suspension Notice. A Retraction Notice shall be effective immediately upon proper delivery to the Administrative Agent.

(d) Suspension Notices and Retraction Notices may be delivered to the Administrative Agent solely via email, which email shall (i) contain the subject line "Barzel: Suspension Notice" or "Barzel: Retraction Notice", as the case may be, (ii) refer to this Section 9.20 and express the Lender's intention to suspend the Administrative Agent's authority pursuant to paragraph (b) or reinstate its authority pursuant to paragraph (c) of this Section 9.20, as the case may be and (iii) be addressed to the following recipients: robert.a.kaulius@jpmorgan.com and andrew.j.laughlin@jpmchase.com.

(e) Upon receipt by the Administrative Agent of a Suspension Notice or Retraction Notice, the Administrative Agent shall notify each Lender and the Borrowers of such notice or event via email, which email shall be sent to the address of each Lender on file with the Administrative Agent or to any other email address previously provided by any Lender to the Administrative Agent in writing. Any failure or delay by the Administrative Agent in delivering such notice to any Lender or Borrower shall not impair the effectiveness of any Suspension Notice or Retraction Notice or the authority granted to or withheld from the Administrative Agent under this Agreement in connection with the foregoing.

(f) The Lenders acknowledge that (i) the actions contemplated by this Section to be taken by the Administrative Agent constitute actions by the Administrative Agent "with the consent or at the request of the Required Lenders" under Article VIII of this Agreement and (ii) the actions contemplated by this Section to be taken by the Administrative Agent are requested of it by the Lenders as a result of the Administrative Agent's role under this Agreement and are being taken in connection with "the performance by the parties to the Loan Documents of their respective obligations thereunder" for purposes of Section 9.03.

(g) The Administrative Agent may, in its sole discretion, decline to take the actions contemplated by paragraph (a) on any Business Day. The Administrative Agent shall promptly deliver notice to each Lender of its decision to decline to take such actions in the manner described in paragraph (e). Any failure or delay by the Administrative Agent in delivering such notice shall not affect the rights or obligations of the Administrative Agent hereunder.

(h) In furtherance of the foregoing, it is understood and agreed by each Lender that so long as no Suspension Notice is effective at such time, the Administrative Agent shall bear no liability whatsoever to any Person for any amounts remitted by the Administrative Agent under the authority granted by paragraph (a) at such time, except to the extent such remittances are found in a final judgment of a court of competent jurisdiction to have resulted from the wilful misconduct or gross negligence of the Administrative Agent. This paragraph (h) shall survive the termination or suspension of this Agreement in whole or in part.

SECTION 3. Representations and Warranties. Each of the Parent and the Borrowers hereby represents and warrants to the Administrative Agent and the Lenders that as of the date hereof and as of the Amendment Effective Date that, before and after giving effect to this Amendment:

(a) no Default has occurred and is continuing; and

(b) the representations and warranties of each Loan Party set forth in the Loan Documents (other than the representation and warranty set forth in Section 3.04(d)) are true and correct in all material respects.

SECTION 4. Effectiveness. This Amendment shall become effective on the date (the "Amendment Effective Date") on which (a) the Administrative Agent shall have received (i) counterparts hereof duly executed and delivered by Parent, the Borrowers, JPMCB, CIBC and the Required Lenders, (ii) a certificate of the chief executive officer or a Financial Officer of the Parent (1) stating that on the Amendment Effective Date the representations and warranties set forth in Section 3 are true and correct, and (2) attaching copies of each of the Initial Budget and the initial 13-week Budget and certifying that each has been prepared in good faith and based upon assumptions believed to be reasonable as of the Amendment Effective Date, and (iii) all amounts accrued and unpaid as of the Amendment Effective Date in respect of interest or fees under the Credit Agreement and all other amounts due and payable by any Loan Party under any Loan Document on the Amendment Effective Date, including, to the extent invoiced, all fees and expenses required to be paid or reimbursed by any Loan Party under any Loan Document (including but not limited to all outstanding invoices of counsel for the Administrative Agent and all outstanding invoices in respect of collateral monitoring), (b)

JPMCB and CIBC shall have approved all arrangements in respect of the outstanding Letters of Credit, (c) JPMCB and CIBC shall have approved (i) the Initial Budget and (ii) the initial 13-week Budget, and (d) JPMCB and CIBC shall have approved all arrangements in respect of Cash Management Services, deposit accounts, lockbox accounts, Deposit Account Control Agreements and other control agreements of Parent, the Borrowers and their Subsidiaries. The approval by each of JPMCB and CIBC of the matters set forth in clauses (b), (c) and (d) shall be evidenced by its release of its signature page hereto.

SECTION 5. Assignment. Effective immediately following the effectiveness of the amendments provided for in Section 3 on the Amendment Effective Date, for an agreed consideration, JPMCB hereby irrevocably sells and assigns to CIBC, and CIBC hereby irrevocably purchases and assumes from JPMCB, subject to and in accordance with the Standard Terms and Conditions set forth in Exhibit A to the Credit Agreement and the Credit Agreement, (a) all JPMCB's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto related to US$6,666,666.67 of JPMCB's Revolving Commitment and 33.333333333% of all of JPMCB's outstanding rights and obligations in respect of its Revolving Commitment and the Revolving Exposure, and (b) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of JPMCB (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (a) above (the rights and obligations sold and assigned pursuant to clauses (a) and (b) above being collectively the "Assigned Interest"). Such sale and assignment is without recourse to JPMCB and without representation or warranty by JPMCB. For purposes of this Agreement, CIBC designates Canadian Imperial Bank of Commerce as its Applicable Lending Office for Loans and BA Drawings to the Canadian Borrower.

SECTION 6. No Amendments or Other Waivers; Confirmation.

(a) Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of the Administrative Agent, the Lenders or the Issuing Banks under the Credit Agreement or any other Loan Document and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply and be effective only with respect to the provisions of the Credit Agreement specifically referred to herein. This Amendment shall constitute a Loan Document.

(b) On and after the effective date of this Amendment, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import, and each reference to the Credit Agreement in any other Loan Document, shall be deemed a reference to the Credit Agreement as modified hereby.

SECTION 7. Governing Law; Counterparts.

(a) This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, and all such counterparts together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission or other electronic imaging means shall be as effective as delivery of a manually executed counterpart hereof.

SECTION 8. Headings. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

[Signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to be duly executed by their respective authorized officers as of the day and year first above written.

BARZEL INDUSTRIES INC.,

by /s/ Corrado De Gasperis
Name:
Title:

BARZEL FINCO INC.,

by /s/ Corrado De Gasperis
Name:
Title:

BARZEL INDUSTRIES CANADA INC.,

by /s/ Corrado De Gasperis
Name:
Title:

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent

by /s/ Douglas A. Jenks
Name: Douglas A. Jenks
Title: Managing Director

CIBC INC.,

by /s/ Lindsay Gordon
Name: Lindsay Gordon
Title: CIBC Inc. Agent

by ____________________
Name:
Title:

SIGNATURE PAGE TO
AMENDMENT NO.2
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Name of Institution	The Bank of Nova Scotia
	by /s/ Pierre Pichette
	Name: Pierre Pichette
	Title: Senior Credit Solution Manager
For any Lender that requires a second signature line:	
	by /s/ Glen Paterson
	Name: Glenn Paterson
	Title: Director, Credit Solution

SIGNATURE PAGE TO
AMENDMENT NO.2
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Name of Institution The CIT Group/Business Credit, Inc.

by /s/ Evelyn Kusold
Name: Evelyn Kusold
Title: Vice President

For any Lender that requires a second signature line:

by ____________________
Name:
Title:

SIGNATURE PAGE TO
AMENDMENT NO.2
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Name of Institution | Fifth Third Bank

by /s/ James Conklin
Name: James Conklin
Title: Assistant Vice President

For any Lender that requires a second signature line:

by ______________________________
Name:
Title:

SIGNATURE PAGE TO
AMENDMENT NO.2
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Name of Institution GENERAL ELECTRIC CAPITAL CORPORATION

by /s/ Rebecca L. Milligan
Name: Rebecca L. Milligan
Title: Duly Authorized Signatory

For any Lender that requires a second signature line:

by ______________________________
Name:
Title:

SIGNATURE PAGE TO
AMENDMENT NO.2
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Name of Institution

Wachovia Capital Finance
<New England>

by /s/ John Hussan
Name: John Hussan
Title: Managing Director

For any Lender that requires a second signature line:

by ______________________________
Name:
Title:

SIGNATURE PAGE TO
AMENDMENT NO.2
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Name of Institution — Wells Fargo Foothill LLC

by /s/ Sanat Amladi
Name: Sanat Amladi
Title: Vice President

For any Lender that requires a second signature line:

by ______________________
Name:
Title:

SIGNATURE PAGE TO
AMENDMENT NO.2
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Name of Institution Wells Fargo Foothill, LLC

by /s/ Ilene Silberman
Name: Ilene Silberman
Title: Vice President

For any Lender that requires a second signature line:

by ______________________________
Name:
Title:

EXHIBIT 10.1.2

EXECUTION COPY

AMENDMENT NO. 3 dated as of July 17, 2009 (this "Amendment"), to the Credit Agreement dated as of November 15, 2007, among Barzel Industries Inc. (formerly known as Novamerican Steel Inc. and Symmetry Holdings Inc.), a Delaware corporation ("Parent"), Barzel Finco Inc. (formerly known as Novamerican Steel Finco Inc.), a Delaware corporation ("US Borrower"), Barzel Industries Canada Inc. (formerly known as Novamerican Steel Canada Inc. and Novamerican Steel Inc.), a Canadian corporation ("Canadian Borrower"), the Lenders party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, JPMorgan Chase Bank, N.A., Toronto Branch, as Canadian Agent, and CIT Business Credit Canada Inc. and The CIT Group/Business Credit, Inc., as Syndication Agents (the "Credit Agreement").

WHEREAS, the parties wish to amend the Credit Agreement as provided herein;

NOW, THEREFORE, in consideration of the above premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. Defined Terms. Each capitalized term used and not defined herein, including in the recitals hereto, shall have the meaning assigned to it in the Credit Agreement.

SECTION 2. Amendments of the Loan Documents. Effective as of the Amendment Effective Date (as defined below):

(a) Section 1.01 of the Credit Agreement shall be amended by amending the definition of "Availability Block" to replace the reference therein to "US$7,500,000" with a reference to "US$1,500,000".

(b) Section 9.20(a)(i) of the Credit Agreement is amended by replacing the phrase "concentration accounts maintained with the Administrative Agent" with the phrase "concentration accounts maintained in the name of the Administrative Agent".

(c) The definition of "Obligations" contained in the Guarantee and Collateral Agreement shall be amended by inserting at the end thereof the following new clause (iii): "or (iii) owed to Bank of America, N.A., or to any of its Affiliates in respect of (A) any Letter of Credit set forth on Schedule I to Amendment No. 3 to the Credit Agreement or any LC Disbursement in respect of any such Letter of Credit or (B) in respect of any Cash Management Services Obligations arising in respect of any Cash Management Services described on Schedule II to Amendment No. 3 to the Credit Agreement or other Cash Management Services the inclusion of which in the Obligations is approved in writing by the Administrative Agent after the Amendment Effective Date for Amendment No. 3 to this Agreement".

(d) Each "Application of Proceeds" provision contained in any Security Document shall be amended (i) to insert before the FIRST application of proceeds contained therein a new FIRST application: "FIRST, to payment in full of all Obligations owed to Bank of America, N.A., or to any of its Affiliates in respect of any Letter of Credit or LC Disbursement or in respect of any Cash Management Services Obligations" and (ii) to renumber the references therein to "FIRST" as "SECOND", "SECOND" as "THIRD", "THIRD" as "FOURTH", "FOURTH" as "FIFTH" and "FIFTH" as "SIXTH".

SECTION 3. Agreements with Bank of America. Effective as of the Amendment Effective Date:

(a) Bank of America, N.A. (i) will not, and will not permit its Affiliates to, issue or at any time have outstanding any Letter of Credit other than those set forth on Schedule I hereto (and extensions and renewals thereof that do not result in any increase in the LC Exposure) (the amount of all obligations of each Loan Party owed to Bank of America, N.A. or to any of its Affiliates in respect of any such Letter of Credit or any LC Disbursement in respect of any such Letter of Credit, the "Bank of America, N.A. LC Exposure"), and if any letter of credit is issued in breach of this Section 3(a)(i), such letter of credit shall not constitute a Letter of Credit under the Credit Agreement and no obligation in respect thereof shall be secured by the Collateral; (ii) will, and will cause its Affiliates to, provide the Cash Management Services described on Schedule II hereto on substantially the terms and conditions in effect as of the date hereof, in each case except to the extent approved in writing by the Administrative Agent (the amount of all obligations of each Loan Party owed to Bank of America, N.A. or to any of its Affiliates in respect of such Cash Management Services, together with the Bank of America, N.A. LC Exposure, the "Bank of America, N.A. Exposure"); provided, however, that Bank of America, N.A. or its Affiliates may terminate any such Cash Management Services at its commercially reasonable discretion upon delivery to the Administrative Agent of at least 30 days prior written notice, with such notice being given as set forth below; and (iii) will, and will cause its Affiliates to, at all times maintain the accounts specified in Schedule III and maintain and comply with the deposit account control agreements entered into in respect such accounts; provided, however, that Bank of America, N.A. or its Affiliates may at any time after October 1, 2009 terminate its obligations under this clause (iii) at its commercially reasonable discretion upon delivery to the Administrative Agent of prior written notice to such effect. Notices shall be given to:

JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 1111 Fannin, 10th Floor, Houston, Texas 77002, Attention of Monica Espitia (Fax No. (713) 427-6307), with a copy to JPMorgan Chase Bank, N.A., 270 Park Avenue, New York, New York 10017, Attention of Robert Kaulius (Fax No. (646) 534-2288).

(b) The changes to the Loan Documents effected pursuant to Sections 2(c) and (d) of this Amendment may not be amended or modified without the written consent of Bank of America, N.A., provided that 30 days after the Administrative Agent delivers to Bank of America, N.A. or its Affiliates notice stating that Bank of America, N.A. or its Affiliates is not in compliance with the agreements set forth in clause (a)(iii) of this Section 3, clause (iii) of the definition of "Obligations" contained in the Guarantee and Collateral Agreement shall be automatically amended by (1) deleting the lettering "(A)" and (2) deleting "or (B) in respect of any Cash Management Services Obligations arising in respect of any Cash Management Services described on Schedule II to Amendment No. 3 to the Credit Agreement or other Cash Management Services the inclusion of which in the Obligations is approved in writing by the Administrative Agent after the Amendment Effective Date for Amendment No. 3 to this Agreement".

(c) Section 1.01 of the Credit Agreement may not be amended to amend the definition of "Availability Block" if, as a result of such amendment, the reference therein is to an amount less than "US$1,500,000" without the written consent of Bank of America, N.A, provided that 30 days after the Administrative Agent delivers to Bank of America, N.A. or its Affiliates notice that Bank of America, N.A. and its Affiliates are not in compliance in all material respects with the agreements set forth in paragraph (a)(i) and (iii) of this Section 3, Section 1.01 of the Credit Agreement may be amended to amend the definition of "Availability Block" so that, as a result of such amendment, the reference therein is to an amount not less than the Bank of America, N.A. LC Exposure, or less with the written consent of Bank of America, N.A.

(d) For so long as any Bank of America, N.A. Exposure is outstanding and has not been reduced to zero, (i) Parent and the Borrowers will, simultaneously with the delivery to the Administrative Agent pursuant to Section 5.01(f) of this Agreement of any Borrowing Base Certificate, deliver to Bank of America, N.A. and its Affiliates a copy of such Borrowing Base Certificate and (ii) the Administrative Agent shall advise Bank of America, N.A. of its receipt of notice from Parent or a Borrower under Section 5.02 of the Credit Agreement that any Default or Event of Default has occurred and is continuing, with any such Borrowing Base Certificate and notification of Default or Event of Default being delivered to:

Bank of America, N.A., Mail Code: MA5-503-07-19, 1 Federal Street, Boston, Massachusetts 02110, Attention of Gregory Kress (Fax no. (617) 346-1130);

provided that any failure to deliver to Bank of America, N.A. any Borrowing Base Certificate or notification of Default or Event of Default by Parent and the Borrowers or the Administrative Agent, respectively, shall not in any manner affect the parties' obligations under this Amendment.

SECTION 4. Representations and Warranties. Each of the Parent and the Borrowers hereby represents and warrants to the Administrative agent and the Lenders that as of the date hereof and as of the Amendment Effective Date that, before and after giving effect to this Amendment:

(a) no Default has occurred and is continuing; and

(b) the representations and warranties of each Loan Party set forth in the Loan Documents (other than the representation and warranty set forth in Section 3.04(d)) are true and correct in all material respects.

SECTION 5. Effectiveness. This Amendment shall become effective on the date (the "Amendment Effective Date") on which the Administrative Agent shall have received counterparts hereof duly executed and delivered by Parent, the Borrowers, the Subsidiary Parties identified on Schedule IV hereto, the Required Lenders and Bank of America, N.A..

SECTION 6. No Amendments or Other Waivers; Confirmation.

(a) Except as expressly set forth herein, this Amendment shall not by implication or otherwise limit, impair, constitute a waiver of, or otherwise affect the rights and remedies of the Administrative Agent, the Lenders or the Issuing Banks under the Credit Agreement or any other Loan Document and shall not alter, modify, amend or in any way affect any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document, all of which are ratified and affirmed in all respects and shall continue in full force and effect. Nothing herein shall be deemed to entitle any Loan Party to a consent to, or a waiver, amendment, modification or other change of, any of the terms, conditions, obligations, covenants or agreements contained in the Credit Agreement or any other Loan Document in similar or different circumstances. This Amendment shall apply and be effective only with respect to the provisions of the Credit Agreement specifically referred to herein. This Amendment shall constitute a Loan Document.

(b) On and after the effective date of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein" or words of like import, and each reference to the Credit Agreement in any other Loan Document, shall be deemed a reference to the Credit Agreement as modified hereby.

SECTION 7. Governing Law; Counterparts.

(a) This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, and all such counterparts together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile transmission or other electronic imaging means shall be as effective as delivery of a manually executed counterpart hereof.

SECTION 8. Headings. The headings of this Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning hereof.

[Signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be duly executed by their respective authorized officers as of the day and year first above written.

BARZEL INDUSTRIES INC.,

by /s/ Karen G. Narwold
Name: Karen G. Narwold
Title: Vice President

BARZEL FINCO INC.,

by /s/ Karen G. Narwold
Name: Karen G. Narwold
Title: Vice President

BARZEL INDUSTRIES CANADA INC.,

by /s/ Karen G. Narwold
Name: Karen G. Narwold
Title: Vice President

Barzel Holdings Inc.,
Barzel Industries U.S. Inc.,
American Steel and Aluminum Corporation
Nova Tube and Steel, Inc.,
Novamerican Tube Holdings, Inc.,
Nova Tube Indiana, LLC
632422 N.B. Ltd.,

by /s/ Karen G. Narwold
Name: Karen G. Narwold
Title: Vice President

JPMORGAN CHASE BANK, N.A., individually and as Administrative Agent

by /s/ Paul J. O’Neill
Name: Paul J. O’Neill
Title: Sr. Vice President

CIBC INC.,

by /s/ Lindsay Gordon
Name: Lindsay Gordon
Title: CIBC Inc. Agent

Acknowledged and Agreed with respect to Section 3,

BANK OF AMERICA, N.A.

by

/s/ Gregory Kress

Name: Gregory Kress

Title: Senior Vice President

SCHEDULE I TO
AMENDMENT NO. 3
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Bank of America, N.A. Letters of Credit

Letter of Credit No.	Beneficiary	Amount	Issue Date	Expiration Date
ASL-7420618-110AS1	National Union Fire Insurance Co. of Pittsburgh, PA, et. al.	$380,000.00	3/18/ 2003	Evergreen
ASL-3013705-170AS1	National Union Fire Insurance Co. of Pittsburgh, PA, et. al.	$116,000	3/25/ 2004	Evergreen
ASL-7420454-110AS1	National Union Fire Insurance Co. of Pittsburgh, PA, et. al.	$120,000	3/8/2006	Evergreen
ASL-7420491-110AS1	National Union Fire Insurance Co. of Pittsburgh, PA, et. al.	$267,000	3/21/ 2005	Evergreen

SCHEDULE II TO
AMENDMENT NO. 3
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Cash Management Services

ACCOUNT RECONCILEMENT PROCESSING/POSITIVE PAY

AUTOMATED CLEARING HOUSE

INFORMATION REPORTING

WHOLESALE LOCKBOX

PAPER DISBURSEMENT SERVICES/IMAGE

DEPOSIT ACCOUNT SERVICES

WIRE TRANSFER

DEPOSIT INVESTMENT PRODUCT (OVERNIGHT SWEEP)

BANKCARD MERCHANT SERVICES

SCHEDULE III TO
AMENDMENT NO. 3
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Specified Accounts

Account Name/Company	Accounts	Lockbox Addresses
Nova Tube and Steel Inc.	9428392245	PO Box 3166 Boston, MA 02241-3166
American Steel & Aluminum Corporation	9428393440	PO Box 3060 Boston, MA 02241-3060
American Steel & Aluminum Corporation	9428390178	PO Box 3096 Boston, MA 02241-3096
American Steel & Aluminum Corporation	9428390186	PO Box 3036 Boston, MA 02241-3036
American Steel & Aluminum Corporation	9428390215	PO Box 3102 Boston, MA 02241-3102
American Steel & Aluminum Corporation	9428390194	PO Box 3251 Boston, MA 02241-3251
American Steel & Aluminum Corporation	9428390207	PO Box 3483 Boston, MA 02241-3483
American Steel & Aluminum Corporation	9428390223	PO Box 3087 Boston, MA 02241-3087
American Steel & Aluminum Corporation	9428390231	PO Box 3220 Boston, MA 02241-3220
American Steel & Aluminum Corporation	9428392253	PO Box 3115 Boston, MA 02241-3115
American Steel & Aluminum Corporation	4615683083	
Barzel Industries Canada Inc. / Industries Barzel Canada Inc.	47996211	
Barzel Industries Canada Inc. / Industries Barzel Canada Inc.	47996112	

SCHEDULE IV TO
AMENDMENT NO. 3
UNDER THE CREDIT AGREEMENT
DATED AS OF NOVEMBER 15, 2007, OF
BARZEL INDUSTRIES INC.

Subsidiary Parties

1. Barzel Holdings Inc. (formerly known as Novamerican Steel Holdings Inc.)

2 Barzel Industries U.S. In. (formerly known as Integrated Steel Industries, Inc.)

3 American Steel and Aluminum Corporation

4 Nova Tube and Steel, Inc.

5 Novamerican Tube Holdings, Inc.

6 Nova Tube Indiana, LLC

7 632422 N.B. Ltd.

EXHIBIT 10.2.1

EXECUTION VERSION

DEFERRAL AGREEMENT

This **DEFERRAL AGREEMENT** (this "Agreement"), dated as of May 14, 2009, is entered into by and among Barzel Finco Inc. (f/k/a Novamerican Steel Finco Inc.) (the "Issuer"), Barzel Industries Inc. (f/k/a Symmetry Holdings Inc.) (the "Parent"; and together with the Issuer and the other subsidiaries of the Parent, the "Company"), JPMorgan Chase Bank, N.A. ("JPM") and CIBC World Markets Inc. ("CIBC"; and together with JPM, the "Noteholders").

W I T N E S S E T H:

WHEREAS, the Issuer, the Parent and The Bank of New York Mellon, as trustee (the "Trustee"), have entered into that certain Indenture, dated as of November 15, 2007 (as amended, modified or supplemented prior to the date hereof, and together with all exhibits thereto, the "Indenture"), in respect of the Issuer's $315,000,000 principal amount of 11.5% Senior Secured Notes due 2015 (the "Notes");

WHEREAS, the Noteholders together hold 100% of the aggregate principal amount of the Notes outstanding and have retained Stroock & Stroock & Lavan LLP ("Stroock") as restructuring counsel and Loughlin Meghji + Company as financial advisor ("LM+Co"; and together with Stroock, the "Advisors"), for the purpose of entering into discussions with the legal and financial advisors to the Issuer;

WHEREAS, an interest payment under the Securities (as defined in the Indenture) is due on May 15, 2009 (the "Interest Payment");

WHEREAS, the Issuer's failure to make such Interest Payment pursuant to Section 4.01 of the Indenture on or before May 15, 2009 will (subject to the expiration of the applicable grace period under Section 6.01 of the Indenture) constitute an "Event of Default" under Section 6.01 of the Indenture and permit holders of at least 25% in principal amount of the outstanding Securities to accelerate the maturity of the Notes, declare all amounts under the Notes and the Indenture immediately due and payable and exercise all other rights and remedies under the Indenture;

WHEREAS, the Issuer has requested that the Noteholders consent to defer payment of the Interest Payment until the Deferral Termination Date (as defined below) and to direct the Trustee in writing to not exercise any rights and remedies on the Noteholders' behalf regarding the Interest Payment until such Deferral Termination Date;

WHEREAS, the Noteholders are willing to grant the Issuer's request for such consent to a deferral, and to give to the Trustee such written directions, as described in the preceding paragraph on the terms and subject to the conditions contained herein; and

WHEREAS, the Company has advised the Noteholders that it intends to enter into a transaction (the "Transaction") pursuant to which the Company will seek to effect either (i) a recapitalization or restructuring of a substantial portion of the equity and/or debt securities and/or other indebtedness of the Company, (ii) a disposition of all or a majority of the outstanding equity securities of the Company and/or all or a majority of the assets or operations of the

Company, or (iii) a refinancing of the indebtedness of the Company and/or the placement, raising or issuance of equity, equity-linked or debt securities in connection with the Company.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and subject to the terms and conditions set forth below, the parties hereto hereby agree as follows:

1. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture. Each of the following capitalized terms shall have the meaning set forth below:

"Deferral Period" means the period beginning on the Effective Date and continuing through the Deferral Termination Date.

"Deferral Termination Date" means the earliest date of occurrence of a Deferral Termination Event.

"Deferral Termination Event" means any of the following events:

(a) the acceleration of the maturity of any obligations under the Credit Agreement followed by written notice from the Noteholders sent to the Company electing to treat such acceleration as a "Deferral Termination Event";

(b) the occurrence of a Default or an Event of Default under the Indenture other than the failure to make the Interest Payment;

(c) the breach of, or failure of the Issuer to comply with Section 5 of this Agreement, without the need for prior written notice, unless cured within one (1) day in the case of Section 5(a); or

(d) 5:00 pm EDT on August 14, 2009.

"Financial Forecast" means the financial projections prepared by the Company and agreed upon by the Advisors in good faith showing detailed income statement, balance sheet and cash flow statement projections both (a) on a monthly basis through the end of fiscal year 2009, and (b) on an annual basis through the end of fiscal year 2014.

"Ordinary Course Operating and Statutory Liens" means any of the Liens described in clauses (1)-(5), (8) or (11)-(17) of the definition of Permitted Liens.

2. Deferral and Agreement. Effective as of the Effective Date (as herein defined), notwithstanding anything to the contrary set forth in the Indenture, the Noteholders hereby consent to waive compliance by the Issuer with any provision of the Indenture and the Securities regarding the Interest Payment during the Deferral Period. The Issuer agrees to make the Interest Payment on such Deferral Termination Date, along with interest accruing on the Interest Payment at the interest rate applicable to the principal amount under the Indenture and the Securities plus 2.00% per annum, to the extent lawful, with such interest to be payable on the Deferral Termination Date. Interest shall accrue on the outstanding principal amount under the Indenture and the Securities during the Deferral Period at the rate provided in the Indenture and

the Securities plus 2.00% per annum, to the extent lawful, with such interest to be payable on November 15, 2009. The Noteholders hereby direct the Trustee not to exercise any rights and remedies on the Noteholders' behalf regarding the Interest Payment until such Deferral Termination Date or as directed otherwise by the Noteholders. For the avoidance of doubt, until the Deferral Termination Date, the non-payment of the Interest Payment due on May 15, 2009 in accordance with this Agreement shall not constitute a default under the Indenture.

3. Limit of Deferral and Consent. Other than departures therefrom consented to by the Noteholders hereunder, all of the provisions of the Indenture shall continue to be, and shall remain, in full force and effect in accordance with their terms, and all rights and remedies of the Noteholders and the Trustee arising under the Indenture are hereby expressly preserved. Except as expressly set forth herein, no failure to exercise nor any delay in exercising, on the part of the Issuer, the Noteholders or the Trustee, of any right, remedy, power or privilege under the Indenture or otherwise shall operate as a waiver thereof. No waiver shall be effective unless in writing. The Issuer, the Noteholders and the Trustee hereby agree that, during the pendency of this Agreement, all statutes of limitations and similar laws, rules and equitable theories with respect to the time in which the Trustee or any Noteholder, on the one hand, or the Issuer, on the other hand, may bring any claim or action against the other shall be tolled and that the passage of such time shall not otherwise operate to the detriment of the Issuer, the Trustee or any Noteholder with respect to such right.

4. Effectiveness. This Agreement shall become effective as of the date (the "Effective Date"), on which each of the following shall have occurred:

(a) each of the parties hereto shall have executed and delivered a counterpart to this Agreement;

(b) the Issuer shall have delivered a 13-week cash flow forecast in form and substance reasonably satisfactory to the Noteholders;

(c) the Issuer shall have delivered to the Advisors a certificate signed by an officer of the Issuer certifying that, to the Company's knowledge, no additional Liens exist as of the Effective Date (other than those Liens existing on February 27, 2009) to the extent such Liens apply to assets or property of the Company with a fair market value equal to or greater than $500,000, other than Ordinary Course Operating and Statutory Liens;

(d) the Company shall have executed, and delivered to the Noteholders a copy of, an agreement with a financial advisor providing financial advisory and investment banking services with respect to the Transaction, such agreement to be in form and substance satisfactory to the Noteholders in their sole and absolute discretion;

(e) no Default or Event of Default shall have occurred or be continuing as of the Effective Date; and

(f) the Company shall have paid all outstanding fees and expenses of the Advisors.

5. Covenants.

(a) During the Deferral Period, the Company agrees to:

(i) deliver to the Noteholders and the Advisors on each Wednesday, a 13-week cash flow forecast in form and substance reasonably satisfactory to the Noteholders, which forecast shall cover the period commencing the week following such Wednesday;

(ii) deliver to the Noteholders and the Advisors on each Wednesday, a report of the actual results from, together with a comparison against the forecast for (except no comparison shall be required for the first Wednesday following the date hereof, for which no forecast was delivered the previous week), the immediately preceding week;

(iii) deliver to the Noteholders and the Advisors by the 25th of each month, monthly unaudited financial statements (including an income statement, balance sheet and cash flow statement for the month and fiscal year to date) from the preceding fiscal month in form and substance reasonably satisfactory to the Advisors;

(iv) deliver to the Noteholders and the Advisors by the 25th of each month, a variance analysis in form and substance reasonably satisfactory to the Advisors comparing the Financial Forecast to the actual results from the previous fiscal month, with an explanation of significant variances in income statement items, balance sheet items (including working capital) and cash flow items (including capital expenditures);

(v) deliver to the Noteholders and the Advisors by May 22, 2009 the Financial Forecast; and

(vi) deliver such other documents to the Noteholders or the Advisors as either may reasonably request.

(b) During the Deferral Period, the Company agrees not to:

(i) grant or permit to exist any Lien, other than the Liens in effect on the Effective Date or Ordinary Course Operating and Statutory Liens, without the prior written consent of the Noteholders;

(ii) sell, lease, transfer or otherwise dispose of (in one or series of related transactions) any asset of the Company other than in the ordinary course without the prior written consent of the Noteholders; or

(iii) make any Restricted Payment, management incentive fee, earn-out payment or bonus payment without the prior written consent of the Noteholders.

(c) The Company agrees to use its best efforts to consummate the Transaction, and

(i) provide weekly (or more frequently if requested) updates to the Noteholders and the Advisors on the status of such Transaction;

(ii) provide all material documentation relating to such Transaction, including without limitation, copies of any proposal or term sheet, letter of intent, purchase agreement and any material correspondences prepared or delivered by or to the Company and/or sent to or received from a potential Transaction party in connection with such Transaction that relates to bid prices or valuations; provided, however, that in the event that the Noteholders express an intent to acquire the assets of the Company through foreclosure or other credit bid basis, then materials prepared by the Company's financial advisors solely for the Company and which would in the financial advisor's opinion chill the bidding process shall be excluded from this subsection (ii);

(iii) provide the Noteholders and the Advisors with reasonable access to the legal and financial advisors to the Company who shall furnish information regarding such Transaction (including potential buyer lists, descriptions of transaction structure and consideration to be received) and its status; provided, however, such access to the Company's legal advisors shall not be construed to be a waiver of the Company's attorney/client privilege with such legal advisors; and

(iv) provide, or cause the legal and financial advisors to the Company with respect to the Transaction to provide, such other information as the Noteholders or the Advisors may reasonably request with respect to the Transaction;

provided, however, that anything to the contrary notwithstanding, nothing contained herein shall be deemed a consent by the Noteholders to the Transaction if such consent would otherwise be required by the Indenture or this Agreement.

6. Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW)**.

7. Costs and Expenses. The Issuer agrees to pay on demand all costs and expenses of the Noteholders and the Trustee in connection with the preparation, execution and delivery of this Agreement, including the reasonable fees, costs and expenses of the Advisors to the Noteholders with respect thereto and to Pryor Cashman LLP as advisors to the Trustee with respect thereto.

8. Notices. All notices and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, mailed certified or registered mail (return receipt requested) with postage prepaid, sent by facsimile, or sent by next day or overnight mail or courier, addressed or sent to the following address or facsimile number:

(i) If to the Company, addressed to:

Barzel Industries Inc.
Barzel Finco Inc.
320 Norwood Park South, 2nd Floor
Norwood, MA 02062
Facsimile No: (781) 486-9120
Attention: Corrado De Gasperis
Karen Narwold, Esq.

with a copy to:

Kelley Drye & Warren LLP
400 Atlantic Street
Stamford, CT 06901
Facsimile No.: (203) 327-2669
Attention: Ridgway Barker, Esq.

(ii) If to JPM, addressed to:

JPMorgan Chase Bank, N.A.
277 Park Avenue, 8th Floor
New York, NY 10172
Facsimile No: (212) 622-4556
Attention: Douglas Jenks

with a copy to:

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038
Facsimile No.: (212) 806-6006
Attention: Andrew DeNatale, Esq.

(iii) If to CIBC, addressed to:

CIBC World Markets
425 Lexington Avenue
New York, NY 10017
Facsimile No: (212) 856-3991
Attention: Lindsay Gordon

with a copy to:

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, NY 10038
Facsimile No.: (212) 806-6006
Attention: Andrew DeNatale, Esq.

(iv) If to the Trustee, addressed to:
The Bank of New York Mellon
101 Barclay Street, Floor 8W
New York, New York 10286
Facsimile No.: (212) 815-5704
Attention: Christopher Greene

with a copy to:

Pryor Cashman LLP
410 Park Avenue
New York, NY 10022
Facsimile No.: (212) 798-6307
Attention: Ron Sarubbi, Esq.

Such addresses and facsimile numbers may be changed, from time to time, by means of a notice given in the manner provided in this Section 8.

All such notices, requests, demands and other communications shall be deemed to have been received (i) if delivered personally, on the day delivered, (ii) if mailed registered or certified mail (return receipt requested), on the next Business Day after the day on which the written receipt of such mail is signed, (iii) if sent by facsimile, on the day sent by facsimile, and (iv) if sent by next day or overnight mail or courier, on the day delivered.

9. Headings. All headings in this Agreement are included only for convenience and ease of reference and shall not be considered in the construction and interpretation of any provision hereof.

10. Binding Nature and Benefit. This Agreement shall be binding upon and inure to the benefit of each party hereto and their respective successors and assigns.

11. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes, but all of which together shall constitute one and the same instrument.

12. No Modifications. Except as expressly modified hereby, the terms and conditions of the Indenture shall continue unchanged and remain in full force and effect.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BARZEL INDUSTRIES INC.

By: /s/ Corrado De Gasperis
Name:
Title

BARZEL FINCO INC.

By: /s/ Corrado De Gasperis
Name:
Title

JPMORGAN CHASE BANK, N.A.

By: /s/ Douglas A. Jenks
Name: Douglas A. Jenks
Title Managing Director

CIBC WORLD MARKETS INC.

By: /s/ E. Lindsay Gordon
Name: E. Lindsay Gordon
Title Authorized Signatory

Acknowledged:

THE BANK OF NEW YORK MELLON, AS TRUSTEE

By: /s/ Gary S. Bush
Name: Gary S. Bush
Title Vice President

[Signature page to Deferral Agreement]

EXHIBIT 10.2.2

Execution Version

FIRST AMENDMENT TO DEFERRAL AGREEMENT

This **FIRST AMENDMENT TO DEFERRAL AGREEMENT** (this "Amendment"), dated as of July 17, 2009, is entered into by and among Barzel Finco Inc. (f/k/a Novamerican Steel Finco Inc.) (the "Issuer"), Barzel Industries Inc. (f/k/a Symmetry Holdings Inc.) (the "Parent"; and together with the Issuer and the other subsidiaries of the Parent, the "Company"), JPMorgan Chase Bank, N.A. ("JPM") and CIBC World Markets Inc. ("CIBC"; and together with JPM, the "Noteholders") amends certain provisions of that certain Deferral Agreement, dated as of May 14, 2009 (as amended, restated, supplemented or otherwise modified from time to time, the "Deferral Agreement"), among the Company, JPM and CIBC. Capitalized terms used herein without definition shall have the meanings assigned to such terms in the Deferral Agreement.

W I T N E S S E T H:

WHEREAS, the Issuer and the Parent have requested that the undersigned Noteholders agree to amend certain of the terms and provisions of the Deferral Agreement, as specifically set forth in this Amendment; and

WHEREAS, the undersigned Noteholders agree to amend the Deferral Agreement on the terms, subject to the conditions and in reliance on the representations set forth herein.

NOW THEREFORE, in consideration of the mutual agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Amendment to the Deferral Agreement.

(a) Section 1 of the Deferral Agreement is hereby amended by deleting clause (d) of the definition of "Deferral Termination Event" in its entirety and replacing it with the following

"(d) 5:00pm EDT on October 13, 2009."

2. Conditions Precedent. This Amendment shall become effective as of the date first written above (the "Effective Date") upon:

(a) each of the parties hereto having executed and delivered a counterpart to this Amendment;

(b) the Company having paid all outstanding fees and expenses of the Advisors;

(c) the Issuer having delivered to the Advisors a certificate signed by an officer of the Issuer certifying that, to the Company's knowledge, no additional Liens exist as of the Effective Date (other than those Liens existing on February 27, 2009) to the extent such Liens apply to assets or property of the Company with a fair market value equal to or greater than $500,000, other than Ordinary Course Operating and Statutory Liens; and

(d) delivery of such other information and documents as the Noteholders or their counsel may reasonably request.

3. Continued Validity of Deferral Agreement and the Indenture. Except for the amendment to the Deferral Agreement set forth in Section 1 hereof, this Amendment shall not, by implication or otherwise, limit, impair, constitute a waiver of or otherwise affect any rights or remedies of any Noteholder under the Deferral Agreement or the Indenture, nor alter, modify, amend or in any way affect any of the rights, remedies, obligations or any covenants of the Issuer or the Parent arising under the Deferral Agreement or the Indenture, all of which are ratified and confirmed in all respects and shall continue in full force and effect. Except as expressly set forth herein, no failure to exercise nor any delay in exercising, on the part of the Issuer, the Noteholders or the Trustee, of any right, remedy, power or privilege under the Indenture or otherwise shall operate as a waiver thereof. No waiver shall be effective unless in writing. The Issuer and the Noteholders hereby agree that, during the pendency of this Agreement, all statutes of limitations and similar laws, rules and equitable theories with respect to the time in which the Trustee or any Noteholder, on the one hand, or the Issuer, on the other hand, may bring any claim or action against the other shall be tolled and that the passage of such time shall not otherwise operate to the detriment of the Issuer, the Trustee or any Noteholder with respect to such right.

4. Representations and Warranties. Each of the Issuer and the Parent hereby represent and warrant to the Noteholders as follows:

(a) Due Execution and Authorization; Legal, Valid and Binding Obligation. This Amendment has been duly executed and delivered by each of the Issuer and the Parent. The execution, delivery and performance by each of the Issuer and the Parent of this Amendment is within such Person's corporate (or other organizational) powers and has been duly authorized by all necessary action on its part. This Amendment, the Deferral Agreement as amended hereby and the Indenture constitute the legal, valid and binding obligations of such Person, enforceable against such Person in accordance with its terms, subject only to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(b) No Violation; No Defaults; Consents and Approvals. The execution and delivery by each of the Issuer and the Parent of this Amendment and the performance by such Person of this Amendment and the Deferral Agreement as amended hereby will not violate any (i) provision of the Issuer's or the Parent's organizational documents, (ii) contractual restriction binding on the Issuer or the Parent, or (iii) law or regulation binding on or affecting the Issuer or the Parent, except, in the case of clauses (ii) and (iii), to the extent such violation does not result in a Material Adverse Change.

(c) No Default. Immediately prior to and after giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

(d) Validity of Security Interests. The Security Documents and all of the Collateral described therein do and shall continue to secure the payment of all Notes Obligations as set forth in the Indenture.

5. Governing Law. **THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTIONS 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW)**.

6. Costs and Expenses. The Issuer agrees to pay on demand all costs and expenses of the Noteholders and the Trustee in connection with the preparation, execution and delivery of this Amendment, including the reasonable fees, costs and expenses of the Advisors to the Noteholders with respect thereto and of Pryor Cashman LLP as advisors to the Trustee with respect thereto.

7. Headings. All headings in this Agreement are included only for convenience and ease of reference and shall not be considered in the construction and interpretation of any provision hereof.

8. Binding Nature and Benefit. This Agreement shall be binding upon and inure to the benefit of each party hereto and their respective successors and assigns.

9. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original for all purposes, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telecopier (or electronic mail (in portable document format (pdf))) shall be effective as delivery of a manually executed counterpart of this Amendment.

10. No Modifications. Except as expressly modified hereby, the terms and conditions of the Deferral Agreement and the Indenture shall continue unchanged and remain in full force and effect.

[*Signature pages follow*.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the day first written above.

BARZEL INDUSTRIES INC.

By: /s/ Karen G. Narwold
Name: Karen G. Narwold
Title Vice President

BARZEL FINCO INC.

By: /s/ Karen G. Narwold
Name: Karen G. Narwold
Title Vice President

JPMORGAN CHASE BANK, N.A.

By: /s/ Susan E. Atkins
Name: Susan E. Atkins
Title Managing Director

CIBC WORLD MARKETS INC.

By: /s/ E.L. Gordon
Name: E.L. Gordon
Title Authorized Signatory

Acknowledged:

THE BANK OF NEW YORK MELLON, AS TRUSTEE

By: /s/ Christopher Greene
Name: Christopher Greene
Title Vice President

[*Signature page to First Amendment to Deferral Agreement*]

EXHIBIT 31.1

CERTIFICATION

I, Corrado De Gasperis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Barzel Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 20, 2009

/s/ Corrado De Gasperis
Corrado De Gasperis
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Corrado De Gasperis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Barzel Industries Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

(c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: July 20, 2009

/s/ Corrado De Gasperis

Corrado De Gasperis
(Principal Financial Officer)

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Barzel Industries Inc., (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report on Form 10-Q for the quarter ended May 30, 2009 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: July 20, 2009	*/s/ Corrado De Gasperis*
	Corrado De Gasperis *(Principal Executive Officer)*
Dated: July 20, 2009	*/s/ Corrado De Gasperis*
	Corrado De Gasperis *(Principal Financial Officer)*

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission.