First Quarter
March 31, 2011

Russel Metals

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RUSSEL METALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2011

We adopted the International Financial Reporting Standards (IFRS) effective January 1, 2011. These standards required us to restate our January 1, 2010 opening balance sheet and prepare comparative 2010 IFRS financial statements to be presented when we report our 2011 results. The information disclosed for the three months ended March 31, 2010 and as at December 31, 2010 has been restated for IFRS differences in the financial statements and in this Management's Discussion and Analysis of Financial Condition and Results of Operations. IFRS is considered Canadian generally accepted accounting principles (GAAP) for Canadian reporting issuers for reporting periods commencing on or after January 1, 2011.

This Management's Discussion and Analysis of Financial Condition and Results of Operations of Russel Metals Inc. and its subsidiaries provides information to assist readers of, and should be read in conjunction with, the Interim Consolidated Financial Statements for the three months ended March 31, 2011, including the notes thereto, and the Management's Discussion and Analysis and the audited Consolidated Financial Statements for the year ended December 31, 2010, including the notes thereto. In the opinion of management, such interim consolidated financial statements contain all adjustments necessary for a fair presentation of the results for such periods. The results of operations for the periods shown are not necessarily indicative of what our results will be for the full year. All dollar references in this report are in Canadian dollars unless otherwise stated.

Additional information related to Russel Metals Inc., including our Annual Information Form, may be obtained from SEDAR at www.sedar.com or on our website at www.russelmetals.com.

Unless otherwise stated, the discussion and analysis contained herein are as of May 12, 2011.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute forward-looking statements or information within the meaning of applicable securities laws. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These risks and uncertainties include, among other things: no assurance future financing will be available; dilution; change of control; interest rate risk; foreign exchange risk; volatile metal prices; cyclicality of the metals industry and the industries that purchase our products; significant competition; interruption in sources of metals supply; integrating future acquisitions; collective agreements and work stoppages; environmental liabilities; changes in government regulations; failure of key computer-based systems; loss of key individuals; and the current economic climate. While we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, no assurance can be given that these expectations will prove to be correct, and such forward looking statements included herein should not be unduly relied upon. These statements speak only as of the date hereof. Except as required by law, we do not assume any obligation to update the aforementioned forward-looking statements. Our actual results could differ materially from those anticipated in the aforementioned forward-looking statements, as applicable, including as a result of the risk factors set forth elsewhere herein and in our filings with the securities regulatory authorities which are available on SEDAR at www.sedar.com.

NON-GAAP MEASURES

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of measures that are not prescribed by GAAP and as such may not be comparable to similar measures presented by other companies. We believe these measures are commonly employed to measure performance in our industry and are used by analysts, investors, lenders and other interested parties to evaluate financial performance and our ability to incur and service debt to support our business activities. The measures we use are specifically defined where they are first used in this report.

While we believe that non-GAAP measures are helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP.

IMPACT OF IFRS ON MARCH 31, 2010 RESULTS

Note 24 to the interim consolidated financial statements discloses the differences between IFRS and Canadian GAAP used prior to January 1, 2011. The most significant financial impact relates to the accounting treatment of the cash conversion feature of the convertible debentures prior to the amendment of the Trust Indenture in December 2010. Prior to this amendment, under IFRS, the conversion feature in our convertible debentures that allowed us to settle the conversion of the debenture in cash or in a combination of cash and common shares in lieu of common shares prior to maturity was a derivative. This derivative was fair valued each reporting period with the net change impacting net earnings.

This table summarizes the impact of the restatement of 2010 to IFRS disclosing the impact of the financial expense of the derivative and the other adjustments:

(millions)	Quarter ended March 31 2010	Year ended December 31 2010
Net earnings previously reported under Canadian GAAP	$ 16.5	$ 69.7
Financial expense convertible debentures	(6.9)	(11.1)
	9.6	58.6
Other adjustments, net	(0.5)	(1.3)
Net earnings IFRS	$ 9.1	$ 57.3

See page 11 of this MD&A for more details on the differences.

OVERVIEW

We are one of the largest metals distribution companies in North America. We conduct business primarily in three metals distribution segments: metals service centers; energy tubular products; and steel distributors.

Our basic earnings per share of $0.55 for the quarter ended March 31, 2011, compares to $0.15 for the first quarter of 2010. Rising steel prices significantly improved gross margins and operating profits in our metals service centers positively operating profits. In addition, volumes have improved compared to the first quarter of 2010.

Energy tubular products and steel distributors both contributed to improved results due to higher steel pricing and volumes.

RESULTS OF OPERATIONS

The following table provides operating profits before interest, taxes and other income or expense. The corporate expenses included are not allocated to specific operating segments. Gross margins (revenue minus cost of sales) as a percentage of revenues for the operating segments are also shown below. The table shows the segments as they are reported to management and they are consistent with the segment reporting in the consolidated financial statements.

	Quarters Ended March 31		
(millions, except percentages)	**2011**	2010	2011 change as a % of 2010
Segment Revenues			
Metals service centers	**$ 363.8**	$ 279.7	30%
Energy tubular products	**224.0**	195.9	14%
Steel distributors	**69.8**	49.9	40%
Other	**0.1**	1.3	
	$ 657.7	$ 526.8	25%
Segment Operating Profits			
Metals service centers	**$ 36.3**	$ 15.2	139%
Energy tubular products	**17.8**	11.2	59%
Steel distributors	**8.8**	4.4	100%
Corporate expenses	**(7.0)**	(4.4)	(59%)
Other	**(1.7)**	(0.5)	
Operating profits	**$ 54.2**	$ 25.9	109%
Segment Gross Margin as a % of Revenues			
Metals service centers	**25.0%**	22.5%	
Energy tubular products	**15.1%**	12.4%	
Steel distributors	**19.5%**	15.2%	
Total operations	**21.0%**	18.3%	
Segment Operating Profits as a % of Revenues			
Metals service centers	**10.0%**	5.4%	
Energy tubular products	**7.9%**	5.7%	
Steel distributors	**12.6%**	8.8%	
Total operations	**8.2%**	4.9%	

Note: 2010 comparatives restated for IFRS

METALS SERVICE CENTERS

a) *Description of operations*

We provide processing and distribution services to a broad base of approximately 28,000 end users through a network of 50 Canadian locations and 12 U.S. locations. Our metals service centers carry a broad line of products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel and aluminum. We purchase these products primarily from steel producers in North America and process and package them in accordance with end user specifications. We service all major geographic regions of Canada and the Southeastern and Midwestern regions in the United States. Within Canada, our service centers operate under the names Russel Metals, Métaux Russel, A.J. Forsyth, Acier Leroux, Acier Loubier, Acier Richler, B&T Steel, Leroux Steel, Mégantic Métal, Russel Metals Specialty Products, Métaux Russel Produits Spécialisés, McCabe Steel and York-Ennis. Our U.S. service centers operate under the names Russel Metals Williams Bahcall, JMS Russel Metals, Norton Metals and Baldwin International.

b) *Factors affecting results*

The following is a general discussion of the significant factors affecting our metals service centers results. More specific information on how these factors impacted the first quarter of 2011 and 2010 is found in the section that follows.

Steel pricing fluctuates significantly throughout the steel cycle. Steel pricing increased throughout the first quarter of 2011 due to mill price increases announced in late 2010. Steel prices are influenced by overall demand, trade sanctions, iron ore pricing, scrap steel pricing and product availability. Supply side management, practiced by steel producers in North America, and international supply and demand, which impacts steel imports, affect product availability. Trade sanctions are initiated either by steel mills or by government agencies in North America.

Demand is significantly affected by economic cycles, with revenues and operating profit fluctuating with the level of general business activity in the markets served. We are most impacted by the manufacturing, resource and construction segments of the Canadian economy. Tons shipped in the first quarter of 2011 were approximately 16% higher than the first quarter of 2010 and 10% higher than the fourth quarter of 2010. Demand remains below historical levels, with tons shipped for the first quarter of 2011 representing 83% of tons shipped in the first quarter of 2008.

Canadian service centers, which represent the majority of our metals service center operations, have operations in all regions of Canada and are affected by general regional economic conditions. Our large market share and our diverse customer base of approximately 18,000 customers suggests that our results should mirror the performance of the regional economies of Canada. Our U.S. operations, which have approximately 10,000 customers, are impacted by the local economic conditions in the regions they serve in the U.S.

The change in the Canadian dollar in the first quarter of 2011 versus the same period in 2010 has decreased revenues and profits for our U.S. operations translated to Canadian dollars. Revenues and profits of our U.S. operations reported for the three months ended March 31, 2011 were converted at $0.9860 per US$1 compared to $1.0409 per US$1 for the same period of 2010.

Our Canadian operations are affected by the U.S. dollar exchange rate since some products are sourced outside of Canada and are priced in U.S. dollars. Movement in the Canadian dollar has a short-term impact on inventory pricing.

c) *Metals service centers segment results -- Three Months Ended March 31, 2011 Compared to March 31, 2010*

Revenues for the three months ended March 31, 2011, increased 30% to $364 million compared to the same period in 2010. Tons shipped in the metals service centers segment in the first quarter of 2011 were approximately 16% higher than the first quarter of 2010. The average selling price of metal for the three months ended March 31, 2011 was approximately 12% higher than the average selling price for the three months ended March 31, 2010. Average selling price in the first quarter of 2011 was approximately 8% higher than the fourth quarter of 2010.

Gross margin as a percentage of revenues increased to 25.0% for the three months ended March 31, 2011 compared to 22.5% in the first quarter of 2010. Rising steel prices resulted in higher selling prices and higher gross margins.

Operating expenses in the first quarter of 2011 were approximately $7 million or 15% higher than in the first quarter of 2010, mainly related to higher variable compensation and freight costs due to increased volumes.

Metals service centers operating profit for the three months ended March 31, 2011 of $36 million compares to $15 million for the same period in 2010. The increase mainly related to rising selling price and higher volumes resulting in increased gross margin.

ENERGY TUBULAR PRODUCTS

a) Description of operations

These operations distribute oil country tubular goods (OCTG), line pipe, tubes, valves and fittings, primarily to the energy industry in Western Canada and the United States. Our business units are clustered in Alberta in Canada and Colorado in the U.S. A large portion of our inventories are located in third party warehouses ready for distribution to customers in any region of North America. In addition, we operate from five Canadian and two U.S. facilities. We purchase our products either from the pipe processing arms of North American steel mills, independent manufacturers of pipe and pipe accessories or international steel mills. Our energy tubular products segment operates under the names Comco Pipe and Supply Company, Fedmet Tubulars, Triumph Tubular & Supply, Pioneer Pipe and Spartan Steel.

b) Factors affecting results

The following is a general discussion of the factors affecting our energy tubular products segment operations. More specific information on how these factors impacted the first quarter of 2011 and 2010 is found in the section that follows.

Pricing for natural gas and oil are factors that can impact rig count and drilling activities, particularly in Western Canada. Rig activity affects demand for our products. The price of oil increased during 2010 and remains high resulting in improved rig activity. Rig activity in the first quarter of 2011 was slightly stronger than in the first quarter of 2010. Canadian rig activity declined in March 2011 due to the seasonal decline caused by the spring thaw. Natural gas prices are at low levels and thus drilling activity related to gas remains below historical levels, particularly in Canada.

Pricing of metal is influenced by overall demand, trade sanctions and product availability. Trade sanctions are initiated either by steel mills or by government agencies in North America. Both Canadian and U.S. governments have imposed duties on certain Chinese pipe, which remain in effect. These trade actions tend to reduce imports of these products as higher prices are paid at the time of import.

Our Canadian operations were affected by the U.S. dollar exchange rate since some products are sourced outside of Canada and are priced in U.S. dollars. Movement in the Canadian dollar impacts the cost of inventory and cost of sales.

Drilling related to oil and natural gas in Western Canada usually peaks during the period from October to March.

c) Energy tubular products segment results -- Three Months Ended March 31, 2011 Compared to March 31, 2010

Energy tubular products segment revenue increased 14% to $224 million for the first quarter of 2011 compared to the same period in 2010. All operations in this segment had increased revenues with our Canadian operations having a larger increase than the U.S. operations. The increase is a combination of tons and higher selling prices.

Gross margin as a percentage of revenue for the three months ended March 31, 2011 was 15.1% compared to 12.4% for the same period in 2010.

Operating expenses were $3 million higher in the first quarter of 2011 compared to the first quarter of 2010, mainly due to higher variable compensation and freight costs.

This segment generated an operating profit of $18 million for the three months ended March 31, 2011, compared to $11 million for the same period in 2010. Operating profits were up due to higher volumes and gross margins.

STEEL DISTRIBUTORS

a) Description of operations

Our steel distributors act as master distributors selling steel in large volumes to other steel service centers and equipment manufacturers mainly on an "as is" basis. Our U.S. operation has a cut-to-length facility in Houston, Texas where it processes coil for its customers. Our steel distributors source their steel both domestically and off shore.

The main steel products sourced by this segment are structural beam, plate, coils, pipe and tubing; however, product volumes vary based on the economy and trade actions in North America. Our steel distributors operate under the names Wirth Steel and Sunbelt Group. Arrow Steel, a division of Sunbelt Group, processes coils.

b) Factors affecting results

The following is a general discussion of the factors affecting our steel distributors. More specific information on how these factors impacted the first quarter of 2011 and 2010 is found in the section that follows.

Steel pricing is influenced by overall demand, trade sanctions and product availability both domestically and worldwide. Trade sanctions are initiated either by steel mills or government agencies in North America. Trade actions currently exist on plate and pipe from specified countries. Mill capacity by product line in North America and international supply and demand impact steel imports and significantly affect product availability.

Our Canadian operations source product outside of Canada that is priced in U.S. dollars. Movements in the Canadian dollar can result in some products that we have purchased being subsequently available in the marketplace at a lower cost. In addition, the change in the Canadian dollar in the first quarter of 2011 versus the same period in 2010 decreased revenues and profits for our U.S. operations translated to Canadian dollars.

Demand for steel that is sourced off shore fluctuates significantly and is mainly driven by price and product availability in North America. Our steel distributors have a significant number of customers who buy from them on a periodic basis, which can result in large fluctuations in revenues reported from period to period.

c) *Steel distributors segment results -- Three Months Ended March 31, 2011 Compared to March 31, 2010*

Steel distributors revenues increased 40% to $70 million for the three months ended March 31, 2011 compared to the three months ended March 31, 2010 due to greater demand and higher steel pricing. Lead times for certain products from steel mills extended in the first quarter of 2011 which resulted in increased demand and revenues for product that steel distributors had in inventory.

Gross margin as a percentage of revenues was 19.4% for the three months ended March 31, 2011 compared to 15.2% for the three months ended March 31, 2010. The increase resulted from rising steel prices.

Operating expenses were $2 million higher for the first quarter of 2011 compared to the first quarter of 2010, mainly related to higher variable compensation.

Operating profit for the three months ended March 31, 2011 was $9 million, compared to $4 million for the three months ended March 31, 2010. Our 2011 results reflect higher volumes and higher gross margins.

Corporate Expenses -- Three Months Ended March 31, 2011 Compared to March 31, 2010

Corporate expenses increased by $3 million for the three months ended March 31, 2011 compared to the three months ended March 31, 2010. The increase mainly related to accruals for increases in the value of deferred and restricted stock units and higher bonus accruals in 2011 due to improved earnings per share.

Consolidated Results -- Three Months Ended March 31, 2011 Compared to March 31, 2010

Operating profits were $54 million for the three months ended March 31, 2011 compared to $26 million for the three months ended March 31, 2010. Rising steel prices throughout the first quarter of 2011 was the most significant factor improving the results. Higher volumes at all metals operations also contributed.

OTHER FINANCIAL INCOME AND EXPENSE

Net financial expense was $400,000 for the first quarter of 2011 compared to $5 million for the first quarter of 2010. During the first quarter of 2010, we recorded income of $1.5 million representing a fair value adjustment to our non-bank Canadian asset-backed commercial paper which was sold in April 2010. Under IFRS the cash conversion feature in our convertible debenture is a derivative and resulted in a fair value expense of $7 million for the first quarter of 2010. In December 2010, we pro-actively amended our Trust Indenture to remove this settlement option under the conversion feature prior to maturity, which eliminated the derivative and changes to earnings in 2011.

INTEREST EXPENSE

Net interest expense for the three months ended March 31, 2011 and 2010 was $7 million.

INCOME TAXES

We recorded a provision for income taxes of $14 million for the first quarter of 2011. Our effective income tax rate for the three months ended March 31, 2011 was 30.2%. We estimate our normalized effective income tax rate to be 30% for 2011.

NET EARNINGS

Net earnings for the first quarter of 2011 were $33 million compared to $9 million for the first quarter of 2010. Basic earnings per share for the first quarter of 2011 were $0.55 compared to $0.15 per share for the first quarter of 2010.

Results improved due to rising steel prices, higher volumes and the removal of the feature creating an expense related to our convertible debentures.

SHARES OUTSTANDING AND DIVIDENDS

The weighted average number of common shares outstanding for the first quarter of 2011 was 59,992,140 compared to 59,698,690 for the first quarter of 2010. As at March 31, 2011 and May 12, 2011, we had 60,043,673 common shares outstanding. The number of common shares outstanding has increased as a result of options exercised in 2010 and the first quarter of 2011.

We paid common share dividends of $17 million or $0.275 per share in the first quarter of 2011 compared to $15 million or $0.25 per share in the first quarter of 2010.

We have $175 million of 7.75% convertible unsecured subordinated debentures outstanding which mature on September 30, 2016. Each debenture is convertible into common shares at the option of the holder at any time on or prior to the business day immediately preceding (i) the maturity date; or (ii) the date specified for redemption of the convertible debentures, at a conversion price of $25.75 being a conversion rate of 38.8350 common shares per $1,000 principal amount of convertible debentures.

Our U.S. Senior Notes indenture provides that any dividend payment in excess of $0.08 per common share per quarter is considered a restricted payment. We currently have a basket of approximately $257 million available for restricted payments. The basket is adjusted for 50% of net earnings or losses on a quarterly basis unless accumulated losses since March 2004 exceed earnings, in which case 100% of losses are deducted. Share buybacks deplete the basket and proceeds from shares issued increase the basket.

Under our syndicated bank facility the payment of dividends is subject to excess borrowing base availability of not less than four times the declared dividend. We do not believe this requirement will restrict our ability to pay a dividend as our borrowing base, which is based on percentages of accounts receivable and inventories, has traditionally been in excess of borrowings plus four times the current dividend.

EBITDA

The following table shows the reconciliation of net earnings to EBITDA:

(millions)	**Quarters Ended March 31** **2011**	2010
Net earnings for the period	**$ 33.0**	$ 9.1
Provision for income taxes	**14.3**	4.5
Interest expense, net	**6.5**	6.9
Earnings before interest and income taxes (EBIT)	**53.8**	20.5
Depreciation and amortization	**6.0**	6.3
Earnings before interest, income taxes, depreciation and amortization (EBITDA)	**$ 59.8**	$ 26.8

We believe that EBITDA may be useful in assessing our operating performance and as an indicator of our ability to service or incur indebtedness, make capital expenditures and finance working capital requirements. The items excluded in determining EBITDA are significant in assessing our operating results and liquidity. Therefore, EBITDA should not be considered in isolation or as an alternative to cash from operating activities or other combined income or cash flow data prepared in accordance with GAAP.

CAPITAL EXPENDITURES

Capital expenditures were $4 million for the first quarter of 2011 compared to $1 million in the first quarter of 2010. Depreciation expense was $6 million for the three months ended March 31, 2011 and 2010.

In 2011 we are relocating our Ontario structural steel business to our plant in Cambridge, Ontario. Our capital expenditure includes the cost of new crane facilities at this location.

Capital expenditures mainly relate to the replacement of capital items, the purchase of additional processing equipment across a broad base of our operations and upgrades to our existing facilities and computer systems. Our expectation is for capital expenditures to approximate depreciation expense over the long term.

LIQUIDITY

At March 31, 2011, we had cash of $286 million compared to $324 million at December 31, 2010.

We generated $40 million from operations; however, our net cash position decreased due to $60 million used to finance increased working capital and $17 million utilized for dividend payments.

Our metals distribution business experiences significant swings in working capital which impact cash flow. Inventory and accounts receivable represent a large percentage of our total assets employed and vary throughout each cycle. Accounts receivable and inventory comprise our largest liquidity risks. Our customers are impacted by the economic climate and thus it is possible to experience increased days outstanding for accounts receivable and additional bad debts, which may affect the timing of collections. Total assets were $1.5 billion at March 31, 2011 and $1.4 billion at December 31, 2010. At March 31, 2011, current assets excluding cash represented 80% of our total assets excluding cash, versus 78% at December 31, 2010.

Cash used in operating activities was $20 million for the three months ended March 31, 2011 compared to $4 million generated for the three months ended March 31, 2010. During the first quarter of 2011 we had a $60 million increase in working capital compared to a $20 million increase in 2010. This use of cash for working capital as earnings increase is consistent with our business model.

Cash used for inventory was $8 million in the first quarter of 2011, mainly related to increased tons on hand in our metals service centers offset by decreased tons at our energy tubular operations.

Inventory by Segment	**Mar. 31 2011**	**Dec. 31 2010**	Mar. 31 2010
Metals service centers	**$ 238**	**$ 202**	$ 191
Energy tubular products	**257**	**290**	234
Steel distributors	**54**	**52**	42
Total operations	**$ 549**	**$ 544**	$ 467

Inventory Turns	Quarters Ended				
	Mar. 31 2011	**Dec. 31 2010**	**Sept. 30 2010**	**June 30 2010**	Mar. 31 2010
Metals service centers	**4.6**	**4.8**	**4.9**	**4.7**	4.5
Energy tubular products	**3.0**	**2.3**	**2.2**	**1.7**	2.9
Steel distributors	**4.2**	**4.0**	**5.2**	**2.7**	4.1
Total operations	**3.8**	**3.4**	**3.5**	**3.0**	3.7

Inventory turns are calculated using annualized quarterly cost of sales dollars, excluding net inventory write-downs, divided by inventory in dollars at the end of the quarter.

At March 31, 2011, our metals service centers had more tons of inventory priced at a slightly higher average price than at December 31, 2010. Inventory has been increased to align with increased sales as volumes increased compared to the fourth quarter of 2010. Based on information published by the Metals Service Center Institute in its monthly Metals Activity Report, average inventory turns based on tons for the three months ended March 31, 2011 for U.S. service centers and for Canadian service centers were 5.1 and 4.4 turns, respectively.

Our energy tubular products operations reduced inventory in the first quarter of 2011. Lower inventory and increased revenues in the quarter increased inventory turns.

Our steel distributor segment has increased revenues which increased turns as inventory was kept constant.

As a result of higher volumes and selling prices, accounts receivable utilized cash of $82 million since December 31, 2010. Accounts receivable represent 26% of our total assets at March 31, 2011.

During the three months ended March 31, 2011, we made income tax payments of $18 million compared to payments of $3 million for the three months ended March 31, 2010.

During the three months ended March 31, 2011, we invested $4 million for capital expenditures and paid shareholders with $17 million in common share dividends. During the three months ended March 31, 2010, we invested $1 million for capital expenditures and paid $15 million for common share dividends.

The balances disclosed in our consolidated cash flow statements are adjusted to remove the non-cash component related to foreign exchange rate fluctuations impacting inventory, accounts receivable, accounts payable and income tax balances of our U.S. operations.

FREE CASH FLOW

(millions)	Quarters Ended March 31 **2011**	2010
Cash from operating activities before working capital	**$ 40.0**	$ 23.5
Purchase of fixed assets	**(4.4)**	(1.3)
	$ 35.6	$ 22.2

Free cash flow may be useful in assessing our ability to pay dividends, reduce outstanding debt and fund working capital growth. Free cash flow is a non-GAAP measure regularly used by investors and analysts to evaluate companies.

CASH, DEBT AND CREDIT FACILITIES

Debt

(millions)	**Mar. 31, 2011**	Dec. 31, 2010
Long-Term Debt		
6.375% US$167.2 million Senior Notes due March 1, 2014	**$ 160**	$ 164
7.75% $175 million convertible debentures due September 30, 2016	**152**	151
Finance lease obligations, maturing 2014 to 2017	**4**	5
	316	320
Current portion	**1**	1
	$ 315	$ 319

The convertible debenture has been split between debt and equity. The amount allocated to equity is $29 million representing the valuation of the holders' option to convert the convertible debentures into common shares and the fair value adjustments on the cash conversion feature treated as a derivative prior to amendment of the Trust Indenture in December 2010.

Cash and Bank Credit Facilities

As at March 31, 2011 (millions)	Russel Metals Facility	U.S. Subsidiary Facility	Total
Bank loans	$ -	$ -	$ -
Cash net of outstanding cheques	261	25	286
Net cash	261	25	286
Letters of credit	(53)	(24)	(77)
	$ 208	$ 1	$ 209
Facilities			
Borrowings and letters of credit	$ 202	$ 20	$ 222
Letters of credit facility	50	24	74
Facilities availability	$ 252	$ 44	$ 296
Available line based on borrowing base	$ 252	$ 44	$ 296

We have a facility with a syndicate of Canadian and U.S. banks totaling $252 million which expires June 24, 2012. The facility consists of availability of $202 million to be utilized for borrowings and letters of credit and $50 million to be utilized only for letters of credit. Letters of credit are issued under the $50 million line first and additional needs are issued under the $202 million line. We may extend this facility annually with the consent of the syndicate and it is our intent to extend the facility to 2014. The borrowings and letters of credit are available on a revolving basis, up to an amount equal to the sum of specified percentages of our eligible accounts receivable and inventories, to a maximum of $252 million. As of March 31, 2011, we were entitled to borrow and issue letters of credit totaling $252 million under this facility. At March 31, 2011 and 2010, we had no borrowings. At March 31, 2011, we had letters of credit of $53 million compared to $25 million at March 31, 2010.

A U.S. subsidiary has its own one year bank credit facility which expires in July 2011. The maximum borrowings including letters of credit under this facility are US$45 million. At March 31, 2011, this subsidiary had no borrowings and had letters of credit of US$24 million. At March 31, 2010, this subsidiary had no borrowings and had letters of credit of US$7 million.

With our cash, cash equivalents and our bank facilities we have access to approximately $505 million of cash based on our March 31, 2011 balances. The use of our bank facilities has been predominantly to fund working capital requirements and trade letters of credit for inventory purchases. As steel prices and demand declined, cash generated from accounts receivable and inventory was utilized to reduce bank borrowings. These lines will be used to support increases in working capital when volumes and steel prices increase.

CONTRACTUAL OBLIGATIONS

As at March 31, 2011, we were contractually obligated to make payments under our long-term debt agreements, finance leases and operating leases that come due in the future. See the notes to the financial statements for future obligations by year.

We have disclosed our obligations related to environmental litigations, regulatory actions and remediation in our Annual Information Form. The obligations relate to previously divested or discontinued operations and do not relate to the metals distribution business.

OFF-BALANCE SHEET ARRANGEMENTS

Our off-balance sheet arrangements consist of the letters of credit disclosed in the bank credit facilities table and operating lease obligations disclosed in the financial instruments note to the financial statements.

We have multiple defined benefit pension plans in Canada, as disclosed in Note 24 of the interim consolidated financial statements. In the first quarter of 2011, we contributed $1 million to these plans. We expect to contribute approximately $3 million during the remainder of the year.

ACCOUNTING AND REPORTING CHANGES

We adopted IFRS effective January 1, 2011, which required us to restate our January 1, 2010 opening balance sheet and prepare comparative 2010 IFRS financial statements to report with our 2011 financial statements. The three months ended March 31, 2011 is our first reporting period under IFRS. IFRS requires significantly more disclosure than the previous requirements under Canadian GAAP and the first set of financial statements issued under IFRS requires a number of reconciliations compared to prior Canadian GAAP.

Note 24 to our consolidated interim financial statements provides details on our exemption options on initial conversion to IFRS, key Canadian GAAP to IFRS differences, reconciliations of Canadian GAAP to IFRS for 2010, changes in accounting policies, presentation reclassifications and additional IFRS annual disclosures.

As a result of the IFRS conversion and the exemption options chosen, our January 1, 2010 opening shareholders' equity was reduced by $42 million. This reduction was as a result of the following:

- *Employee benefits* - charge to retained earnings for unamortized actuarial gains and losses and other adjustments relating to our pension plans,
- *Share based compensation* - change to graded vesting on stock options and restricted share units,

- *Financial instruments* - revaluation of the cash conversion feature on our convertible debentures,
- *Decommissioning liabilities* - realization of previously unrecognized constructive obligations for environmental cleanup,
- *Property, Plant and Equipment* - accelerated depreciation caused by componentization,
- *Asset impairment* - assessment of cash generating units at a lower level and discounting of expected cash flows,
- *Income taxes* - on above items.

The above changes similarly impacted the 2010 earnings. The most significant item impacting our 2010 earnings was the conversion feature in our convertible debenture which caused it to be a derivative. We removed this feature by an amendment to our Trust Indenture in December 2010. The remaining items, representing a $1.3 million impact of 2010 earnings, relate to the following:

(millions)	Year ended December 31, 2010
Employee benefits - reduced pension expense as unamortized actuarial gains and losses were charged to opening retained earnings	$ 0.5
Share based compensation - increased expense as graded vesting results in larger expense in earlier years	(0.2)
Financial instruments - increased accretion on revalued conversion option in convertible debentures	(0.8)
Decommissioning liabilities - expenses related to constructive obligations of prior environmental matters	(0.4)
Depreciation on plant and equipment - charge for quicker depreciation rates on componentized assets	(0.4)
Foreign currency translation - change in 2010	(0.3)
Income taxes - tax effect of above items	0.3
Impact on earnings excluding cash conversion derivative expense	$ (1.3)

ACCOUNTING ESTIMATES

The preparation of our financial statements requires management to make estimates and judgements that affect the reported amounts. On an ongoing basis, we evaluate our estimates, including those related to bad debts, inventory net realizable value and obsolescence, useful lives of fixed assets, fair values, income taxes, pensions and benefits obligations, guarantees, decommissioning liabilities, contingencies, litigation and assigned values on net assets acquired. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Our most significant assets are accounts receivable and inventories.

Accounts Receivable

We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. Assessments are based on aging of receivables, legal issues (bankruptcy status), past collection experience, current financials or credit agency reports and the experience of our credit personnel. Accounts receivable which we determine to be uncollectible are reserved in the period in which the determination is made. If the financial condition of our customers was to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Our reserve for bad debts at March 31, 2011 approximates our reserve at December 31, 2010; however, our accounts receivable balance is significantly higher.

Inventories

We review our inventory to ensure that the cost of inventory is not in excess of its estimated net realizable value and for obsolete and slow moving product. Inventory reserves or write-downs are recorded when cost exceeds the estimated selling price less cost to sell and when product is determined to be slow moving or obsolete. The inventory reserve level at March 31, 2011 decreased compared to the level at December 31, 2010 mainly due to the sale of inventory that was written-down.

Other areas involving significant estimates and judgements include:

Income Taxes

We believe that we have adequately provided for income taxes based on all of the information that is currently available. The calculation of income taxes in many cases requires significant judgement in interpreting tax rules and regulations, which are constantly changing. Our tax filings are also subject to audits, which could materially change the amount of current and future income tax assets and liabilities. Any change would be recorded as a charge or reduction in income tax expense.

Employee Benefit Plans

We perform a valuation, at least every three years, for each defined benefit plan to determine the actuarial present value of the accrued pension benefits. The valuation uses management's assumptions for the discount rate, expected long-term rate of return on plan assets, rate of compensation increase, health care cost trend and expected average remaining years of service of employees.

While we believe that these assumptions are reasonable, differences in actual results or changes in assumptions could materially affect employee benefit obligations and future net benefit plan costs. We account for differences between actual and assumed results by recognizing differences in benefit obligations and plan performance over the working lives of the employees who benefit from the plans.

We had approximately $89 million in plan assets at March 31, 2011, compared to $87 million at December 31, 2010.

CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

The purpose of internal controls over financial reporting as defined by the Canadian Securities Administrators is to provide reasonable assurance that:

(i) financial statements prepared for external purposes are in accordance with the Company's generally accepted accounting principles,
(ii) transactions are recorded as necessary to permit the preparation of financial statements, and records are maintained in reasonable detail,
(iii) receipts and expenditures of the Company are made only in accordance with authorizations of the Company's management and directors, and
(iv) unauthorized acquisitions, uses or dispositions of the Company's assets that could have a material effect on the financial statements will be prevented or detected in order to prevent material error in financial statements.

The President and Chief Executive Officer, and the Vice President and Chief Financial Officer have caused management and other employees to design and document our disclosure controls and procedures and our internal controls over financial reporting. The design of internal controls was completed using the framework and criteria established in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

No changes were made in our disclosure controls or our internal control over financial reporting during the first quarter of 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

VISION AND STRATEGY

The metals distribution business is a segment of a mature, cyclical industry. The use of service centers and steel distributors by both manufacturers and end users of steel continues to grow. This is evidenced by the growth in the percentage of total steel shipments from steel producers to service centers. As the distribution segment's share of steel industry shipments continues to grow, service centers such as ours can grow their business over the course of a cycle.

We strive to deal with the cyclical nature of the business by operating with the lowest possible net assets throughout the course of a cycle. In order to achieve this, management emphasizes profitability rather than revenue growth. This intensive asset management reduces borrowings and therefore interest expense in declining periods in the economic cycle. This in turn creates higher, more stable returns on net assets over the course of the cycle. Our conservative management approach creates relatively stronger trough earnings but could cause potential peak earnings to be somewhat muted. Management strongly believes that it is more prudent to be profitable throughout a cycle, without the spikes in earnings caused by less emphasis on asset management, and have average earnings over the full range of the cycle in the top deciles of the industry.

Growth from selective acquisitions is also a strategy. We focus on investment opportunities in businesses that have strong market niches or provide mass to our existing operations. We believe that our acquisition in 2008 added to our platform for growth in the Southeastern and Midwestern regions of the United States. We continue to review opportunities for acquisitions.

In both the energy tubular products and steel distributors segments, all of the business units have significant operations in the market niche that they service. Consistent with our acquisition philosophy, any new acquisitions in these areas would likely be either major stand-alone operations or those that complement our existing operations.

In the future, we believe that the length of the steel-based economic cycle will continue to shorten, and a management structure and philosophy that allows the fastest reaction to changes that affect the industry will be the most successful. We will continue to invest in business systems to enable faster reaction times to changing business conditions. In addition, management believes the high level of service and flexibility provided by service centers will enable this distribution channel to capture an increasing percentage of total steel revenues to end users, allowing for increased growth within the sector.

RISK

The timing and extent of future price changes from steel producers and their impact on us cannot be predicted with any certainty due to the inherent cyclical nature of the steel industry. Demand for our products is at approximately 80% of pre-2009 levels and we cannot predict when or if it will return to pre-2009 levels. Our Annual Information Form includes a summary of risks.

OUTLOOK

We believe the second quarter of 2011 results will be stronger than the second quarter of 2010. Steel pricing has peaked and started to drop slightly due to supply chain issues in the automotive sector and continued weak construction activity. We would expect margins to soften over the balance of 2011. The second quarter for our oil and gas operations is seasonally the slowest but rig counts continue to be up year over year.

MANAGEMENT'S REPORT TO THE SHAREHOLDERS

The accompanying consolidated financial statements and management's discussion and analysis have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

These interim consolidated financial statements were prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB), and, where appropriate, reflect management's best estimates and judgements. Management is responsible for the accuracy, integrity and objectivity of the interim consolidated financial statements and management's discussion and analysis within reasonable limits of materiality.

To assist management in the discharge of these responsibilities, the Company has developed, documented and maintained a system of internal controls in order to provide reasonable assurance that its assets are safeguarded; that only valid and authorized transactions are executed; and that accurate, timely and comprehensive financial information is prepared in accordance with International Financial Reporting Standards. In addition, the Company has developed and maintained a system of disclosure controls in order to provide reasonable assurance that the financial information is relevant, reliable and accurate.

The Company's Audit Committee is appointed annually by the Board of Directors. The Audit Committee, which is composed entirely of outside directors, meets with management to satisfy itself that management is properly discharging its financial reporting responsibilities and to review the interim consolidated financial statements and the management's discussion and analysis. The Audit Committee reports its findings to the Board of Directors for consideration in approving the interim consolidated financial statements and the management's discussion and analysis for presentation to the shareholders.

May 12, 2011

B. R. Hedges
President and
Chief Executive Officer

M. E. Britton
Vice President and
Chief Financial Officer

CONSOLIDATED STATEMENTS OF EARNINGS *(UNAUDITED)*

(in millions of Canadian dollars, except per share data)	Quarter ended March 31 **2011**	2010
Revenues	**$ 657.7**	$ 526.8
Cost of materials	**519.3**	430.6
Employee expenses (Note 19)	**54.6**	42.9
Other operating expenses (Note 19)	**29.6**	27.4
Earnings before the following	**54.2**	25.9
Interest expense (Note 16)	**7.1**	7.2
Interest income (Note 16)	**(0.6)**	(0.3)
Finance expense-convertible debentures (Note 16)	**-**	6.9
Other finance expense, net (Note 16)	**0.4**	(1.5)
Earnings before income taxes	**47.3**	13.6
Provision for income taxes	**(14.3)**	(4.5)
Net earnings for the period	**$ 33.0**	$ 9.1
Basic earnings per common share (Note 15)	**$ 0.55**	$ 0.15
Diluted earnings per common share (Note 15)	**$ 0.53**	$ 0.15

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *(UNAUDITED)*

(in millions of Canadian dollars)	Quarter ended March 31 **2011**	2010
Net earnings for the period	**$ 33.0**	$ 9.1
Other comprehensive income (loss) (Note 23)		
Unrealized foreign exchange losses on translation of foreign operations	**(8.0)**	(10.2)
Unrealized gains on items designated as net investment hedges	**3.3**	5.6
Unrealized losses on items designated as cash flow hedges	**-**	(2.2)
Gains (losses) on derivatives designated as cash flow hedges transferred to net income in the current period	**0.3**	(1.0)
Other comprehensive income (loss)	**(4.4)**	(7.8)
Total comprehensive income	**$ 28.6**	$ 1.3

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(UNAUDITED)*

(in millions of Canadian dollars)	**March 31 2011**	December 31 2010	January 1 2010
ASSETS			
Current			
Cash and cash equivalents (Note 4)	**$ 286.1**	$ 323.7	$ 359.6
Accounts receivable (Note 5)	**381.2**	301.4	217.8
Inventories (Note 6)	**548.6**	544.1	517.9
Prepaid expenses	**5.0**	3.0	4.9
Income taxes receivable	**1.0**	2.8	50.6
	1,221.9	1,175.0	1,150.8
Property, Plant and Equipment (Note 7)	**202.4**	205.2	221.9
Deferred Income Tax Assets	**6.6**	7.1	8.9
Pensions and Benefits	**0.7**	0.7	-
Financial Asset (Note 8)	**-**	-	4.5
Other Assets (Note 8)	**3.1**	3.8	3.8
Goodwill and Intangibles (Note 9)	**24.4**	24.9	26.4
	$ 1,459.1	$ 1,416.7	$ 1,416.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities (Note 11)	**$ 315.3**	$ 272.8	$ 245.4
Income taxes payable	**9.5**	14.4	-
Current portion long-term debt (Note 12)	**1.2**	1.2	1.3
	326.0	288.4	246.7
Derivatives (Note 20)	**-**	-	53.1
Long-Term Debt (Note 12)	**314.9**	318.5	333.1
Pensions and Benefits	**17.4**	17.9	20.8
Provision (Note 22)	**5.5**	5.6	5.5
Deferred Income Tax Liabilities	**6.3**	7.0	2.3
Other Non-Current Liabilities (Note 22)	**2.2**	6.5	3.9
	672.3	643.9	665.4
Shareholders' Equity (Note 13)			
Common shares	**484.9**	483.7	478.9
Retained earnings	**274.0**	257.5	259.9
Contributed surplus	**14.6**	13.9	13.2
Accumulated other comprehensive income (loss)	**(15.4)**	(11.0)	(1.1)
Equity component of convertible debenture	**28.7**	28.7	-
	786.8	772.8	750.9
	$ 1,459.1	$ 1,416.7	$ 1,416.3

ON BEHALF OF THE BOARD,

A. Benedetti
Director

L. Lachapelle
Director

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

CONSOLIDATED STATEMENTS OF CASH FLOW *(UNAUDITED)*

(millions)	Quarter ended March 31 **2011**	2010
Operating activities		
Net earnings for the period	**$ 33.0**	$ 9.1
Depreciation and amortization	**6.0**	6.3
Deferred income taxes	**(0.5)**	1.8
Gain on sale of property, plant and equipment	**(0.1)**	-
Stock-based compensation	**0.9**	0.2
Unrealized gain on investment	**-**	(1.5)
Loss on derivatives	**-**	6.9
Difference between pension expense and amount funded	**(0.6)**	-
Debt accretion, amortization and other	**1.3**	0.7
Cash from operating activities before non-cash working capital	**40.0**	23.5
Changes in non-cash working capital items		
Accounts receivable	**(81.5)**	(75.7)
Inventories	**(8.2)**	46.7
Accounts payable and accrued liabilities	**35.3**	9.0
Income tax receivable/payable	**(3.3)**	-
Other	**(2.0)**	0.5
Change in non-cash working capital	**(59.7)**	(19.5)
Cash (used in) from operating activities	**(19.7)**	4.0
Financing activities		
Issue of common shares	**0.9**	-
Dividends on common shares	**(16.5)**	(14.9)
Repayment of long-term debt	**(0.3)**	(0.4)
Swap termination	**-**	(35.2)
Cash used in financing activities	**(15.9)**	(50.5)
Investing activities		
Purchase of property, plant and equipment	**(4.4)**	(1.3)
Proceeds on sale of property, plant and equipment	**0.7**	-
Cash used in investing activities	**(3.7)**	(1.3)
Effect of change in exchange rates on cash and cash equivalents	**1.7**	(0.7)
Decrease in cash and cash equivalents	**(37.6)**	(48.5)
Cash and cash equivalents, beginning of the period	**323.7**	359.6
Cash and cash equivalents, end of the period	**$ 286.1**	$ 311.1

Supplemental cash flow information:		
Income taxes paid	**$ 18.3**	$ 2.7
Interest paid	**$ 12.2**	$ 12.8

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(UNAUDITED)*

(in millions of Canadian dollars)	Common Shares	Contributed Surplus	Retained Earnings	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2011	$ 483.7	$ 13.9	$ 257.5	$ 28.7	$ (11.0)	$ 772.8
Payment of dividends	-	-	(16.5)	-	-	(16.5)
Net earnings for the period	-	-	33.0	-	-	33.0
Other comprehensive income for the period	-	-	-	-	(4.4)	(4.4)
Recognition of stock-based compensation	-	0.7	-	-	-	0.7
Stock options exercised	1.2	-	-	-	-	1.2
Balance, March 31, 2011	$ 484.9	$ 14.6	$ 274.0	$ 28.7	$ (15.4)	$ 786.8

(in millions of Canadian dollars)	Common Shares	Contributed Surplus	Retained Earnings	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2010	$ 478.9	$ 13.2	$ 259.9	$ -	$ (1.1)	$ 750.9
Payment of dividends	-	-	(14.9)	-	-	(14.9)
Net earnings for the period	-	-	9.1	-	-	9.1
Other comprehensive income for the period	-	-	-	-	(7.8)	(7.8)
Recognition of stock-based compensation	-	0.1	-	-	-	0.1
Balance, March 31, 2010	$ 478.9	$ 13.3	$ 254.1	$ -	$ (8.9)	$ 737.4

(in millions of Canadian dollars)	Common Shares	Contributed Surplus	Retained Earnings	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income	Total
Balance, January 1, 2010	$ 478.9	$ 13.2	$ 259.9	$ -	$ (1.1)	$ 750.9
Payment of dividends	-	-	(59.7)	-	-	(59.7)
Net earnings for the period	-	-	57.3	-	-	57.3
Other comprehensive income for the period	-	-		-	(9.9)	(9.9)
Recognition of stock-based compensation	-	0.7	-	-	-	0.7
Stock options exercised	4.8	-	-	-	-	4.8
Equity component of convertible debentures (Note 12)	-	-	-	28.7	-	28.7
Balance, December 31, 2010	$ 483.7	$ 13.9	$ 257.5	$ 28.7	$ (11.0)	$ 772.8

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) General business description

Russel Metals Inc. (the "Company"), a Canadian corporation, with common shares listed on the Toronto Stock Exchange (TSX), is a metals distribution company operating in various locations within North America. The Company's registered office is located at 1900 Minnesota Court, Suite 210, Mississauga, Ontario, L5N 3C9.

These consolidated financial statements were authorized for issue by the Board of Directors on May 12, 2011.

b) Statement of compliance and basis of presentation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The Company's consolidated financial statements were previously prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). IFRS is considered Canadian GAAP for Canadian reporting issuers for reporting periods commencing on or after January 1, 2011. Canadian GAAP differs in some areas from IFRS. In preparing these financial statements, management has amended certain accounting and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 24 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and other comprehensive income for the periods ended January 1, 2010, March 31, 2010 and December 31, 2010 along with line-by-line reconciliations of the statement of financial position as at January 1, 2010 and December 31, 2010.

These financial statements were prepared on a going concern assumption using the historical cost basis except for certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets at the time of the transaction.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

c) Basis of consolidation

The consolidated financial statements include the accounts of Russel Metals Inc. and its subsidiary companies. Accounting policies for all subsidiaries are consistent with those of the parent and all intercompany transactions, balances, income and expenses are eliminated on consolidation.

d) Business combinations

Subsidiaries are fully consolidated from the date control is transferred to the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition method of accounting is used to account for the acquisition of subsidiaries as follows:

(i) cost of consideration is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date;

(ii) identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date;

(iii) the excess of acquisition cost over the fair value of the identifiable net assets acquired is recorded as goodwill; and

(iv) if the acquisition cost is less than the fair value of the net assets acquired, the fair value of the net assets is re-assessed and any remaining difference is recognized directly in net earnings.

e) *Cash and cash equivalents*

Cash and cash equivalents include demand deposits, bank term deposits and investment grade short-term investments with a maturity of less than three months at time of purchase. The financial instrument designation for cash and cash equivalents is loans and receivables.

f) *Trade receivables*

Trade receivables are amounts due from customers from the sale of goods or rendering of services in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. The financial instrument designation for trade receivables is loans and receivables.

The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within "Other operating expenses" in the statement of earnings.

g) *Inventories*

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down previously recorded is reversed.

h) *Property, plant, equipment and depreciation*

Property, plant, equipment and leasehold improvements are recorded at cost, less impairment. Component accounting is used for both buildings and machinery and equipment. Components that make up a material portion of the original cost of the asset and have a significantly different estimated useful life than the parent asset are considered to be significant components. For buildings, roofs are the only significant component; however, for machinery and equipment there are various significant components depending on the asset. Depreciation starts when the asset or significant component is ready for use and is provided on a straight-line basis at rates that charge the original cost of such assets less residual values to operations over their estimated useful lives. These are 15 to 25 years for roofs, 20 to 40 years for buildings, 3 to 10 years for machinery and equipment components, 10 to 25 years for machinery and equipment, and over the lease term for leasehold improvements. Depreciation ceases at the earlier of when the asset or component is derecognized, or when it is held for sale or included in a group that is classified as held for sale. Residual values and useful lives are reviewed at the end of each annual reporting period, and whenever facts and circumstances indicate a reduction in residual value or useful life. Changes in the estimates of residual values and useful lives are reflected in earnings in the period of the change and future periods, as appropriate.

i) *Deferred financing charges and amortization*

Eligible costs incurred relating to the short-term revolving credit facility are deferred and amortized on a straight-line basis over the period of the related financing. Deferred financing charges are recorded at cost less accumulated amortization. Eligible costs related to long-term debt financing are capitalized to the carrying amount of the associated debt and amortized using the effective interest method.

j) *Goodwill and intangibles*

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. The Company reviews goodwill for impairment annually and whenever facts and circumstances indicate that carrying amounts may not be recoverable.

Intangibles

Intangible assets are comprised of customer lists. They are recorded at cost which, for business acquisitions represents the fair value at the date of acquisition less accumulated amortization and accumulated impairment losses. Customer lists are amortized on a straight line basis over their estimated useful life of 15 years. Useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

k) Impairment of long lived non-financial assets

Non-financial tangible and intangible assets (other than goodwill) are reviewed for an indication of impairment at each statement of financial position date. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset or cash-generating unit (CGU), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognized in net earnings for the period. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

l) Employee future benefits

For defined benefit pension plans and other post-employment benefits, the net periodic pension expense is actuarially determined on an annual basis by independent actuaries using the projected benefit method, prorated on service and is charged to expense as services are rendered. The determination of a benefit expense requires assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, the expected mortality, the expected rate of future compensation increases and the expected healthcare cost trend rate. For the purpose of calculating the expected return on plan assets, the assets are valued at fair value. The Company uses historical returns on its existing plan assets to estimate the expected future return on plan assets. Actual results will differ from estimated results which are based on assumptions.

The vested portion of past service cost arising from plan amendments is recognized immediately in net earnings. The unvested portion is amortized on a straight-line basis over the average remaining period until the benefits become vested. The asset or liability recognized in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs and asset ceiling restrictions. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality Canadian corporate bonds and that have terms to maturity approximating the terms of the related pension liability. All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized immediately in the statement of other comprehensive income. Any defined benefit asset resulting from this calculation is limited to the total of unrecognized net actuarial losses and past service cost and the present value of any economic benefit in the form of refunds from the plan or reduction in future contributions to the plan. The Company contributes to certain multiemployer pension plans based on a fixed dollar amount for each hour worked. These plans are accounted for as defined contribution plans.

m) Income taxes

Tax expense comprises current and deferred tax. Tax is recognized in the statement of earnings except to the extent it relates to items recognized directly in equity in which case the related tax is recognized in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities

- are generally recognized for all taxable temporary differences;
- are recognized for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets

- are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and credits can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts, and after eliminating intercompany sales. Freight and shipping costs billed to customers are also included in revenue.

Revenue from the sale of goods is recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, no longer retains control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

o) Share based payments

The Company uses the fair value-based approach, utilizing a Black-Scholes option pricing model, to account for stock-based compensation.

Compensation expense is recognized for stock options on a graded vesting basis, where the fair value of each tranche is determined at the grant date based on the Company's estimate of equity instruments that will eventually vest and is recognized over its respective vesting period, except for employees who are eligible to retire during the vesting period whose options are expensed immediately. The related credit is charged to contributed surplus. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimate, if any, is recognized in net earnings such that the cumulative expense reflects the revised estimate with a corresponding adjustment to contributed surplus.

Compensation expense for deferred share units is recognized when the units are issued and for changes in the quoted market price from the issue date to the reporting date until the units are redeemed. Compensation expense for restricted share units is recognized over the vesting period and for changes in the quoted market price from the issue date to the reporting period date until the units mature.

p) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Any increase in the provision due to passage of time is recognized as interest expense.

q) *Decommissioning, restoration and similar liabilities*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the related asset along with a corresponding increase in the provision in the period incurred. Pre-tax discount rates that reflect the time value of money are used to calculate the net present value.

The Company's estimates of decommissioning costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset or net earnings with a corresponding adjustment to the provision. The Company's estimates are reviewed annually for changes in regulatory requirements, and changes in estimates. Changes in the net present value are charged to net earnings for the period.

r) *Leases*

Leases are classified as finance or operating depending on the terms and conditions of the contracts. Leases which transfer substantially all the risks and rewards of ownership are classified as finance leases. An asset held under a finance lease is initially recognized at the inception of the lease at an amount equal to the lower of its fair value and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Subsequent to its initial recognition, the costs are depreciated in accordance with the accounting policy of the applicable asset. Obligations recorded under finance leases are reduced by lease payments, net of imputed interest. Interest expense is recognized in net earnings.

Leases that do not meet the criteria for finance leases are classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

s) *Earnings per share*

Basic earnings per common share is calculated using the weighted daily average number of common shares outstanding. Diluted earnings per share is calculated using the treasury stock method.

t) *Long-term debt*

Long-term debt is recognized initially at fair value, net of transaction costs incurred. Long-term debt is subsequently stated at amortized cost with any difference between the proceeds (net of transactions costs) and the redemption value recognized in the net earnings over the term of the debt using the effective interest method.

At the time of issue, the Company valued the holder's option to convert the debentures into common shares, using the Black Scholes valuation model and the residual was recorded as the debt portion. The holder's option to convert the debenture into common shares was initially classified as a derivative liability.

Debt is classified as a current liability unless the Company has an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

u) *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less. Trade payables are recognized initially at fair value and subsequently measured at amortized cost.

v) *Operating segments*

The Company's operating segments are organized around the markets it serves and are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which is the Chief Executive Officer.

w) *Foreign currency*

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency.

The accounts of foreign subsidiaries whose functional currency is the U.S. dollar are translated from U.S. dollars to Canadian dollars at the noon spot rate in effect at the statement of financial position date, which was $0.9718 per US$1 at March 31, 2011 (December 31, 2010: $0.9946 per US$1). Monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur form part of the net investment in the foreign operation. The resulting gains or losses from the translation of the foreign subsidiaries and those items forming part of the net investment are included in other comprehensive income. Exchange gains or losses on the translation of long-term debt denominated in a foreign currency designated as a hedge of the Company's net investment in foreign subsidiaries are included in other comprehensive income.

Goodwill, intangibles and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate in effect at the statement of financial position date.

Revenues and expenses are translated at the average rate of exchange during the period. For the quarter ended March 31, 2011, the U.S. dollar published average exchange rate was $0.9860 per US$1 (March 31, 2010: $1.0409 per US$1). The resulting gains or losses are included in other comprehensive income.

x) Financial Instruments

Financial Assets

Purchases and sales of financial assets are recognized on the settlement date, which is the date on which the asset is delivered to or by the Company. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets are classified in the following categories at the time of initial recognition based on the purpose for which the financial assets were acquired:

Financial assets at fair value through profit and loss

- Classification

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Assets in this category include forward exchange contracts and embedded derivatives in inventory purchases.

- Recognition and measurement

Financial assets carried at fair value are initially recognized, and subsequently carried, at fair value, with changes recognized in net earnings. Transaction costs are expensed.

Loans and receivables

- Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Assets in this category include “Cash and cash equivalents” and “Accounts receivable” and are classified as current assets in the statement of financial position.

- Recognition and measurement

Loans and receivables are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost, less impairment.

Impairment of financial assets

The Company, at each financial position date, assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. When impairment has occurred, the loss is recognized in net earnings with an offset to reduction in the financial asset’s carrying value.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

In a subsequent period, if the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net earnings. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified in the following categories at the time of initial recognition:

Other financial liabilities

- Classification

Other financial liabilities include "Accounts payable and accrued liabilities", "Current portion long-term debt" and "Long-term debt".

- Recognition and measurement

Short-term borrowings are recorded at the fair value of the proceeds received. Long-term debt and the liability component of convertible debentures are measured at amortized cost using the effective interest method, with interest expense recognized in net earnings. Eligible costs related to long-term debt financing are carried at amortized cost and amortized using the effective interest method over the period of the related financing.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date a contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Non-performance risk, including the Company's own credit risk, is considered when determining the fair value of financial instruments.

The Company designates certain derivatives as either a cash flow hedge or net investment hedge as follows:

- Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as a cash flow hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in net earnings.

- Net Investment hedge

The Company has designated certain financial instruments as a hedge of its net investments in foreign operations and are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in net earnings.

Gains and losses on the hedging instrument relating to the effective portion of the hedge included in accumulated other comprehensive income are reclassified to net earnings when the foreign operations are disposed of or when control is lost.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments, while providing effective economic hedges, are not designated as hedges for accounting purposes. Changes in the fair value of any derivatives that are not designated as hedges for accounting purposes are recognized within "Other finance expense, net" in the statement of earnings consistent with the underlying nature and purpose of the derivative instruments.

Embedded derivatives

An embedded derivative is a feature within a contract, where the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative. The Company has embedded foreign currency derivatives in certain purchase contracts where the currency of the contract is different from the functional or local currencies of the parties involved. These derivatives are accounted for as separate instruments and are measured at fair value and included in accounts payable and accrued liabilities at the end of the reporting period. Changes in their fair values are recognized within "Other operating expenses" in the statement of earnings.

y) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the costs of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the Company's management to make certain judgements and estimates about the future. Judgement is commonly used in determining whether a balance or transaction should be recognized in the consolidated financial statements and estimates and assumptions are more commonly used in determining the measurement of recognized transactions and balances. However, judgement and estimates are often interrelated. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets and liabilities.

Allowance for Doubtful Accounts

The Company assesses the collectability of accounts receivable. An allowance for doubtful account is estimated based on customer creditworthiness, current economic trends and past experience.

Property, Plant and Equipment

The Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period, and whenever events or circumstances indicate a change in useful life. Estimated useful lives of items of property, plant and equipment are based on a best estimate and the actual useful lives may be different.

Intangible Assets and Goodwill

Intangible assets and goodwill arise from business combinations. Upon acquisition, the Company identifies and attributes fair values and estimated useful lives to the intangible assets and residual value to goodwill acquired. These determinations involve estimates and assumptions regarding cash flow projections, economic risk and the weighted average cost of capital. If future events or results differ adversely from these estimates and assumptions, the Company could record increased amortization or impairment charges in the future.

Employee Future Benefits

The Company's determination of employee benefit expense and obligations requires the use of assumptions such as the expected return on assets available to fund pension obligations, the discount rate to measure obligations, expected mortality, the expected rate of increase of future compensation and the expected healthcare cost trend rate. Since the determination of the cost and obligations associated with employee future benefits requires the use of various assumptions, there is measurement uncertainty inherent in the actuarial valuation process. Actual results could differ from estimated results which are based on assumptions.

Income Taxes

The Company computes an income tax provision in each of the jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, the estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. In interim periods, the income tax provision is based on an estimate of earnings in a full year by jurisdiction. The estimated average annual effective income tax rates are reviewed at each reporting date, based on full year projections of earnings. To the extent that forecasts differ from actual results, adjustments are recorded through earnings in subsequent periods.

Uncertain Income Tax Positions

The Company is subject to taxation in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company maintains provisions for uncertain tax positions that it believes appropriately reflect its risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provision in the period in which such determination is made.

Other Estimates

The Company's management also makes estimates for inventory net realizable value and obsolescence, fair values, guarantees, assigned values on net assets acquired, asset impairment, decommissioning obligations, contingencies and litigation. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. FUTURE ACCOUNTING CHANGES

In October 2010, the IASB issued IFRS 9, Financial Instruments ("IFRS 9"). IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2013. The Company is assessing the impact of this new standard on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

(millions)	**March 31 2011**	December 31 2010	January 1 2010
Short-term investments	**$ 136.0**	$ 149.8	$ 110.0
Cash on deposit	**150.1**	173.9	249.6
	$ 286.1	$ 323.7	$ 359.6

Cash on deposit in bank accounts includes demand deposits, net of outstanding cheques.

5. ACCOUNTS RECEIVABLE

(millions)		**March 31 2011**		December 31 2010		January 1 2010
Trade receivables	**$**	**379.1**	$	298.5	$	212.1
Other receivables		**2.1**		2.9		5.7
	$	**381.2**	$	301.4	$	217.8

Trade and other receivables are classified as loans and receivables and therefore measured at amortized cost which approximates fair value.

In order to minimize the risk of uncollectability of trade receivables, the Company performs regular credit reviews for all customers with significant credit limits. Provisions for and write-offs of trade receivables are done on a case by case basis taking into account a customers past credit history as well as their current ability to pay.

The following is the continuity of the allowance for doubtful accounts:

(millions)

Allowance for Doubtful Accounts		
Balance, January 1, 2010	$	4.2
Increases to reserve		1.0
Amounts written off		(2.0)
Adjustments		0.2
Balance, December 31, 2010	$	3.4
Increases to reserve		0.2
Amounts written off		(0.1)
Adjustments		0.1
Balance, March 31, 2011	$	3.6

At March 31, 2011, the allowance was 0.9% (December 31, 2010: 1.1%), of the gross trade accounts receivable balance. An increase to the reserve based on 1% of accounts receivable would decrease pre-tax earnings by approximately $3.8 million for the quarter ended March 31, 2011 (December 31, 2010: $3.0 million).

6. INVENTORIES

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on an average cost basis. During the quarter ended March 31, 2011, no inventory was written-down to net realizable value (2010: $nil) and no previous net realizable value write-down was reversed (2010: $nil).

7. PROPERTY, PLANT AND EQUIPMENT

Cost *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance at January 1, 2010	$ 184.3	$ 261.0	$ 26.9	$ 472.2
Additions	1.0	10.5	0.1	11.6
Disposals	(2.3)	(10.3)	-	(12.6)
Effect of movements in exchange rates	(1.6)	(2.1)	(0.1)	(3.8)
Balance as at December 31, 2010	181.4	259.1	26.9	467.4
Additions	2.9	1.5	-	4.4
Disposals	(0.6)	(0.8)	-	(1.4)
Effect of movements in exchange rates	(0.8)	(0.9)	-	(1.7)
Balance as at March 31, 2011	$ 182.9	$ 258.9	$ 26.9	$ 468.7

Depreciation and impairment *(millions)*	Land and Buildings	Machinery and Equipment	Leasehold Improvements	Total
Balance at January 1, 2010	$ 63.0	$ 169.2	$ 18.1	$ 250.3
Depreciation	5.4	17.3	0.8	23.5
Disposals	(1.1)	(9.2)	-	(10.3)
Effect of movements in exchange rates	(0.4)	(0.8)	(0.1)	(1.3)
Balance as at December 31, 2010	66.9	176.5	18.8	262.2
Depreciation	2.2	3.1	0.2	5.5
Disposals	(0.1)	(0.4)	(0.1)	(0.6)
Effect of movements in exchange rates	(0.1)	(0.7)	-	(0.8)
Balance as at March 31, 2011	$ 68.9	$ 178.5	$ 18.9	$ 266.3

Net Book Value *(millions)*	
January 1, 2010	$ 221.9
December 31, 2010	$ 205.2
March 31, 2011	$ 202.4

All items of property, plant and equipment are recorded and held at cost.

Land included in land and buildings was $23.8 million (December 31, 2010: $24.1 million).

For the quarter ended March 31, 2011, depreciation of $1.5 million was included in cost of material (March 31, 2010: $1.6 million) and depreciation of $4.0 million (March 31, 2010: $4.2 million) was included in other operating expenses.

8. FINANCIAL AND OTHER ASSETS

(millions)	**March 31 2011**	December 31 2010	January 1 2010
Investment in asset-backed commercial paper	**$ -**	$ -	$ 4.5
Deferred charges on short-term revolving credit facility	**0.4**	1.0	1.8
Other	**2.7**	2.8	2.0
	$ 3.1	$ 3.8	$ 8.3

Amortization of deferred financing charges for the quarter ended March 31, 2011 was $0.4 million (2010: $0.4 million).

9. GOODWILL AND INTANGIBLES

a) The continuity of intangibles which are comprised of customer lists acquired through business combinations, within the metals service centers are as follows:

Cost
(millions)

January 1, 2010	$	10.4
Foreign exchange		(0.5)
Balance, December 31, 2010		9.9
Foreign exchange		(0.2)
Balance, March 31, 2011	$	9.7

Accumulated amortization
(millions)

January 1, 2010	$	(2.7)
Amortization		(0.5)
Balance, December 31, 2010		(3.2)
Amortization		(0.1)
Balance, March 31, 2011	$	(3.3)

Carrying amount

January 1, 2010	$	7.7
December 31, 2010	$	6.7
March 31, 2011	$	6.4

The carrying amount of intangible assets as at March 31, 2011 relates to customer lists, arising from the acquisition of JMS Metals Services, Inc. and Norton Metal Products, Inc. The remaining amortization period for customer lists is 10 to 12 years.

b) The continuity of goodwill is as follows:

(millions)

Balance, January 1, 2010	$	18.7
Foreign exchange		(0.5)
Balance, December 31, 2010		18.2
Foreign exchange		(0.2)
Balance, March 31, 2011	$	18.0

The entire goodwill balance relates to the metals service centers segment.

c) Impairment of goodwill

The Company performed goodwill impairment tests during the fourth quarter of 2010 in accordance with its policy described in Note 1. The estimated recoverable amount of all units exceeded their carrying values. As a result, no impairment was recorded.

Recoverable amount is the greater of value in use and fair value less costs to sell. The Company uses the discounted cash flow technique to determine the value in use. Key assumptions used by management comprise the assessment of expected growth in future earnings before income taxes and depreciation, expected inflation and discount rates. The assumptions are based on historical data, industry cyclicality and expected market developments.

The Company used the weighted average cost of capital (WACC) to calculate the present value of its projected cash flows. The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each unit.

10. REVOLVING CREDIT FACILITIES

On June 24, 2010, the Company extended its credit agreement with a syndicate of banks. The renewed agreement provides a credit facility of $202.5 million available for borrowings and letters of credit, an additional $50 million for letters of credit, decreased interest and standby fees and adjustment to the fixed charge coverage ratio covenant to exclude dividends from the calculation. During 2010, the Company incurred costs of $0.7 million to renew the facility which have been included as deferred charges in financial and other assets (Note 8). The facility expires on June 24, 2012. Interest and standby fees are at rates which vary based on the Company's credit rating.

The Company was in compliance with the financial covenants at March 31, 2011. The obligations of the Company under this agreement are secured by a pledge of trade accounts receivable and inventories of a significant portion of the Company's operations. At March 31, 2011, the Company had no borrowings (December 31, 2010: $nil) and letters of credit of $53.1 million (December 31, 2010: $14.5 million).

On July 28, 2010, the Company renewed its U.S. subsidiary credit facility and increased the maximum available under this facility to US$45 million. At March 31, 2011, this subsidiary had no borrowings (December 31, 2010: $nil) and letters of credit of US$23.8 million (December 31, 2010: US$12.9 million).

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(millions)	**March 31 2011**	December 31 2010	January 1 2010
Trade accounts payable and accrued expenses	**$ 314.3**	$ 265.7	$ 234.7
Accrued interest	**1.0**	7.1	10.7
	$ 315.3	$ 272.8	$ 245.4

12. LONG-TERM DEBT

Long-term debt was comprised of the following:

(millions)	**March 31 2011**	December 31 2010	January 1 2010
6.375% US$167.2 million Senior Notes due March 1, 2014	**$ 159.8**	$ 163.7	$ 179.7
7.75% $175 million convertible debentures due September 30, 2016	**151.9**	151.1	148.5
Finance lease obligations (Note 20)	**4.4**	4.9	6.2
Less: current portion	**(1.2)**	(1.2)	(1.3)
Total long-term debt	**$ 314.9**	$ 318.5	$ 333.1

a) In October 2009, the Company issued $175 million of 7.75% convertible unsecured subordinated debentures for net proceeds of $167.1 million. The convertible debentures mature on September 30, 2016, and interest is payable semi-annually on March 31 and September 30 in each year. Each convertible debenture is convertible into common shares of the Company at the option of the holder at any time on or prior to the business day immediately preceding (i) maturity date; or (ii) the date specified for redemption of the convertible debentures, at a conversion price of $25.75 being a conversion rate of 38.8350 common shares per $1,000 principal amount of convertible debentures.

At the time of issue, the Company valued the holder's option to convert the debenture into common shares, using a Black Scholes valuation model and the residual was recorded as the debt portion. The holder's option to convert the debenture into common shares was initially classified as a derivative liability, as the Company could elect to settle the instrument in cash.

On issuance, the Company recorded a debt liability of $ 147.7 million, net of issue costs of $7.0 million, and a derivative financial liability of $20.3 million. The derivative financial liability was fair valued every quarter and the change in fair value recognized in earnings for the period. As at January 1, 2010, the derivative liability was $22.2 million. During December 2010, the Company amended the Trust Indenture for the convertible debenture removing the cash settlement feature and therefore the instrument did not meet the criteria for a derivative liability classification. As a result, the fair value at the date of the amendment of $28.7 million, net of income tax of $4.6 million, was reclassified from a liability to equity.

b) On February 20, 2004, the Company issued US$175 million Senior Notes due March 1, 2014, bearing interest at 6.375%. Concurrent with the issue of the U.S. Senior Notes, the Company entered into fixed for fixed cross currency swaps with major banks to manage the foreign currency exposure on US$100 million of the 6.375% Senior Notes. On January 22, 2010, the Company terminated these swaps and paid $35.2 million to its swap counterparties to terminate the swaps which represented the fair value of the swaps. Concurrent with the termination of the swaps, the Company designated its entire Senior Notes as a hedge of its net investment in foreign subsidiaries. During 2010, the Company repurchased US$7.8 million Senior Notes and the Company designated the remaining US$167.2 million Senior Notes as a hedge of its net investment in foreign subsidiaries.

The US$167.2 million Senior Notes are redeemable, in whole or in part, at the option of the Company on or after March 1, 2011 at 101.063% and on or after March 1, 2012 at 100.000%. In addition, the Senior Notes are also redeemable, in whole, at the option of the Company at any time at 100% of the principal amount in the event of certain changes affecting Canadian withholding taxes. The Senior Notes contain certain restrictions on the payment of common share dividends in excess of $0.08 per share per quarter. The Company was in compliance with the debt covenants at March 31, 2011. Fees associated with the issue of the debt are included in the carrying amount of the debt and amortized using the effective interest method.

13. SHAREHOLDERS' EQUITY

a) At March 31, 2011 and 2010, the authorized share capital of the Company consisted of:

(i) an unlimited number of common shares without nominal or par value;

(ii) an unlimited number of Class I preferred shares without nominal or par value, issuable in series; and

(iii) an unlimited number of Class II preferred shares without nominal or par value, issuable in series.

The Directors have the authority to issue the Class I and Class II preferred shares in series and fix the designation, rights, privileges and conditions to be attached to each series, except that the Class I shares shall be entitled to preference over the Class II shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding-up of the Company.

b) The number of common shares issued and outstanding was as follows:

	Number of Shares	Amount (millions)
Balance, January 1, 2010	59,698,690	$ 478.9
Stock options exercised	279,483	4.8
Balance, December 31, 2010	59,978,173	483.7
Stock options exercised	65,500	1.2
Balance, March 31, 2011	**60,043,673**	$ 484.9

The continuity of contributed surplus is as follows:

(millions)	
Balance, January 1, 2010	$ 13.2
Stock-based compensation expense	1.5
Exercise of options	(0.8)
Balance, December 31, 2010	13.9
Stock-based compensation expense	0.9
Exercise of options	(0.2)
Balance, March 31, 2011	$ 14.6

Dividends paid or declared are as follows:

	Quarters ended March 31	
	2011	2010
Dividends paid (millions)	**$ 16.5**	$ 14.9
Dividends paid per share	**$ 0.275**	$ 0.25
Dividends declared on May 12, 2011 (May 12, 2010) per share	**$ 0.275**	$ 0.25

14. STOCK BASED COMPENSATION

Stock Options

The Company has a shareholder-approved share option plan, the purpose of which is to provide the employees of the Company and its subsidiaries with the opportunity to participate in the growth and development of the Company. The number of common shares that may be issued under the share option plan is 5% of the current issued and outstanding common shares. The options have a 10 year life and are exercisable on a cumulative basis to the extent of 20% per year of total options granted, except that under certain specified change of control conditions the options become exercisable immediately. The consideration paid by employees for purchase of common shares is added to share capital.

The following is a continuity of options outstanding:

	Number of Options		Weighted Average Exercise Price	
	March 31 2011	December 31 2010	**March 31 2011**	December 31 2010
Balance, beginning of period	**2,684,662**	2,702,084	**$ 25.08**	$ 24.52
Granted	**307,127**	289,411	**25.70**	19.84
Exercised	**(65,500)**	(279,483)	**14.87**	14.19
Expired or forfeited	**-**	(27,350)	**-**	25.52
Balance, end of the period	**2,926,289**	2,684,662	**$ 25.37**	$ 25.08
Exercisable	**1,965,656**	1,813,063	**$ 26.08**	$ 25.64

The outstanding options had an exercise price range as follows:

(number of options)	**March 31 2011**	December 31 2010	January 1 2010
$ 25.75 - $ 33.81	**1,922,826**	1,922,826	1,943,826
$ 15.86 - $ 25.74	**830,963**	542,336	292,158
$ 9.16 - $ 15.85	**121,900**	154,700	328,300
$ 3.00 - $ 9.15	**50,600**	64,800	137,800
Options outstanding	**2,926,289**	2,684,662	2,702,084

The Black-Scholes option-pricing model assumptions used to compute compensation expense under the fair value-based method are as follows:

	March 31 2011	December 31 2010
Dividend yield	**5%**	5%
Expected volatility	**41%**	42%
Expected life	**5 yrs**	5 yrs
Risk free rate of return	**4%**	4%
Weighted average fair value of options granted	**$ 6.83**	$ 5.31

Expected volatility is based on historical volatility over the last five years.

Deferred Share Units

The Company has a Deferred Share Unit ("DSU") Plan for non-executive directors. A DSU is a unit equivalent in value to one common share based on market price, which is defined by the daily average of the high and low board lot on the Toronto Stock Exchange for the last five trading days immediately prior to the grant date. DSU's are granted quarterly to each non-executive director's account as determined by dividing $7,500 by the market price and at the option of the individual director they may elect to receive other board fees in the form of DSU's. DSU's vest immediately and are redeemable for cash only when a non-executive director leaves the Board.

At March 31, 2011, there were 69,890 DSUs outstanding (December 31, 2010: 65,827). The liability and fair value of DSU's was $1.9 million at March 31, 2011 (December 31, 2010: $1.5 million). Dividends declared on common shares accrue to the units in the DSU plan in the form of additional DSU's.

Restricted Share Units
The Company has a Restricted Share Unit ("RSU") Plan for eligible employees as designated by the Board of Directors. The plan was established to provide medium-term compensation. RSU's are awarded by the Board of Directors to eligible employees annually based on the earnings performance of the Company. RSU's vest one third on each of the first, second and third anniversary after the grant date. RSU's expire on the third anniversary of the grant date and the Company is obligated to pay in cash an amount equal to the number of RSU's multiplied by the market price, which is defined as the daily average of the high and low board lot on the Toronto Stock Exchange for the last five trading days immediately prior to the expiry date.

At March 31, 2011, there were 231,672 RSUs issued and outstanding (December 31, 2010: 216,629). The RSU liability at March 31, 2011 was $6.3 million (December 31, 2010: $5.0 million). The fair value of RSU's was $6.3 million at March 31, 2011 (December 31, 2010: $5.3 million). Dividends declared on common shares accrue to the units in the RSU plan in the form of additional RSU's.

Employee Share Purchase Plan
The Company has an Employee Share Purchase Plan to provide employees with the opportunity to purchase common shares. Employees may make contributions of between 1% and 5% of their base pay and the Company will contribute one-third of the employee's contribution. Employees are eligible to make contributions above the 5% of base pay threshold but the Company contributes only to a maximum of one-third of 5% of base pay. The plan does not provide for a discount for employee purchases and is administered by a trustee who purchases shares for the plan through the TSX. Dividends paid on the shares are used to purchase additional shares.

15. EARNINGS PER SHARE

The following table provides the numerator and denominator used to compute basic and diluted earnings per share:

(millions)	Quarters ended March 31 **2011**	2010
Net income used in calculation of basic earnings per share	**$ 33.0**	$ 9.1
Net income used in calculation of diluted earnings per share	**$ 35.6**	$ 9.1

(number of shares)	Quarters ended March 31 **2011**	2010
Weighted average shares outstanding	**59,992,140**	59,698,690
Dilution impact of stock options	**58,798**	82,444
Dilution impact of convertible debentures	**6,796,117**	-
Diluted weighted average shares outstanding	**66,847,055**	59,781,134

As at March 31, 2010, the effect of the conversion of the convertible debenture under the "if converted" method would have been 6,796,117 shares, but the effect was anti-dilutive and has therefore been excluded from the computation of diluted earnings per share. Interest, accretion and fair value adjustment related to convertible debentures of $7.6 million, for the quarter ended March 31, 2010, has also been excluded from net income used in the calculation of diluted earnings per share.

16. FINANCE EXPENSE

Finance expense (income) is comprised of the following:

(millions)	Quarters ended March 31 **2011**	2010
Interest at 6.375% on U.S. Senior Notes	**$ 2.8**	$ 3.0
Interest at 7.75% on convertible debentures	**4.2**	4.1
Other interest expense	**0.1**	0.1
Interest expense	**7.1**	7.2
Interest income	**(0.6)**	(0.3)
Net change in fair value of convertible debentures	**-**	6.9
Net change in fair value of other financial liabilities	**0.4**	-
Gain on investment	**-**	(1.5)
Other finance expense, net	**0.4**	(1.5)
Finance expense, net	**$ 6.9**	$ 12.3

Interest expense on long-term debt is composed of the interest calculated on the face value of long-term debt, issue costs and notional interest representing the accretion of the carrying value of the long-term debt. Long-term debt interest expense is charged to earnings using the effective interest method. Notional interest for the quarter ended March 31, 2011 was $1.0 million (2010: $0.9 million).

17. INCOME TAXES

The consolidated effective tax rates for the three months ended March 31, 2011 and 2010 were 30.2% and 33.1% respectively. The change in the effective tax rate was primarily due to the decrease in the non deductible items in the current year. In the prior year the non deductible items included the quarterly fair value adjustments related to the convertible debentures. In addition, there was a decrease in the combined Canadian statutory rate due to scheduled reductions to both federal and provincial rates which were previously enacted.

18. SEGMENTED INFORMATION

For the purpose of segment reporting operating segments were identified as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are regularly reviewed by the Company’s chief executive officer to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Accordingly, the Company conducts business in Canada and the U.S. in three business segments.

i) Metals service centers

The Company's network of metals service centers provides processing and distribution services on a broad line of metal products in a wide range of sizes, shapes and specifications, including carbon hot rolled and cold finished steel, pipe and tubular products, stainless steel and aluminium. The Company services all major geographic regions of Canada and certain regions in the Southeastern and Midwestern regions in the United States.

ii) Energy tubular products

The Company's energy tubular products operations distribute oil country tubular products, line pipe, tubes, valves and fittings, primarily to the energy industry in Western Canada and the United States.

iii) Steel distributors

The Company's steel distributors act as master distributors selling steel to customers in large volumes, mainly on an "as is" basis. Steel distributors source their steel domestically and offshore.

The Company has segmented its operations on the basis of management reporting and geographic segments in which it operates. For the quarter ended March 31, 2011, the inter-segment sales from steel distributors to metals service centers were $6.8 million (2010: $6.4 million). These sales, which are at market rates, are eliminated in the following table.

a) *Results by business segment:*

(millions)	Quarters ended March 31 **2011**	2010
Segment Revenues		
Metals service centers	**$ 363.8**	$ 279.7
Energy tubular products	**224.0**	195.9
Steel distributors	**69.8**	49.9
	657.6	525.5
Other	**0.1**	1.3
	$ 657.7	$ 526.8
Segment Operating Profits		
Metals service centers	**$ 36.3**	$ 15.2
Energy tubular products	**17.8**	11.2
Steel distributors	**8.8**	4.4
	62.9	30.8
Corporate expenses	**(7.0)**	(4.4)
Other expense	**(1.7)**	(0.5)
Earnings before interest and income taxes	**54.2**	25.9
Finance expense, net	**(6.9)**	(12.3)
Provision for income taxes	**(14.3)**	(4.5)
Net earnings	**$ 33.0**	$ 9.1

(millions)	Quarters ended March 31 **2011**	2010
Capital Expenditures		
Metals service centers	**$ 4.3**	$ 1.2
Energy tubular products	**0.1**	0.1
Steel distributors	**-**	-
Other	**-**	-
	$ 4.4	$ 1.3
Depreciation Expense		
Metals service centers	**$ 4.8**	$ 5.1
Energy tubular products	**0.4**	0.4
Steel distributors	**0.1**	-
Other	**0.2**	0.3
	$ 5.5	$ 5.8

(millions)	**March 31 2011**	December 31 2010
Current Identifiable Assets		
Metals service centers	**$ 441.9**	$ 357.9
Energy tubular products	**406.0**	408.4
Steel distributors	**86.7**	81.3
	934.6	847.6
Non-Current Identifiable Assets		
Metals service centers	**201.2**	203.9
Energy tubular products	**7.1**	7.4
Steel distributors	**0.8**	0.8
Identifiable assets by segment	**1,143.7**	1,059.7
Assets not included in segments		
Cash	**286.1**	323.7
Income tax assets	**7.6**	9.9
Deferred financing charges	**0.4**	1.0
Other assets	**3.4**	3.5
Corporate and other operating assets	**17.9**	18.9
Total assets	**$ 1,459.1**	$ 1,416.7
Liabilities		
Metals service centers	**$ 189.4**	$ 146.3
Energy tubular products	**105.6**	105.6
Steel distributors	**11.6**	13.7
Liabilities by segment	**306.6**	265.6
Liabilities not included in segments		
Income taxes payable and deferred income tax liabilities	**15.8**	21.4
Long-term debt	**316.1**	319.7
Pension and benefits	**17.0**	17.9
Corporate and other liabilities	**16.8**	19.3
Total liabilities	**$ 672.3**	$ 643.9

b) *Results by geographic segment:*

(millions)	Quarters ended March 31 **2011**	2010
Segment Revenues		
Canada	**$ 472.9**	$ 382.0
United States	**184.7**	143.5
	$ 657.6	$ 525.5
Segment Operating Profits		
Canada	**$ 45.6**	$ 23.3
United States	**17.3**	7.5
	$ 62.9	$ 30.8

(millions)	**March 31 2011**	December 31 2010
Identifiable Assets		
Canada	**$ 837.1**	$ 786.4
United States	**306.6**	273.3
	$ 1,143.7	$ 1,059.7

19. EXPENSES

Details of expense items on the consolidated statements of earnings are as follows:

(millions)	Quarters ended March 31 **2011**	2010
Employee Expenses		
Wages and salaries	**$ 45.7**	$ 35.9
Other employee related costs	**8.9**	7.0
	$ 54.6	$ 42.9
Other Operating Expenses		
Plant and other expenses	**$ 14.2**	$ 16.5
Repairs and maintenance	**2.3**	2.0
Selling expenses	**2.6**	1.0
Delivery expenses	**9.9**	7.2
Professional and audit fees	**1.2**	1.0
Gains on sale of property, plant and equipment	**(0.1)**	-
Foreign exchange gains	**(0.5)**	(0.3)
	$ 29.6	$ 27.4

20. FINANCIAL INSTRUMENTS

a) Financial assets and liabilities

Financial assets and liabilities in the statements of financial position were as follows:

March 31, 2011 (millions)	**Asset/(liabilities) At Fair Value Through Profit and Loss**	**Loans and Receivables**	**Derivative Used for Hedging**	**Other Financial Liabilities**	**Total**
Cash and cash equivalents	**$ -**	**$ 286.1**	**$ -**	**$ -**	**$ 286.1**
Accounts receivable	**-**	**381.2**	**-**	**-**	**381.2**
Financial assets		**0.4**	**-**	**-**	**0.4**
Accounts payables and accrued liabilities	**(110.3)**	**-**	**-**	**(205.0)**	**(315.3)**
Current portion of long-term debt	**-**	**-**	**-**	**(1.2)**	**(1.2)**
Long-term debt	**-**	**-**	**-**	**(314.9)**	**(314.9)**
Total	**$ (110.3)**	**$ 667.7**	**$ -**	**$ (521.1)**	**$ 36.3**

December 31, 2010 (millions)	Asset/(liabilities) At Fair Value Through Profit and Loss	Loans and Receivables	Derivative Used for Hedging	Other Financial Liabilities	Total
Cash and cash equivalents	$ -	$ 323.7	$ -	$ -	$ 323.7
Accounts receivable	-	301.4	-	-	301.4
Financial assets		1.0	-	-	1.0
Accounts payables and accrued liabilities	(49.2)	-	-	(223.6)	(272.8)
Current portion long-term debt	-	-	-	(1.2)	(1.2)
Long-term debt	-	-	-	(318.5)	(318.5)
Total	$ (49.2)	$ 626.1	$ -	$ (543.3)	$ 33.6

January 1, 2010 (millions)	Asset/(liabilities) At Fair Value Through Profit and Loss	Loans and Receivables	Derivative Used for Hedging	Other Financial Liabilities	Total
Cash and cash equivalents	$ -	$ 359.6	$ -	$ -	$ 359.6
Accounts receivable	-	217.8	-	-	217.8
Financial assets	4.5	1.8	-	-	6.3
Accounts payables and accrued liabilities	(25.9)	-	-	(219.5)	(245.4)
Current portion long-term debt	-	-	-	(1.3)	(1.3)
Long-term debt	-	-	-	(333.1)	(333.1)
Derivatives	(22.2)	-	(30.9)	-	(53.1)
Total	$ (43.6)	$ 579.2	$ (30.9)	$ (553.9)	$ (49.2)

The impact of fair value gains and losses from derivative financial instruments on the statements of earnings and statements of changes in equity was as follows:

	Quarters ended March 31			
	2011		**2010**	
(millions)	**Fair value Gain(loss) Through Earnings**	**Fair value Gain(loss) Through AOCI**	Fair value Gain(loss) Through Earnings	Fair value Gain(loss) Through AOCI
Embedded derivatives	**$ 0.3**	**$ -**	$ (6.2)	$ -
Forward contracts	**(0.5)**	**-**	-	-
Hedging instruments				-
Cross currency interest rate swaps - cash flow hedges	**0.3**	**-**	(1.0)	(2.2)
US Senior notes - net investment hedges	**-**	**3.3**	-	5.6

On January 22, 2010, the Company terminated its US$100 million cross currency swaps. The Company paid $35.2 million to its swap counterparties to terminate the swaps which represented the fair value of the swaps. Concurrent with the termination of the swaps, the Company designated its entire US$175 million Senior Notes, due March 1, 2014, as a hedge of its net investment in foreign subsidiaries. During 2011, $0.4 million (2010: $0.4 million) related to the swaps were reclassified from accumulated other comprehensive income (loss) to net earnings before income tax.

b) Fair Value

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts because of the short-term maturity of these instruments. The fair value of long-term debt and related derivative instruments is set forth below.

Debt and Related Derivative Instruments

Carrying Amounts

Amounts recorded in the consolidated statement of financial position are referred to as “carrying amounts”. The carrying amounts of primary debt are reflected in “Long-term debt” and “Current portion long-term debt” and the carrying amounts of derivative instruments are included in “Derivatives”.

Fair Value

The Company records its debt at amortized cost using the effective interest method. The fair value of long-term debt as at March 31, 2011, December 31, 2010 and January 1, 2010 was estimated based on the last quoted trade price, where it exists, or based on current rates available to the Company for similar debt with the same period to maturity.

The following summary reflects the fair value of the long-term debt and related derivative instruments:

	Carrying amount		**Fair value**	
March 31, 2011 (millions)	**Primary Debt Instruments**	**Derivative Instruments (asset) liability**	**Primary Debt Instruments**	**Derivative Instruments (asset) liability**
6.375% US$167.2 million Senior Notes due March 1, 2014	**$ 159.8**	**$ -**	**$ 168.9**	**$ -**
7.75% $175 million convertible debentures due September 30, 2016	**151.9**	**-**	**219.2**	**-**
Finance lease obligations	**4.4**	**-**	**4.4**	**-**
Total	**$ 316.1**	**$ -**	**$ 392.5**	**$ -**
Current portion	**$ 1.2**	**$ -**		
Long-term portion	**$ 314.9**	**$ -**		

December 31, 2010 (millions)	Carrying amount: Primary Debt Instruments	Carrying amount: Derivative Instruments (asset) liability	Fair value: Primary Debt Instruments	Fair value: Derivative Instruments (asset) liability
6.375% US$167.2 million Senior Notes due March 1, 2014	$ 163.7	$ -	$ 168.5	$ -
7.75% $175 million convertible debentures due September 30, 2016	151.1	-	199.5	-
Finance lease obligations	4.9	-	4.9	-
Total	$ 319.7	$ -	$ 372.9	$ -
Current portion	$ 1.2	$ -		
Long-term portion	$ 318.5	$ -		

January 1, 2010 (millions)	Carrying amount: Primary Debt Instruments	Carrying amount: Derivative Instruments	Fair value: Primary Debt Instruments	Fair value: Derivative Instruments
6.375% US$175 million Senior Notes due March 1, 2014	$ 179.7	$ 30.9	$ 164.5	$ 30.9
7.75% $175 million convertible debentures due September 30, 2016 (Note 12)	148.5	22.2	184.7	22.2
Finance lease obligations	6.2	-	6.2	-
Total	$ 334.4	$ 53.1	$ 355.4	$ 53.1
Current portion	$ 1.3	$ -		
Long-term portion	$ 333.1	$ 53.1		

c) Credit risk

Credit risk arises from cash and cash equivalents and derivative financial instruments, as well as credit exposure to customers including outstanding receivables.

The Company attempts to minimize credit exposure as follows:

- Cash investments are placed with high-quality financial institutions with limited exposure to any one institution. At March 31, 2011, nearly all cash and cash equivalents held were issued by institutions that were rated R1 High;
- Counterparties to derivative contracts are members of the syndicated banking facility (Note 10);
- Credit limits minimize exposure to any one customer; and
- The customer base is geographically diverse and in different industries.

No allowance for credit losses on financial assets was required as of March 31, 2011 and December 31 2010, other than the allowance for doubtful accounts (see Note 5). As at March 31, 2011, trade accounts receivable greater than 90 days represented less than 2% of trade accounts receivable (December 31, 2010: 3%).

d) Interest rate risk

The Company is not exposed to significant interest rate risk. The Company's long-term debt is at fixed rates. The Company's bank borrowings, net of cash and cash equivalents used to finance working capital, which is short-term in nature, is at floating interest rates.

e) Foreign exchange risk

The Company uses foreign exchange contracts with maturities of less than a year to manage foreign exchange risk on certain future committed cash outflows. As at March 31, 2011, the Company had outstanding forward foreign exchange contracts in the amounts of US$50.0 million, maturing in 2011 (December 31, 2010: US$22.5 million).

In order to mitigate its foreign exchange exposure, the Company has designated its entire US$167.2 million Senior Notes as a hedge of its net investment in foreign subsidiaries.

f) Liquidity risk

Cash, which is surplus to working capital requirements, is managed by the centralized treasury function and is invested in money market funds or bank money market deposits, with durations ranging from current to sixty days.

As at March 31, 2011, the Company was contractually obligated to make payments under its financial liabilities that come due during the following periods:

(millions)	Long-Term Debt Maturities	Long-Term Debt Interest	Operating Lease Obligations	Total
2011	$ -	$ 18.2	$ 9.5	$ 27.7
2012	-	24.2	10.4	34.6
2013	-	24.1	7.5	31.6
2014	162.5	15.4	5.1	183.0
2015 and beyond	175.0	23.8	6.5	205.3
Total	$ 337.5	$ 105.7	$ 39.0	$ 482.2

As at March 31, 2011, the Company was contractually obligated to make payments under finance leases as follows:

(millions)	
2011	$ 1.1
2012	1.5
2013	1.5
2014	0.6
2015	0.3
Total minimum lease payments	5.0
Interest at rates varying between 1.2% and 14.9%	(0.6)
Net minimum lease payments	4.4
Less: current portion	(1.2)
Long-term portion	$ 3.2

At March 31, 2011, the Company was contractually obligated to repay its letters of credit under both its bank facilities at maturity (Note 10).

g) Capital management

The Company manages capital in order to safeguard its ability to continue as a going concern, provide returns to shareholders through its dividend policy and provide the ability to finance future growth. Capital includes shareholders' equity, bank indebtedness and long-term debt, net of cash. The Company manages its capital structure and may make adjustments to the amount of dividends paid to shareholders, purchase shares for cancellation pursuant to issuer bids, issue new shares, issue new debt, repurchase existing debt and extend or amend its banking facilities.

21. CONTINGENCIES, COMMITMENTS AND GUARANTEES

a) *Lawsuits and legal claims:*

The Company and certain of its subsidiaries have been named defendants in a number of legal actions. Although the outcome of these claims cannot be determined, management intends to defend all claims and has recorded provisions based on its best estimate of the potential losses. In the opinion of management the resolution of these matters is not expected to have a material adverse effect on the Company's financial position, cash flows or operations.

The Company has also entered into other agreements that provide indemnifications to counterparties in certain transactions including underwriting agreements. These indemnifications generally require the Company to indemnify the counterparties for costs incurred as a result of losses from litigation that may be suffered by counterparties arising from those transactions except in the case of gross negligence by the counterparties. The Company does not expect to make any payments on these indemnifications and, accordingly, no liability has been accrued.

b) *Decommissioning liability*

The Company is incurring site cleanup and restoration costs related to properties not utilized in current operations. Remedial actions are currently underway at three sites. Decommissioning liabilities have been estimated using discounted cash flow valuation techniques for cleanup costs based on management's best estimates of the amount required to settle the liability.

The Company has asset retirement obligations relating to the land lease for its Thunder Bay Terminal operations whose lease term expires in 2017. The landlord has the option to retain the equipment or to require the Company to remove it. In addition, the Company has end-of-lease obligations in certain service center operations.

c) *Business combinations and investments*

The Company may have an obligation to pay additional consideration up to US$5.0 million for its Norton acquisition, based upon achievement of performance measures contractually agreed to at the time of purchase. The obligation accrued during the quarter ended March 31, 2011 was $0.2 million.

22. PROVISION AND OTHER NON-CURRENT LIABILITIES

(millions)	**March 31 2011**	December 31 2010	January 1 2010
Provision for decommissioning liability	**$ 5.5**	$ 5.6	$ 5.5
Deferred compensation and employee incentives	**2.2**	6.5	3.9
Total provision and non-current liability	**$ 7.7**	$ 12.1	$ 9.4

The following table presents the movement in the decommissioning liability provision:

(millions)	
Balance, January 1, 2010	$ 5.5
Charges	0.7
Utilization	(0.6)
Balance, December 31, 2010	5.6
Charges	-
Utilization	(0.1)
Balance, March 31, 2011	$ 5.5

Deferred compensation includes the RSU and the DSU liabilities. The RSUs issued in 2008 will be paid in 2012 and consequently $6.0 million has been reclassified as current accrued liabilities during the quarter ended March 31, 2011.

23. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income is net of income taxes as follows:

(millions)	Quarters ended March 31 **2011**	2010
Income tax on unrealized gains (losses) on items designated as net investment hedges	**$ (0.5)**	$ (1.2)
Income tax on unrealized gains (losses) on items designated as cash flow hedges	**-**	1.2
Income tax on gains and losses on derivatives designated as cash flow hedges transferred to net earnings in the current period	**(0.1)**	0.4
	$ (0.6)	$ 0.4

24. TRANSITION TO IFRS

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). In accordance with IFRS, the Company has:

- provided comparative financial information for 2010 restated to IFRS;
- applied the same accounting policies throughout all periods presented; and
- applied certain optional exemptions and certain mandatory exceptions as applicable for first time IFRS adopters.

The Company's consolidated financial statements were previously prepared in accordance with Canadian GAAP.

Initial Elections Upon Adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption Options

1. Business combinations - IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transition Date. The retrospective basis would require restatement of all business combinations that occurred on or after a selected date prior to the Transition Date. The election could have resulted in changes in the accounting for business combinations including the amount computed for goodwill. The Company elected not to apply IFRS 3 retrospectively to business combinations that occurred prior to its Transition Date and such business combinations have not been restated. Any goodwill arising on such business combinations before the Transition Date has not been adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

2. Employee benefits - IFRS 1 provides the option to retrospectively apply the provisions of IAS 19, Employee Benefits, for the recognition of actuarial gains and losses, or to recognize all cumulative actuarial gains and losses deferred under Canadian GAAP in opening retained earnings at the Transition Date. The Company elected to recognize all cumulative actuarial gains and losses that existed at its Transition Date in opening retained earnings for all of its employee benefit plans.

3. Currency translation differences - Cumulative translation adjustment is a component of comprehensive income. Retrospective application of IFRS would require the Company to determine cumulative currency translation differences in accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, from the date a subsidiary was acquired. IFRS 1 permits cumulative translation gains and losses to be reset to zero at transition date. The Company elected to reset all cumulative translation gains and losses to zero in opening retained earnings at its Transition Date.

4. Revaluation of property, plant and equipment - IFRS 1 provides an option to revalue individual items of property, plant and equipment to fair value at the Transition Date. Fair value would then become the deemed cost for the purpose of depreciation. The Company elected not to apply this exemption and continues to measure property, plant and equipment at historical cost.

5. Borrowing costs - IAS 23, Borrowing Costs, requires an entity to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of certain assets as part of the cost of that asset. The Company utilized the IFRS 1 exemption and elected not to apply this policy to pre-transition borrowing costs. Therefore, borrowing costs prior to January 1, 2010 are expensed.

IFRS Mandatory Exceptions

Set forth below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from Canadian GAAP to IFRS.

1. Hedge accounting - Hedge accounting is applied prospectively from the Transition Date to transactions that satisfy the hedge accounting criteria in IAS 39, Financial Instruments: Recognition and Measurement, at the transition date. Hedging relationships cannot be designated retrospectively and the supporting documentation cannot be created retrospectively. The Company's hedge accounting documentation met the IAS 39 criteria for hedge accounting.

2. Estimates - Hindsight can not be used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile prior period financial statements from prior GAAP to IFRS. The Company's first time adoption of IFRS did not have an impact on the total operating, investing or financing cash flows.

The following represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted for equity:

The Canadian GAAP statement of Shareholder's equity as at January 1, 2010 and December 31, 2010 has been reconciled to IFRS as follows:

(millions)	December 31 2010	January 1 2010	Notes
Shareholders' equity under Canadian GAAP	**$ 798.1**	$ 793.2	
Differences increasing (decreasing) reported shareholders' equity:			
Retained earnings under Canadian GAAP	**325.3**	315.3	
Cumulative retained earnings January 1, 2010 transitional adjustment	**(55.4)**		
IFRS adjustments:			
Employee benefits	**0.5**	(22.8)	i
Share based compensation	**(0.2)**	(2.4)	ii
Financial instruments	**(11.9)**	(2.9)	iii
Decommissioning liabilities	**(0.4)**	(1.8)	iv
Property, plant and equipment	**(0.4)**	(4.5)	v
Asset impairment	**-**	(7.6)	vi
Foreign currency translation	**(0.3)**	(22.9)	vii
Income taxes	**0.3**	9.5	viii
Retained earnings under IFRS	**$ 257.5**	$ 259.9	
Contributed surplus under Canadian GAAP	**12.5**	11.4	
Share based compensation	**1.4**	1.8	ii
Contributed surplus under IFRS	**$ 13.9**	$ 13.2	
AOCI under Canadian GAAP	**(35.0)**	(24.0)	
Foreign currency translation	**23.2**	22.9	vii
Actuarial gains/losses on employee benefits	**0.8**	-	i
AOCI under IFRS	**$ (11.0)**	$ (1.1)	
Share capital under Canadian GAAP and IFRS	**$ 483.7**	$ 478.9	
Equity component of convertible debentures under Canadian GAAP	**11.6**	11.6	
Reclass of convertible debentures call option to derivative liability	**(11.6)**	(11.6)	iii
Reclass of convertible debentures call option to equity (Note 12)	**28.7**	-	
Equity component of convertible debentures under IFRS	**$ 28.7**	$ -	
Total equity under IFRS	**$ 772.8**	$ 750.9	

The Canadian GAAP statement of financial position as at January 1, 2010 has been reconciled to IFRS as follows:

(millions)	Canadian GAAP Balances	Effect of Transition to IFRS	IFRS Balances	Notes
ASSETS				
Current				
Cash and cash equivalents	$ 359.6	$ -	$ 359.6	
Accounts receivable	217.8	-	217.8	
Inventories	517.9	-	517.9	
Prepaid expenses	4.9	-	4.9	
Income taxes receivable	53.0	(2.4)	50.6	ix
	1,153.2	(2.4)	1,150.8	
Property, Plant and Equipment	231.9	(10.0)	221.9	v
Deferred Income Tax Assets	5.9	3.0	8.9	viii
Pensions and Benefits	8.0	(8.0)	-	i
Financial Asset	-	4.5	4.5	xi
Other Assets	8.3	(4.5)	3.8	xi
Goodwill and Intangibles	28.4	(2.0)	26.4	vi
	$ 1,435.7	$ (19.4)	$ 1,416.3	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$ 252.3	$ (6.9)	$ 245.4	x
Income taxes payable	1.4	(1.4)	-	viii
Current portion long-term debt	1.3	-	1.3	
	255.0	(8.3)	246.7	
Derivatives	30.9	22.2	53.1	iii
Long-Term Debt	340.8	(7.7)	333.1	iii
Pensions and Benefits	5.9	14.9	20.8	i
Provision	-	5.5	5.5	iv,x
Deferred Income Tax Liabilities	9.9	(7.6)	2.3	viii
Other Non-Current Liabilities	-	3.9	3.9	x
	642.5	22.9	665.4	
Shareholders' Equity				
Common shares	478.9	-	478.9	
Retained earnings	315.3	(55.4)	259.9	i - viii
Contributed surplus	11.4	1.8	13.2	ii
Accumulated other comprehensive income (loss)	(24.0)	22.9	(1.1)	vii
Equity component of convertible debenture	11.6	(11.6)	-	iii
	793.2	(42.3)	750.9	
	$ 1,435.7	$ (19.4)	$ 1,416.3	

The Canadian GAAP statement of earnings and statement of comprehensive income for the year ended December 31, 2010 have been reconciled to IFRS as follows:

CONSOLIDATED STATEMENT OF EARNINGS *(UNAUDITED)*

Year Ended December 31, 2010 *(millions, except per share data)*	Canadian GAAP Balances	Effect of Transition to IFRS	IFRS Balances	Notes
Revenue	$ 2,175.4	$ 2.6	$ 2,178.0	xii
Cost of materials	1,764.9	(1.3)	1,763.6	xii
Employees expenses	-	177.1	177.1	xii,ii,i
Other operating expenses	287.0	(170.1)	116.9	xii
Earnings before the following	123.5	(3.1)	120.4	
Other expense	0.9	(0.9)	-	xii
Interest expense	26.7	2.5	29.2	xii
Interest income	-	(1.6)	(1.6)	xii
Other finance expense (income), net	-	9.6	9.6	xii,iii
Earnings before income taxes	95.9	(12.7)	83.2	
Provision for income taxes	(26.2)	0.3	(25.9)	viii
Net earnings for the period	$ 69.7	$ (12.4)	$ 57.3	
Basic earnings per common share	$ 1.17		$ 0.96	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(UNAUDITED)*

Year Ended December 31, 2010 *(million)*	Canadian GAAP Balances	Effect of Transition to IFRS	IFRS Balances	Notes
Net earnings for the period	$ 69.7	$ (12.4)	$ 57.3	
Other comprehensive income (loss)				
Unrealized foreign exchange losses on translation of self-sustaining U.S. operations	(17.5)	0.3	(17.2)	
Reclassification adjustment for realized foreign exchange included in net income	0.1	-	0.1	
Unrealized gains on items designated as net investment hedges	8.8	-	8.8	
Unrealized losses on items designated as cash flow hedges	(2.5)	-	(2.5)	
Losses on derivatives designated as cash flow hedges transferred to net income in the current period	0.1	-	0.1	
Actuarial gain on pension and similar obligation	-	0.8	0.8	i
Other comprehensive income (loss)	(11.0)	1.1	(9.9)	
Total Comprehensive income	$ 58.7	$ (11.3)	$ 47.4	

The Canadian GAAP statement of financial position as at December 31, 2010 has been reconciled to IFRS as follows:

(millions)	Canadian GAAP Balances	Effect of Transition to IFRS	IFRS Balances	Notes
ASSETS				
Current				
Cash and cash equivalents	$ 323.7	$ -	$ 323.7	
Accounts receivable	301.4	-	301.4	
Inventories	544.1	-	544.1	
Prepaid expenses	3.0	-	3.0	
Income taxes receivable	4.8	(2.0)	2.8	ix
	1,177.0	(2.0)	1,175.0	
Property, Plant and Equipment	215.7	(10.5)	205.2	v
Deferred Income Tax Assets	3.8	3.3	7.1	viii
Pensions and Benefits	9.9	(9.2)	0.7	i
Other Assets	3.8	-	3.8	
Goodwill and Intangibles	26.9	(2.0)	24.9	vi
	$ 1,437.1	$ (20.4)	$ 1,416.7	
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$ 281.3	$ (8.5)	$ 272.8	x
Income taxes payable	15.4	(1.0)	14.4	viii
Current portion long-term debt	1.2	-	1.2	
Current portion pension and benefit liability	-	0.4	0.4	
	297.9	(9.1)	288.8	
Long-Term Debt	325.5	(7.0)	318.5	iii
Pensions and Benefits	5.9	11.6	17.5	i
Provision	-	5.6	5.6	iv,x
Deferred Income Tax Liabilities	9.7	(2.7)	7.0	viii
Other Non-current Liabilities	-	6.5	6.5	x
	639.0	4.9	643.9	
Shareholders' Equity				
Common shares	483.7	-	483.7	
Retained earnings	325.3	(67.8)	257.5	i - viii
Contributed surplus	12.5	1.4	13.9	ii
Accumulated other comprehensive income (loss)	(35.0)	24.0	(11.0)	vii
Equity component of convertible debenture	11.6	17.1	28.7	iii
	798.1	(25.3)	772.8	
	$ 1,437.1	$ (20.4)	$ 1,416.7	

The Canadian GAAP statement of earnings and statement of comprehensive income for the quarter ended March 31, 2010 have been reconciled to IFRS as follows:

CONSOLIDATED STATEMENT OF EARNINGS *(UNAUDITED)*

Quarter Ended March 31, 2010 (millions, except per share data)	Canadian GAAP Balances	Effect of Transition to IFRS	IFRS Balances	Notes
Revenue	$ 525.9	$ 0.9	$ 526.8	xii
Cost of materials	431.0	(0.4)	430.6	xii
Employee expenses	-	42.9	42.9	xii,ii,i
Other operating expenses	68.6	(41.2)	27.4	xii
Earnings before the following	26.3	(0.4)	25.9	
Other (income) expense	(1.5)	1.5	-	xii
Interest expense	6.7	0.5	7.2	xii
Interest income	-	(0.3)	(0.3)	xii
Other finance expense, net	-	5.4	5.4	xii, iii
Earnings before income taxes	21.1	(7.5)	13.6	
Provision for income taxes	(4.6)	0.1	(4.5)	viii
Net earnings for the period	$ 16.5	$ (7.4)	$ 9.1	
Basic earnings per common share	$ 0.28	$ 0.13	$ 0.15	
Diluted earnings per common share	$ 0.28	$ 0.13	$ 0.15	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(UNAUDITED)*

Quarter Ended March 31, 2010 (million)	Canadian GAAP Balances	Effect of Transition to IFRS	IFRS Balances	Notes
Net earnings for the period	$ 16.5	$ (7.4)	$ 9.1	
Other comprehensive income (loss)				
Unrealized foreign exchange gains (losses) on translation of self-sustaining U.S. operations	(10.2)	-	(10.2)	
Unrealized gains on items designated as net investment hedges	5.6	-	5.6	
Unrealized losses on items designated as cash flow hedges	(2.2)	-	(2.2)	
Losses on derivatives designated as cash flow hedges transferred to net income in the current period	(1.0)	-	(1.0)	
Other comprehensive income (loss)	(7.8)	-	(7.8)	
Total Comprehensive income	$ 8.7	$ (7.4)	$ 1.3	

The Canadian GAAP statement of Shareholder's equity as at March 31, 2010 has been reconciled to IFRS as follows:

(millions)		March 31 2010	Notes
Shareholders' equity under Canadian GAAP	$	787.4	
Differences increasing (decreasing) reported shareholders' equity:			
Retained earnings under Canadian GAAP		316.9	
Cumulative retained earnings January 1, 2010 transitional adjustment		(55.4)	
IFRS adjustments to quarterly net income:			
Employee benefits		0.1	i
Share based compensation		(0.4)	ii
Financial instruments		(7.1)	iii
Property, plant and equipment		(0.1)	v
Income taxes		0.1	viii
Retained earnings under IFRS	$	254.1	
Contributed surplus under Canadian GAAP		11.8	
Share based compensation		1.5	ii
Contributed surplus under IFRS	$	13.3	
AOCI under Canadian GAAP		(31.8)	
Foreign currency translation		22.9	vii
AOCI under IFRS	$	(8.9)	
Share capital under Canadian GAAP and IFRS	$	478.9	
Equity component of convertible debentures under Canadian GAAP		11.6	
Reclass of convertible debentures call option to derivative liability		(11.6)	iii
Equity component of convertible debentures under IFRS	$	-	
Total equity under IFRS	$	737.4	

Changes in Accounting Policies

In addition to the exemption options and mandatory exceptions discussed above, the following explains the significant differences between the Company's previous Canadian GAAP accounting policies and our selected IFRS accounting policies.

i. EMPLOYEE FUTURE BENEFITS

As stated in the section entitled "IFRS Exemption Options," the Company elected to recognize all cumulative actuarial gains and losses that existed at the Transition Date in opening retained earnings for all of its employee defined benefit plans.

Actuarial Gains and Losses

Canadian GAAP - Actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are amortized on a straight-line basis over the estimated average remaining service lives of the employee groups utilizing the corridor approach.

IFRS - The Company elected to recognize all unamortized actuarial gains and losses as an adjustment to retained earnings on transition. Subsequent to transition, actuarial gains and losses are not amortized to the statement of earnings but rather are recorded directly to other comprehensive income at the end of each reporting period. The Company adjusted its 2010 pension expense to remove the amortization of actuarial gains and losses that were charged to retained earnings on transition.

Accrued Benefit Asset

Canadian GAAP - When a defined benefit plan gives rise to an accrued benefit asset, a valuation allowance is recognized for any excess of the accrued benefit asset over the expected future benefit. The accrued benefit asset is presented in the statement of financial position net of the valuation allowance. A change in the valuation allowance is recognized in earnings for the period in which the change occurs.

IFRS - IFRS limits the recognition of the net benefit asset under certain circumstances to the total of the cumulative unrecognized net actuarial losses and past service costs and the present value of any economic benefits available in the form of plan refunds or reduction in future contributions. Since the Company has elected to recognize all actuarial gains and losses in other comprehensive income, future changes in valuation allowances, will be recognized in other comprehensive income in the period in which the changes occurred. The Company's pension expense subsequent to transition has been adjusted to reflect this treatment.

Benefit Improvements

Canadian GAAP – The employees in one of the pension plans are members of numerous collective bargaining groups. These groups have historically negotiated pension benefits which increase annually, creating an expectation for future increases. The future increase is not a legal obligation, and thus has not been provided for.

IFRS – The Company has made a provision for constructive obligations representing the cost of these assumed increases, in accordance with IFRS, resulting in an increase in defined benefit obligations as at January 1, 2010.

ii. SHARE BASED COMPENSATION

Recognition of Expense

Canadian GAAP - For grants of share-based awards with graded vesting, the total fair value of the award is recognized on a straight-line basis over the employment period necessary to vest the award.

IFRS - Each tranche of an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. The Company has adjusted its expense for share-based awards to reflect graded vesting by tranche.

iii. FINANCIAL INSTRUMENTS

Compound Financial Instruments

Canadian GAAP – The Company recorded its convertible debentures by valuing the debt portion using a discounted cash flow valuation technique. The remaining value of the convertible debenture, which represents the cash conversion feature relating to the holders' option to convert the debentures into common shares, is classified as equity.

IFRS – The Company valued the cash conversion feature relating to the holder's option to convert the debenture into common shares using the Black Scholes valuation model and the residual was recorded as the debt portion. The conversion feature in the convertible debentures is considered to be a derivative under IFRS since the Company has the right in certain circumstances to settle the conversion in cash, or in a combination of cash and common shares in lieu of common shares. This derivative is classified as a financial liability and was recorded at fair value on the Transition Date and changes in fair value from the date of transition are recorded through earnings.

iv. DECOMMISSIONING LIABILITIES

Constructive Obligations

Canadian GAAP – The Company is incurring site cleanup and restoration costs related to properties of former non-metals operations. The estimated costs of the cleanups on certain of these properties have been previously provided and were evaluated based on the Company's legal obligations.

IFRS – IAS 37 includes an evaluation of legal and constructive obligations arising out of environmental liabilities. The Company is not under a legal obligation to cleanup one of the properties noted above but has a constructive obligation. The amount recognized as the provision is the best estimate of the amount required to settle the obligation at the end of the reporting period and was calculated using a discounted cash flow technique as of the Transition Date.

v. PROPERTY, PLANT AND EQUIPMENT

Componentization

Canadian GAAP – Property, plant and equipment are recorded at cost. Depreciation is provided on a straight-line basis at rates that charge the original cost of such assets less their residual values to operations over their estimated useful lives.

IFRS – The standards provide that the components of assets with different useful lives are depreciated separately. Depreciation is provided on a straight-line basis at rates that charge the original cost less the residual value of such components to operations over their estimated useful lives. Useful lives and residual values are evaluated at least annually.

vi. ASSET IMPAIRMENT

Canadian GAAP – If indication of impairment is identified, the asset group's carrying value is compared to its undiscounted cash flows. If the undiscounted cash flows are less than the carrying value, the impairment losses recognized are allocated first to reduce the carrying value of the long lived assets on a pro-rata basis and then to reduce the carrying value of the goodwill.

IFRS – If indication of impairment is identified, the cash generating unit's carrying value is compared to its discounted cash flows. If the discounted cash flows are less than the carrying value, the impairment losses recognized in respect of a cash-generating unit are allocated first to reduce the carrying value of any goodwill allocated to the cash-generating units and then to reduce the carrying value of the other assets in the unit on a pro-rata basis. The Company booked an additional impairment of goodwill and long lived assets in certain cash generating units in its energy tubular products and metal service centers segments.

vii. FOREIGN CURRENCY TRANSLATION

As noted in the section entitled "IFRS Exemption Options", the Company has applied the one-time exemption to set the foreign currency cumulative translation adjustment ("CTA") to zero as of January 1, 2010. The CTA balance as of January 1, 2010 was recognized as an adjustment to opening retained earnings. The application of the exemption had no impact on shareholders' equity.

viii. INCOME TAXES

Income Tax Effect on Reconciling Differences between Canadian GAAP and IFRS

Differences for income taxes include the effect of recording, where applicable, the income tax effect of the differences between Canadian GAAP and IFRS.

Presentation Reclassifications

ix. TAX RECLASSIFICATION

Deferred Tax

Canadian GAAP
Deferred taxes are split between current and non-current components on the basis of either the underlying asset or liability, or the expected reversal of items not related to an asset or liability.

IFRS
All deferred tax assets and liabilities are classified as non-current.

x. PROVISION AND OTHER NON-CURRENT LIABILITIES RECLASSIFICATION

Canadian GAAP
Provisions and accruals balances are presented under accounts payable and accrued liabilities.

IFRS
Provisions are presented on a separate line. Also, non-current accruals are separately disclosed as non-current liabilities on the statement of financial position.

xi. FINANCIAL ASSETS RECLASSIFICATION

Canadian GAAP
Financial assets are presented under other assets.

IFRS
Financial assets are presented on a separate line.

xii. STATEMENTS OF EARNINGS RECLASSIFICATION

Due to our selection of the nature presentation of expenses in our statement of earnings under IFRS, certain operating and other expenses have been segregated and presented on a separate line.

The following have been re-classified:

Canadian GAAP
Rental income is offset against lease expense and presented under operating expense on the statement of earnings.

IFRS
Rental income is recognized and presented as revenue on the statement of earnings.

ADDITIONAL ANNUAL DISCLOSURES UNDER IFRS

PENSION AND BENEFITS

a) The Company maintains eight defined benefit pension plans in Canada. All plans except for one plan provide benefits on an average earnings basis. The other plan provides benefits on a flat rate per years of pensionable service basis. In addition, the Company maintains executive plans, post-retirement benefit plans and defined contribution plans in Canada and 401(k) defined contribution plans in the United States.

The components of the Company's pension and benefit expense under IFRS for December 31, 2010 included the following:

(millions)

Defined benefit pension plans		
Current service cost	$	2.6
Interest cost on benefit obligation		4.9
Expected return on plan assets		(5.1)
Other		0.2
		2.6
Post-retirement benefits		0.3
Defined contribution plans - contributions		1.7
Pension and benefit expense	$	4.6

The components of the Company's pension and benefit changes in 2010 other comprehensive income included the following:

(millions)

Defined benefit pension plans		
Change in actuarial gains/losses	$	0.8
Change in asset ceiling limits		-
Change in other comprehensive income	$	0.8
Cumulative other comprehensive income relating to pension and benefits		
Balance of actuarial gains (losses) at January 1, 2010		-
Net actuarial gains/losses recognized in the year		0.8
Total change in accumulated other comprehensive income at December 31, 2010	$	0.8

The actuarial determinations were based on the following assumptions in 2010:

Assumed discount rate – year end	5.25%
Expected long-term rate of return on plan assets	6.00%
Rate of increase in future compensation	3.75%
Rate of increase in future government benefits	3.25%

The discount rate is based on a review of current market interest rates of AA corporate bond yields with a similar duration as the expected future cash outflows for the pension payments.

The Company uses historical returns on its existing plan assets to estimate the expected future return on plan assets.

The mortality assumptions used to assess the defined benefit obligation are based on the UP94 Generational Table with projections to 2020.

Informal practices that give rise to constructive obligations are included in the measurement of the defined benefit obligation.

b) The following information pertains to the Company's defined benefit pension and other benefit plans under IFRS for 2010, excluding those which are in the process of being wound up.

(millions)	Pension Plans	Other Benefit Plans
Reconciliation of present value of the defined benefit obligation		
Balance, beginning of the year	$ 96.0	$ 5.6
Current service costs	2.6	-
Participant contribution	0.2	-
Interest cost	4.9	0.3
Benefits paid	(4.3)	(0.2)
Plan amendments	-	-
Actuarial gain	(0.1)	(0.2)
Balance, end of the year	99.3	5.5
Reconciliation of present value of the plan assets		
Balance, beginning of the year	80.1	-
Actual return of plan assets	5.1	-
Employer contributions	5.1	0.2
Employee contributions	0.2	-
Benefits paid	(4.3)	(0.2)
Actuarial gains	0.8	-
Balance, end of the year	87.0	-
Unamortized amounts	12.3	5.5
Unrecognized prior service costs	(0.6)	-
Defined benefit obligation, net	$ 11.7	$ 5.5

As at December 31, 2010, 6 of the defined benefit pension plans in the above table had unfunded obligations and 4 executive plans had unfunded obligations. The following table provides the defined benefit obligation of plans with surplus, partially funded plans and unfunded plans.

(millions)	Pension Plans	Other Benefit Plans
Defined benefit obligation		
Plans with a surplus	$ (0.7)	$ -
Partially funded plans	12.4	-
Unfunded plans	-	5.5
Defined benefit obligation	$ 11.7	$ 5.5

c) In accordance with the IFRS provisions for first time adopters, disclosures of the present value of the defined benefit obligation, the fair value of the plan assets and experience adjustments arising from plan liabilities and assets have been presented prospectively from the date of adoption, January 1, 2010.

RELATED PARTY TRANSACTIONS

During the period ended December 31, 2010 the Company did not have any transactions with subsidiaries outside the normal course of business. All subsidiaries are wholly owned by the company and all transactions with subsidiaries are recorded at fair value and have been eliminated upon consolidation.

At December 31, 2010 there were no loans or credit transactions outstanding with key management personnel or directors. Key management personnel includes the Chief Executive Officer, Chief Financial Officer and certain Vice Presidents. Compensation cost of key management personnel and directors were as follows:

(millions)	December 31 2010
Salaries and other benefits	$ 2.8
Share based payments	1.3
Post- employment benefits	0.3
	$ 4.4

TAXATION

a) The components of tax expense (benefit) under IFRS are as follows:

(millions)	2010
Current tax expense	$ 25.6
Deferred tax expense	3.1
Deferred tax benefit from a previously unrecognized tax loss	(2.8)
	$ 25.9

b) The Company's effective income tax rate was derived as follows:

	2010
Applicable combined Canadian statutory rate	29.4%
Rate difference of U.S. companies	0.2%
Recognition of previously unrecorded tax benefits	(3.9%)
Non deductible items related to derivatives	4.2%
Stock compensation and non deductible items	1.2%
Average effective tax rate	31.1%

The combined Canadian statutory rate is the aggregate of the federal income tax rate of 18.0% and the average provincial rate of 11.4%. The average effective income tax rate was higher than the average Canadian statutory rate principally due to items that were non deductible for tax and were partially reduced by the recognition of previously unrecorded tax benefits.

c) The movements of deferred income tax assets and liabilities under IFRS are shown below:

Deferred Income Tax Assets *(millions)*	Losses	Property Plant and Equipment	Pension And Benefits	Goodwill And Intangibles	Item Charged To Equity	Other Timing	Total
Balance January 1, 2010	$ 0.9	$ (3.4)	$ 0.6	$ 8.0	$ -	$ 2.9	$ 9.0
(Expense) benefit to statements of earnings	(0.8)	(1.0)	0.4	(0.3)	-	-	(1.7)
Translation and other	-	0.2	-	(0.3)	-	(0.1)	(0.2)
Balance December 31, 2010	$ 0.1	$ (4.2)	$ 1.0	$ 7.4	$ -	$ 2.8	$ 7.1

Deferred Income Tax Liabilities *(millions)*	Property Plant and Equipment	Pension And Benefits	Goodwill And Intangibles	Item Charged To Equity	Other Timing	Total
Balance January 1, 2010	$ 7.1	$ (5.5)	$ (0.3)	$ 1.0	$ 0.1	$ 2.4
(Benefit) expense to statements of earnings	(1.6)	-	0.3	(0.6)	0.4	(1.5)
Benefit (charge) to equity	-	0.2	-	5.9	-	6.1
Balance December 31, 2010	$ 5.5	$ (5.3)	$ -	$ 6.3	$ 0.5	$ 7.0
Net deferred liability						$ 0.1

d) At December 31, 2010, the Company had non-capital tax losses carried forward of $0.1 million. The Company also had $20.4 million of capital losses carried forward which may only be used to offset future capital gains. These losses have no expiry date. The deferred tax asset not recognized in respect of these losses was $2.6 million.

e) No deferred tax is recognized on the unremitted earnings of subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.