ANNUAL INFORMATION FORM

FEBRUARY 12, 2013

RUSSEL METALS INC., SUITE 210, 1900 MINNESOTA COURT, MISSISSAUGA, ONTARIO CANADA L5N 3C9

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RUSSEL METALS INC.

Russel Metals Inc. (Russel Metals or the Company) is one of the largest metals distribution and processing companies in North America. The Company primarily distributes steel products and conducts its distribution business in three principal business segments: metals service centers; energy products and steel distributors. For the year ended December 31, 2012, Russel Metals had consolidated revenues of approximately $3 billion. Our business includes operations in both Canada and the U.S. with approximately 67% of our consolidated revenue generated by our Canadian operations.

The address of Russel Metals' head and registered office is Suite 210, 1900 Minnesota Court, Mississauga, Ontario L5N 3C9, tel. no. (905) 819-7777, fax no. (905) 819-7409. Unless the context otherwise requires, references to "Company", "we", "us" or "our" as used herein refers to Russel Metals Inc. and its subsidiaries. All dollar references are in Canadian dollars unless otherwise stated.

HISTORY OF THE COMPANY

Russel Metals Inc. is the successor corporation to Federal Grain Limited, which was incorporated under the laws of Canada in 1929 and subsequently amalgamated with Searle Grain Company Limited on August 1, 1967 to continue under the name Federal Grain Limited. The name was changed to Federal Industries Ltd. on April 16, 1973 and the Company was continued under the *Canada Business Corporations Act* on May 5, 1980. On June 1, 1995, the name was changed to Russel Metals Inc. On January 1, 2002, Russel Metals Inc. was formed upon the amalgamation of its predecessor of the same name with A. J. Forsyth and Company Limited, a subsidiary with Canadian service center operations, and three non-operating subsidiaries.

BUSINESS

OVERVIEW

We believe we are one of the two largest metals service centers operating in Canada. During 2012, we processed and distributed products to a broad base of approximately 39,000 customers through a network of 54 locations across Canada and 12 U.S. locations. Our network of metals service centers carries 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, aluminum and other non-ferrous specialty metals. We purchase these products primarily from North American steel producers, and package and sell them to end users in accordance with their specific needs. Our metals service centers operations accounted for $1.6 billion, or 53%, of our total revenues in 2012.

Our energy products operations carry a specialized product line focused on the needs of energy industry customers. These operations distribute oil country tubular goods (OCTG), line pipe, tubes, flanges, valves and fittings from 53 Canadian and 19 U.S. locations. We purchase these products either from the pipe processing divisions of North American steel mills, independent manufacturers of pipe and pipe accessories, international steel mills or other distributors. Our energy products operations accounted for $1.1 billion, or 35%, of our total revenues in 2012.

Our steel distributors operations act as master distributors selling steel in large volumes to other steel service centers and large equipment manufacturers mainly on an "as is" basis. The main steel products sourced by this segment are carbon steel plate, beams, channel, flat rolled products, rails and pipe products. Our steel distributors operations accounted for $351 million, or 12%, of our total revenues in 2012.

On November 8, 2012, the Company acquired Apex Distribution Inc. and related companies, which are part of our energy products segment. The addition of Apex Distribution is expected to increase the percentage of total revenues that will come from the energy products segment to 44% and decrease metals service centers to 46% and steel distributors to 10%.

DESCRIPTION OF THE BUSINESS

INDUSTRY OVERVIEW

Metals service centers bridge the gap between the capabilities of large metal producers and end users. Metals producers manufacture large volumes of steel, aluminum and specialty metals in standard sizes and configurations and require long lead times. Metals service centers meet the specific needs of end users by acquiring large volumes of metal from producers and package and process the metal in accordance with end user specifications. Many end users purchase metal products from service centers because their requirements are smaller than the minimum order quantities available from producers, or because such end users require specialized metal processing services, a commitment to reliable just-in-time delivery and flexibility to meet their changing product and manufacturing requirements that large producers are either unwilling or unable to provide. Service centers also allow end users to reduce their total production cost by shifting the responsibility for pre-production processing to service centers, which, through economies of scale, can achieve greater operational efficiency from the processing equipment.

We estimate that in 2012, the service center industry in Canada had total sales of approximately $10 billion. According to industry sources, comparable statistics for the U.S. industry for 2012 indicate sales in excess of US$65 billion.

Service centers are the largest category of customers of domestic steel producers in Canada. The following table shows Canadian shipments (net of returned shipments) by Canadian steel mills to Canadian service centers and all other net domestic shipments by Canadian steel mills for the years indicated. These figures do not include metal products other than steel, such as aluminum, that we also distribute.

Net Domestic Shipments of Steel Mill Products by Canadian Steel Mills
(millions of metric tons)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 (1)
Shipments to Cdn. Service Centers	3.64	3.65	3.42	3.68	3.65	3.40	2.26	3.34	3.61	3.46
All Other Shipments	7.69	7.62	6.83	7.00	6.43	5.78	3.35	4.14	4.06	4.28
Total Shipments	11.33	11.27	10.25	10.68	10.08	9.18	5.61	7.48	7.67	7.74
% to Service Centers	32.2%	32.4%	33.4%	34.5%	36.2%	37.0%	40.3%	44.7%	47.1%	44.7%

(1) 12 months ended November 30, 2012

(Source: Statistics Canada)

Total shipments in 2012 decreased by 4% compared to total shipments in 2011. This is a result of the general economic uncertainty as service centers have kept inventory levels low. Shipments from service centers have remained at a similar rate as a percentage of all shipments for the past three years.

The metals service center industry is intensely competitive. Generally, the metals service center industry competes on price and the ability to provide customers with value-added services such as product selection, timely delivery, reliability, quality and processing capability. There has been significant consolidation in the industry in both the United States and Canada over the past decade; however, the industry remains highly fragmented. Many of our competitors are small companies, often owner-operated, with limited product lines, inventory and geographic customer bases.

COMPETITIVE STRENGTHS

We believe that the following strengths give us a competitive advantage in the metals distribution industry:

Leading Market Position - We are one of the two largest service center operators in Canada based on revenues. We also believe we are the largest service center operator in each of the regions of Canada except for Ontario where we are the second largest. Our 54 Canadian service centers serve a broad base of approximately 22,000 customers across all regions of Canada. Our geographic presence, large volume and leading market position enable us to successfully source steel at competitive prices.

Strong Supplier Relationships and Unique Market Insight - We are among the largest purchasers of steel in North America and have well-established relationships with North America's steel producers, which enable us to ensure multiple sources for steel products and services. We believe that our steel distributors operation is one of the largest independent steel importers in North America. Our steel distributors enable us to augment our product lines at our metals service centers when product is not available. We purchase steel from multiple suppliers around the world. This enables us to monitor global steel supply and assess its impact on North American steel demand and pricing trends. This timely access to market information and global outlook allows us to proactively manage inventory levels and prices in our metals service center operations.

Successful Acquisition Strategy - We have successfully integrated a number of acquisitions. In September 2007, we acquired JMS Metal Services, Inc. and related companies, and in November 2008 we acquired Norton Metal Products, Inc. and integrated it with our JMS operations. These acquisitions strengthened our U.S. service center franchise enabling us to serve in excess of 17,000 U.S. customers and provided us with a platform for growth. In 2012, we acquired the operations of Siemens Laserworks and Alberta Industrial Metals to strengthen our Canadian Service Center operations in Western Canada. Also in 2012, we acquired Apex Distribution Inc. and related companies to provide an additional channel of distribution to complement our existing energy products segment.

Multiple Business Segments and Diversified Service Center Customer Base - We operate in three segments of the metals distribution business, each with a distinct customer base and business cycle: metals service centers; energy products; and steel distributors. Our largest segment, metals service centers, has a diversified customer base across a wide variety of industries, including machinery and equipment manufacturing, construction, shipbuilding and natural resources, such as mining and petroleum. None of our segments are significantly dependent on a single customer. In 2012, no customer accounted for more than 2% of our total revenues.

Superior Service and Product Selection - We believe that we have a reputation for superior and timely service, and diverse product selection. Each of our metals service centers has the ability to offer one stop shopping to our customers. We also provide customized processing services and offer just-in-time delivery to quickly satisfy end user specifications. We have developed strong relationships with our customers and are able to identify their needs early so we can respond to short lead times or just-in-time delivery requirements which are common in the industry. Because local managers have significant operational autonomy, our metals service centers can react quickly to changes in local markets and customer demands.

Prudent Inventory Management - We manage our inventory to avoid unnecessary commitments of working capital while maintaining sufficient supply to respond quickly to customer orders. We tailor our inventory and processing services at each service center location to the needs of that particular market. The negotiation of purchase agreements with suppliers is centralized to leverage our buying power and global market insights; however, the branch management team determines actual supply of inventory to each of our locations. Local monitoring allows us to more accurately assess inventory requirements at each metals service center. We believe our decentralized inventory management, combined with our global market insights, has allowed us to react more quickly than many of our competitors to changing metals prices and customer needs, and to optimize our use of working capital. As a result of our prudent inventory management, our metals service centers have consistently turned their inventory at higher turn rates than the industry average.

Experienced Management Team - Our senior executives and other key members of our management team have an average of 29 years of experience in the metals distribution business. To facilitate an entrepreneurial culture, our compensation policies, at both senior and local management levels, are based on the profitability and asset utilization of our business units.

BUSINESS STRATEGY

Our primary goals are to continue to be a leading metals distribution company, increase our market share, expand services to customers and improve operating profits and cash flows. Our business strategies, aimed at achieving our goals, consist of the following:

Managing Capital Utilization - We aggressively manage our balance sheet to enable us to fund acquisitions, capital expenditures, trade letters of credit and working capital requirements. We continue to manage inventory based on our expected customer demands rather than speculate on market pricing which enables us to maximize our inventory turns. Our expenditures for new equipment and facilities along with capital expenditures for maintenance are expected to approximate depreciation expense over a period of years, however, we are currently in the process of upgrading our cut-to-length lines to improve our processing capabilities.

Expanding through Select Acquisitions - Over the past decade, we have strengthened our Canadian franchise through acquisitions and in 2012 we completed two service center acquisitions in Western Canada; Siemens Laserworks and Alberta Industrial Metals. We have a major presence in all of the Canadian regions. We believe that maintaining and growing that strong position is one of the primary goals of our acquisition strategy. In 2007 and 2008, we strengthened our U.S. franchise through the acquisitions of JMS Metal Services and Norton Metal Products. We intend to continue to investigate acquisition opportunities that will be immediately accretive to earnings and that will enable us to build on our Canadian service center presence or grow our U.S. operations particularly in the region surrounding our JMS operations.

In 2012 we expanded our energy products segment with the acquisition of Apex Distribution Inc. and its related companies. Apex provides us with a new channel of distribution and product lines into the Western Canadian oil and gas industry and the Saskatchewan potash industry, along with immediate growth opportunities in the U.S. market through its subsidiary, Apex Remington, Inc. In our energy products and steel distributors operations, we will continue to look for strong product niche players or strong regional operations.

Decentralizing Operating Management Combined with Economies of Scale - We manage our businesses on a decentralized basis, with local management accountable for day-to-day operations, profitability and growth of the business, which we believe fosters an entrepreneurial culture across our operations. Our localized operating management allows us to capitalize on end user relationships of our businesses and the local and regional market knowledge of the operations' staff. In addition, management oversight through centralized purchasing, management information systems and cash management enables us to benefit from economies of scale and lower purchasing costs.

PRODUCTS, SERVICES AND CUSTOMERS

Metals Service Centers

Our metals service centers sell plate, flat rolled carbon and other general line carbon steel products, as well as stainless steel, aluminum and other non-ferrous specialty metal products in a wide range of sizes, shapes and specifications. General line steel products consisting of plate, structurals, bars, sheet, pipe, tubing and hollow structural steel tubing, are used by end users in a wide variety of industries. Within Canada, our metals service centers operate under the names Russel Metals, Métaux Russel, A. J. Forsyth, Acier Leroux, Acier Loubier, Acier Richler, Alberta Industrial Metals, B&T Steel, Leroux Steel, Mégantic Métal, Métaux Russel Produits Spécialisés, Russel Metals Specialty Products, McCabe Steel, Siemens Laserworks and York-Ennis. Our U.S. service center operations are conducted under the names Russel Metals Williams Bahcall, JMS Russel Metals, Norton Metals and Baldwin International. The Russel Metals Williams Bahcall operation focuses primarily on the distribution of general line carbon products through three facilities in Wisconsin. The JMS Russel Metals operations distribute full-line carbon steel and non-ferrous products from its facilities located in Alabama, Arkansas, Georgia, Kentucky and Tennessee. Norton Metals, a division of JMS Russel Metals, focuses primarily on general line steel products in Texas. Baldwin International distributes specialty alloy products throughout the U.S. from its facility in Ohio.

Our metals service centers also provide customized processing services to satisfy specifications established by end users. By providing these services, as well as by offering inventory management and just-in-time delivery, we enable end users to reduce their overall production costs and decrease capital required for raw materials and metals processing equipment. Our value-added processes include, but are not limited to:

- shearing, slitting and cutting to length: the cutting of metal into smaller pieces or into narrower coils;
- laser, oxy-fuel, and plasma cutting: the cutting of metal to produce various shapes or parts according to end user supplied drawings;

- leveling: the flattening of metal to uniform tolerances for proper machining;
- tee-splitting: the splitting of metal beams;
- edge trimming: removing a portion of the edges of coiled metal to produce uniform width and round or smooth edges; and
- cambering: the bending of structural steel to improve load-bearing capabilities.

In 2012, our metals service centers segment handled an average of approximately 3,502 (2011: 3,426) transactions per day with an average revenue of approximately $1,806 (2011: $1,772) per transaction. Typically, our metals service centers sales are made on an individual purchase order basis.

Our metals service centers operations provide products and services to end users in a wide variety of industries, including machinery and equipment manufacturing, construction, shipbuilding and natural resources, such as mining and petroleum. During 2012, no individual service center customer accounted for more than 1% of our total revenue.

Energy Products

Our energy products operations distribute oil country tubular goods, line pipe, tubes, flanges, valves and fittings primarily to the energy industry. This segment consists of six businesses, each of which sells a distinct line of products. These businesses include:

Apex Distribution - a distributor of pipe, valves, fittings and flanges and related value-added products and services for use in the oil & gas, industrial and resource markets. These products are distributed through 48 locations in Manitoba, Saskatchewan, Alberta and British Columbia in Canada and through 15 locations in Arkansas, Oklahoma and Texas in the United States.

Comco Pipe and Supply Company - a distributor of pipe, flanges, fittings, and valves. Comco Pipe and Supply specializes in the supply and distribution of pipe and fluid handling products to the energy, construction, manufacturing, pulp and paper and mining industries. Comco Pipe and Supply is heavily involved in the distribution of pipe products for the oil sands of Northern Alberta. These products are distributed through facilities in Calgary and Edmonton, Alberta; Stonewall, Manitoba; and Guelph and Sarnia, Ontario.

Fedmet Tubulars - a distributor of oil country tubular goods (which includes casing and tubing), line pipe and related products for use in oil and gas production and distribution. Fedmet Tubulars' sales office is located in Calgary, Alberta. Inventory is stocked in third party yards in Alberta, Saskatchewan, Manitoba and British Columbia.

Triumph Tubular & Supply - a distributor of oil country tubular goods and line pipe for use in oil and gas production and distribution. Triumph's sales office is located in Calgary, Alberta. Inventory is stocked in third party yards in Alberta, Saskatchewan and British Columbia.

Pioneer Pipe - a distributor and processor of steel pipe products for use in the construction, oil and gas and ski industries in the United States. Pioneer Pipe has facilities in Colorado, California, Texas and Utah, and utilizes multiple third party yards in the United States.

Spartan Energy Tubulars - a distributor of domestic and imported oil country tubular goods and pipe piling products. Spartan maintains stock in third party yards in Texas, Oklahoma and Colorado.

The energy products businesses sell a range of products to end users located primarily in western Canada and the United States. Comco Pipe and Supply Company and Apex Distribution maintain their own facilities and the other operations in this segment mainly locate their inventory in third party yards. During 2012, no individual energy sector customer accounted for more than 2% of our total revenue.

Steel Distributors

Our steel distributors act as master distributors selling steel in large volumes to other steel service centers and large equipment manufacturers mainly on an "as is" basis. Our steel distributors source their steel domestically and off shore.

We source carbon steel, plate, beams, channel, flat rolled products, rail and pipe products. Sales commitments for a significant portion of these products are obtained prior to their purchase or while the product is in production and transit. Products for which sales commitments have not been obtained are held in public warehouses for resale to North American service centers and other customers.

Our steel distributors operations are conducted through Wirth Steel located in Canada and the Sunbelt Group located in the United States. Arrow Steel, a division of the Sunbelt Group, processes coils.

In 2012, no individual customer of the steel distributors operations accounted for more than 2% of our total revenue.

Revenue by Product

The following table sets out our revenues by product based on dollar revenues for the fiscal years ended December 31, 2012, and 2011.

	Years Ended December 31,			
(in millions, except percentages)	**2012**	**% of Total**	**2011**	**% of Total**
Carbon:				
Plate (Discreet & Plate in Coil)	**$ 693.7**	**23.1%**	$ 677.7	25.2%
General Line:				
Structurals (WF & I Beam, Angles, Channels, Hollow Tubes)	**551.6**	**18.4%**	519.0	19.2%
Bars (Hot Rolled and Cold Finished)	**187.0**	**6.2%**	181.1	6.7%
Tubing/Pipe (Standard, Oil Country Tubular Goods)	**1,024.5**	**34.2%**	863.3	32.1%
Flat Rolled Sheet, Strip & Coil	**144.0**	**4.8%**	147.4	5.5%
Grating/Expanded	**31.3**	**1.0%**	30.7	1.1%
Wire Rods/Wire Products/Rails	**8.3**	**0.3%**	7.4	0.3%
Flanges, Fittings and Valves	**134.8**	**4.5%**	81.0	3.0%
Total Carbon	**2,775.2**	**92.5%**	2,507.6	93.1%
Total Non-Ferrous (Sheet, Extrusion, Tubes, etc.)	**117.6**	**3.9%**	77.9	2.9%
Other	**107.3**	**3.6%**	107.8	4.0%
Total	**$ 3,000.1**	**100.0%**	$ 2,693.3	100.0%

Metal Suppliers

There has been considerable consolidation among steel mills during the past decade. Our largest supplier represents approximately 9% of our metal purchases. We purchase approximately 22% of our metal from our four largest suppliers.

North American steel mills are the primary source of supply for our metals service centers. In addition, we purchase steel from international sources when the particular product is in short supply domestically or when North American mills do not produce the particular product. We have developed an effective coordinated purchasing program that allows us to derive economies of scale through volume purchases, and also allows us to access metal supplies globally. We have no material long-term fixed price metal supply contracts. We believe that alternate suppliers are available with respect to all of our product lines and our metals service centers operations generally maintain multiple suppliers for all product lines. Our metals service centers operations have over 260 suppliers.

The primary sources of supply for the energy products sector are the pipe division arms of North American steel mills, independent manufacturers of pipe and accessories, international steel mills and other distributors. The steel distributors sector deals on a regular basis with multiple suppliers in 19 countries around the world.

Competition

Our Canadian and U.S. service centers compete with other service centers that are national, regional and local to their respective countries. The service center industry is highly competitive with competition focused on price, product availability and quality, processing capability and on-time delivery.

We believe that our service center operations are favourably positioned with respect to our competitors. The geographic scope and diversity of our Canadian operations and the breadth of our product line allow us to service national and regional end users throughout Canada. We believe that we provide our Canadian end users with a wider range of products and more value-added services than many of our regional or local competitors.

The energy products distribution industry has undergone consolidation, resulting in several large distributors both privately and publicly held. There remain many small private companies each having a unique product offering. These companies typically carry a broad product line and competition is focused on price, product availability, quality and on-time delivery.

Our steel distributors compete with other international steel importers, as well as steel producers in North America. Competition focuses on price, product quality and availability. The business is highly dependent on global economic conditions and on the relationships we have with our international network of suppliers.

PROPERTIES

We have 66 warehouse facilities, 54 in Canada and 12 in the United States for our metals service centers operations. Set forth below is certain information, as of December 31, 2012, with respect to these facilities.

	Number of Facilities		Approximate Square Feet		
	Owned	**Leased**	**Owned**	**Leased**	**Total**
Metals Service Centers					
Canada					
British Columbia	9	1	312,841	22,399	335,240
Alberta	5	4	183,932	116,578	300,510
Saskatchewan	4	2	140,435	20,893	161,328
Manitoba	2	1	198,901	29,579	228,480
Ontario	5	4	541,415	108,917	650,332
Quebec	10	2	773,435	27,042	800,477
New Brunswick	3	-	74,200	-	74,200
Nova Scotia	1	-	59,740	-	59,740
Newfoundland	1	-	19,200	-	19,200
Total	40	14	2,304,099	325,408	2,629,507
United States					
Wisconsin	1	2	30,016	183,977	213,993
Ohio	1	-	41,040	-	41,040
Kentucky	1	-	78,900	-	78,900
Arkansas	3	-	755,000	-	755,000
Tennessee	1	-	70,000	-	70,000
Texas	1	-	140,890	-	140,890
Alabama	1	-	76,000	-	76,000
Georgia	1	-	55,000	-	55,000
Total	10	2	1,246,846	183,977	1,430,823

Energy Products

Our energy products operations utilize a combination of third party yards and their own facilities. Fedmet Tubulars and Triumph Tubulars operate from offices in Alberta and utilize third party yards. Spartan Energy Tubulars operates from offices in Colorado and Texas and utilizes third party yards. Pioneer Pipe operates from offices in Colorado and Texas, operates its own yards in California, Colorado, Texas and Utah and utilizes third party yards in other locations. Comco Pipe and Supply Company predominately focused in Alberta, manages its own yards in Edmonton and Calgary, Alberta; Stonewall, Manitoba, and Guelph and Sarnia, Ontario. Apex Distribution, our recent acquisition, is headquartered in Calgary, Alberta and operates from 63 retail distribution locations. Apex Distribution has 33 locations throughout Alberta, three locations in British Columbia, one location in Manitoba, 11 locations in Saskatchewan and 15 locations in the United States predominately in Arkansas, Oklahoma and Texas.

Steel Distributors

The majority of the inventories at our steel distributor operations are held in public warehouses or third party yards. Wirth Steel has two sales offices in Canada located in Quebec and British Columbia. Sunbelt Group has its main sales office in Texas and a facility in the Port of Houston which has two cut-to-length lines and storage for coils.

Non-Metals Operations

Our non-metals operation, Thunder Bay Terminals, operates a bulk handling terminal for coal, potash and other bulk products on approximately 290 acres of land at its location in Thunder Bay, Ontario. Most of the property is under long-term leases. A handling system is located at the site and comprises a number of structures, including structures which trains enter to be unloaded, and ship docking facilities.

EMPLOYEES

As at December 31, 2012, we had approximately 3,290 full-time and full-time equivalent employees. Approximately 680 of these employees are located in the United States. We have 33 collective bargaining agreements covering approximately 870 employees at 38 of our locations. In 2013, there are nine collective bargaining agreements expiring, which we intend to renegotiate prior to their expiration. As well there are two outstanding contracts that expired in 2012 that are still under negotiation. We have generally maintained favourable relations with our employees. Since 2007, we have successfully renegotiated 67 collective agreements and have experienced two work stoppages, one for a period of five weeks during 2008 and one that began in September 2012 and was settled in February 2013.

LEGAL PROCEEDINGS

From time to time, we are involved in legal proceedings relating to claims arising out of our operations in the ordinary course of business. We do not believe that there are any material proceedings, pending or threatened against us or any of our properties. See matters discussed in this document under "Environmental Regulation – Present Actions" below.

ENVIRONMENTAL REGULATION

We are subject to a variety of federal, provincial, territorial, state and local environmental laws and regulations in Canada and the United States. Such laws and regulations relate to, among other things, the discharge of contaminants into water and air and into and onto land, the disposal of waste, the handling, storage and transportation of hazardous materials and the storage of materials in underground tanks. In particular, operations divested between 1991 and 1997 included chrome plating facilities and the transportation and storage of petroleum products. We could be responsible for cleanup of or damages from releases of hazardous materials on or emanating from the properties where these operations were conducted.

In Canada, while there are federal environmental statutes such as the *Canadian Environmental Protection Act, 1999*, the *Fisheries Act,* and the *Transportation of Dangerous Goods Act, 1992* which apply to us, each Canadian province and territory and most municipalities in which we operate also enact and enforce their own environmental laws. In the United States, the primary federal regulatory laws to which we are subject include the *Resource Conservation and Recovery Act,* the *Comprehensive Environmental Response, Compensation and Liability Act (CERCLA),* the *Clean Water Act,* and *the Clean Air Act*. We are also subject to environmental regulation at the state and local levels in the United States.

Environmental Policy

We have adopted an environmental policy, applicable to all of our business segments, to ensure that our operations comply with applicable environmental laws in the jurisdiction in which they operate, and to minimize the impact of our operations on the natural environment. Our policy is supported by an environmental management system, which clearly defines and communicates lines of responsibility for environmental matters within our organization, provides assistance and support to our operating units in addressing their individual environmental needs, and under which the environmental performance of our operations is monitored and reported to senior management. Standard operating procedures have been developed to encourage uniformity and consistency in the handling of environmental matters, where such matters are common to multiple operating locations. On a quarterly basis, management reports to our Board on applicable changes to the environmental laws and regulations and provides an update on our activities relating to environmental matters.

Since 2008, we have advanced our environmental reporting by participating in the Carbon Disclosure Project. As a distributor, we are not a significant generator of greenhouse gases, but we are monitoring our emissions and taking actions to ensure we reduce our emissions. Our manufacturing customer base could be impacted by environmental issues; however, the financial impact on us, if any, cannot be quantified at this time.

We believe that our current operating facilities are in material compliance with applicable environmental laws, regulations and our environmental policy.

Present Actions

The following paragraphs summarize significant environmental litigation, regulatory action and remediation in which we are presently involved. Our anticipated expenditures on these sites all relate to previously divested or discontinued operations and do not relate to our metals distribution business.

Denton, Maryland

Pursuant to a Consent Order issued by the Maryland Department of the Environment (MDE) in 1987 and subsequently amended in April 1993, one of our non-operating subsidiaries is treating groundwater contaminated with volatile organic compounds from a former manufacturing facility on its property in Denton, Maryland. The 1993 amendment to the Consent Order allows our subsidiary to focus the remediation project on localized areas of contamination. To date, approximately US$3 million has been expended in connection with the investigation and remediation of groundwater on this site. The recurring annual cost to operate and maintain the treatment system is approximately US$70,000. In addition, we may incur additional expenses during 2013 or beyond, as a result of additional activities arising out of ongoing discussions with MDE and United States Environmental Protection Agency officials, in pursuit of eventual file closure. We believe that these additional costs will not be material.

Hamilton, Ontario

Contamination was discovered in 1991 by a subsidiary of ours on its property in Hamilton, Ontario, resulting from its historic, on-site chrome plating operations. The contamination, which consists primarily of chromium, was reported to the Ontario Ministry of Environment (MOE) and the local municipality. Our subsidiary retained environmental consultants to determine the extent of contamination on the site and on neighboring properties and developed a plan to deal with the contamination, which was reviewed by the MOE and has been implemented. This plan involves the use of a groundwater extraction and treatment system, which has been installed and is presently remediating contamination on both the site and on neighboring properties. Starting in 2008, our subsidiary has upgraded and improved the remediation system, which resulted in accelerated removal of contaminants from the groundwater. Discussions continue with the MOE to ensure they remain informed and satisfied with our plan and our progress. During this 21 year period, approximately $5 million has been expended and we expect that the groundwater extraction and treatment will continue indefinitely at an annual cost, including operating and maintenance expenses, of approximately $160,000. In addition, we may from time to time incur additional expenses in connection with non-recurring items of additional targeted investigation or remediation.

Whitehorse, Yukon

Certain of our subsidiaries operated a petroleum distribution business in Alaska, Yukon and northern British Columbia including a petroleum pipeline between Whitehorse, Yukon and Skagway, Alaska. This business was sold as of June 1, 1995.

The purchasers of the petroleum distribution business have filed a complaint in Alaska (the purchaser's home jurisdiction) and a writ in the Yukon (the location of the property) against us relating to environmental contamination at the Whitehorse lower tank farm and a historical barrel-washing pit. The actions relate to petroleum hydrocarbons and also lead, zinc and other contaminants. On October 5, 2000, Orders were issued by the Yukon government pursuant to the *Environment Act (Yukon)* against us and other responsible parties to investigate and establish a plan of restoration and restore this site. The Yukon government vacated these Orders in 2002; however, it has advised that it remains of the view that investigation and restoration remain necessary. Consequently, we and some other parties, under a cost-sharing agreement entered into in 2005, are continuing the investigation of the property and the development of an acceptable restoration plan. In this 12 year period, approximately $2 million has been expended. A proposed risk-based remedial approach has been developed, the first stage of which has been submitted for consideration by the Yukon Territorial government, the Government of Canada, and local jurisdictions. Our final costs with respect to these issues cannot be determined until a remedial approach has been decided, a restoration plan has been approved by applicable regulators, and third party liability, if any, has been taken into account. We believe that costs with respect to this matter will not be material.

RISKS RELATED TO OUR BUSINESS AND THE METALS DISTRIBUTION INDUSTRY

Volatile metal prices can cause significant fluctuations in our operating results.

The price we pay for, and availability of, steel and various specialty metals (such as aluminum and stainless steel), and the prices we can charge for such products, fluctuate due to numerous factors beyond our control, including Canadian, American and international economic conditions, currency exchange rates, global demand for steel and other metal products, including demand in higher growth markets such as China and India, trade sanctions, tariffs, labor costs, competition, over capacity of steel producers and price surcharges. A large portion of our revenues are derived from the sale of steel and specialty metals. As a result, fluctuations in availability and cost of steel and specialty metals and the prices we can charge for our products may materially adversely affect our business, financial condition, results of operations and cash flows. We have no material long-term, fixed-price purchase contracts. Our commitments for metal purchases are generally at prevailing market prices in effect at the time that we place our orders. During periods of rising raw materials pricing, we may be unable to pass on such increases, which may include surcharges by our suppliers, to end users. To the extent we are not able to pass on to our customers any increases, our business, financial condition, results of operations and cash flows may be materially adversely affected. When metal prices decline, end user demands for lower prices and competitors' responses to those demands could result in lower sales prices and, consequently, lower margins as we sell existing inventory. In addition, we may incur write-downs of our inventories to net realizable value.

Our business may be affected by the cyclicality of the metals industry and the industries that purchase our products. The economic downturn reduced demand for our products. We are approaching pre-downturn levels in all regions except Ontario and the U.S.

We operate businesses that are substantially affected by changes in economic cycles and whose revenues and earnings vary with the level of general economic activity in the markets they serve. Periods of economic slowdown or recession in Canada, the United States or other countries, or the perception that one may occur, could decrease the demand for our products, affect the availability and cost of our products and adversely affect our revenues, operating profits and net earnings.

Some of our customers operate in industries that experience significant fluctuations in demand based on economic conditions, oil and gas prices and other factors, including exchange rate fluctuations that are beyond our control. Many of our customers generate a significant portion of their revenues through exporting goods to the United States. Thus, a strengthening in the Canadian dollar relative to the U.S. dollar can adversely affect the competitiveness of these customers. The Canadian dollar strengthened relative to the U.S. dollar by approximately 4% in 2010, depreciated by approximately 1% in 2011 and strengthened by approximately 2% in 2012. If the ability of our customers to export their products to the United States is further reduced, the demand for our products could decline, which could have a material adverse effect on our business, financial conditions, results of operations and cash flows.

The global financial and banking crises caused a lack of credit availability that continues to limit the ability of our customers to obtain credit or expand their businesses.

In times of global financial and banking crises, the ability of our customers to maintain credit availability has become more challenging. In particular, the financial stability of many of our customers may impact their ability to pay us amounts due, affecting our financial condition, results of operations and cash flows.

Significant competition could reduce our market share and harm our financial performance.

We face significant competition in our metals service centers and energy products operations. In Canada, our primary competitors are other service centers and energy products distributors, which are national, regional and local in geographic coverage. In the United States, we compete with other service centers and energy product distributors, which are national, regional and local in geographic coverage. We also compete with steel producers which are larger than we are that typically sell to very large end users requiring regular shipments of large volumes of metals. Competition is based on price, product availability and quality, processing capability and on-time delivery. Some of our competitors may have lower steel costs and fewer environmental and government regulations, as well as lower public company regulatory compliance obligations and related costs, than we do. Increased competition could reduce our profitability by forcing us to lower our prices or to offer increased services at a higher cost to us.

Our steel distributors compete with other international steel importers and exporters as well as North American steel producers in the destination market. Competition is principally based on price, product quality and availability, and terms of shipment (including freight costs, which vary and can be as much as 15% of the landed cost of a product). The imposition of trade sanctions by governments on the import of steel products into such government's jurisdiction may place us at a competitive disadvantage as compared to domestic steel producers in such jurisdiction.

An interruption in sources of metals supply could have a material adverse effect on our results of operations.

We purchase our principal inventory, including carbon steel, stainless steel, alloy steel, aluminum and a variety of other metals, on a frequent basis from a number of producers, primarily in North America, to keep our inventory levels to a minimum. We have no material long-term fixed price contracts to purchase metal. The number of available suppliers has been reduced by industry consolidation and further consolidation may occur in the future impacting availability of certain products. If, in the future, we are unable to obtain sufficient amounts of steel or other metal products at competitive prices or on a timely basis from our traditional suppliers, we may not be able to obtain such products from alternative sources at competitive prices to meet our delivery schedules, which could materially adversely affect our business, financial condition, results of operations and cash flows. Production time and the cost of our products could increase if we were to lose one of our primary suppliers. Any interruption or reduction in the supply of any of these products may make it difficult or impossible to satisfy customers' just-in-time delivery requirements, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Any future acquisitions could be difficult to integrate and could adversely affect our operating results.

A substantial part of our growth in profitability has come from acquisitions, which we have successfully integrated. As part of our strategy, we expect to continue to pursue complementary acquisitions and investments. Acquisitions may involve debt incurrence, operating losses, dilutive issuances of equity securities and significant cash expenditures that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Any future acquisitions may involve a number of risks, including:

- our inability to integrate the acquired business;
- diversion of management attention;
- goodwill impairment adversely affecting our reported net income;
- our inability to retain the management or other key employees of the acquired business;
- our inability to establish uniform standards, controls, procedures and policies;
- our inability to retain customers of our acquired companies;
- exposure to legal claims for activities of the acquired business prior to the acquisition;
- damage to our reputation as a result of performance or customer satisfaction problems relating to an acquired business; and
- the performance of any acquired business could be lower than we anticipated.

If we fail to renegotiate any of our collective agreements or if we or our principal customers or suppliers experience work stoppages, our financial condition may be harmed.

As at December 31, 2012, we had 33 collective bargaining agreements covering approximately 870 employees belonging to a variety of unions at 38 of our locations. In 2013, nine collective bargaining agreements will expire, and two contracts that expired in 2012 are also being negotiated in 2013. The Boucherville, Quebec union with which we have one of the expired agreements was on strike from September 2012 to February 2013 when the strike was settled. If we fail to renegotiate any of these contracts, we may face additional work stoppages. Even if we do renegotiate these contracts, any renewal of collective bargaining agreements could result in higher wages or benefits to union members. We cannot provide assurance that there will not be any labour disruptions, or higher ongoing labour costs, either of which could materially adversely affect our business, financial condition, results of operations and cash flows. In addition, many of our customers and suppliers have unionized work forces. If one or more of our customers or suppliers experience a material work stoppage or slow down, it could materially adversely affect our business, financial condition, results of operations and cash flows.

Environmental liabilities could have a material adverse effect on our results of operations and financial position.

We are subject to a variety of federal, provincial, territorial, state and local environmental laws and regulations in Canada and the United States. Such laws and regulations relate to, among other things, the discharge of contaminants into water and air and into and onto land, the disposal of waste, the handling, storage and transportation of hazardous materials, and the storage of materials in underground tanks. In particular, our divested non-metal operations included chrome plating facilities and the transportation and storage of petroleum products and hazardous materials. We could be responsible for cleanup of, or damages from, releases of hazardous materials on or emanating from the properties where these operations were conducted. We are required by environmental laws and regulations to conduct our operations in compliance with permits issued by governmental authorities. The failure to have such permits or to comply with their terms could result in fines or penalties.

In Canada, there are federal environmental statutes such as the *Canadian Environmental Protection Act, 1999*, the *Fisheries Act,* and the *Transportation of Dangerous Goods Act, 1992*, which apply to us. In addition, each Canadian province and territory and most municipalities in which we operate also enact and enforce their own environmental laws. In the United States, the primary federal regulatory laws to which we are subject include the *Resource Conservation and Recovery Act,* the *Comprehensive Environmental Response, Compensation and Liability Act,* the *Clean Water Act,* and *the Clean Air Act*. We are also subject to environmental regulation at the state and local levels in the United States.

There are currently undergoing remediation and/or investigation activities at three former facilities where soil and/or groundwater contamination is present. Financial costs with respect to those activities cannot be predicted at this time. See "Business - Environmental Regulation" for more details about our environmental remediation. In addition, some of our current properties are located in industrial areas with histories of heavy industrial use, which may require us to incur expenditures and to become subject to environmental liabilities for contamination that arises from our current or former operations or from causes other than our operations. Such environmental costs could materially adversely affect our business, financial condition, results of operations and cash flows. We do not carry environmental insurance coverage to offset the effects of such potential losses. We may be required as a matter of law to satisfy, with respect to the government or third parties, the environmental liabilities related to divested businesses should the acquirers of our divested businesses fail to fulfill any environmental obligations for events prior to divestiture. Because of the potential existence of currently unknown environmental issues and frequent changes to environmental laws and regulations and the interpretation and enforcement of these laws and regulations, there can be no assurance that compliance with environmental laws, or remediation obligations under such laws, will not have a material adverse effect on us in the future.

Environmental concerns or changes in government regulations related to oil sands production, shale fracking or oil distribution may have a material adverse effect on our operating results.

Our customers and their markets are subject to on-going concerns and possible oversight and regulations relating to the potential environmental issues in such areas as carbon emissions, pollution of groundwater, use of toxic chemicals in fracking and earthquakes. Several provinces, states and countries have limited or banned fracking due to potential environmental concerns. Other jurisdictions have sought to limit pipeline construction or the purchase of oil relating to the Alberta oil sands. Because of this changing landscape, there can be no assurance that new laws or regulations will not severely limit this business growth area.

Changes in government regulations relating to workplace safety and worker health could have an adverse effect on our business.

Our operations are subject to laws and regulations relating to workplace safety and worker health and related regulations, which, among other requirements, establish noise, dust and safety standards. While we believe that we are in material compliance with currently applicable laws and regulations, future events such as any changes in laws and regulations, may give rise to additional expenditures or liabilities. We cannot assure you that compliance with such government regulations will not materially adversely affect our business, financial condition, results of operations and cash flows.

We are exposed to currency exchange risk, which could have a material adverse effect on our operating results.

Although our financial results are reported in Canadian dollars, a portion of our sales and operating costs are denominated in U.S. dollars. In addition, we are exposed to currency exchange risk on our assets denominated in U.S. dollars. Since we present our financial statements in Canadian dollars, any change in the value of the Canadian dollar relative to the U.S. dollar during a given financial reporting period would result in a foreign currency loss or gain on the translation of our U.S. dollar denominated assets into Canadian dollars. Consequently, our reported earnings could fluctuate materially as a result of foreign exchange translation gains or losses. While it is not our normal practice to enter into significant hedging arrangements, we may use futures and forward contracts to partially hedge against short-term fluctuations in currency; however, such activities provide only short-term protection against a limited portion of our currency exposure.

The failure of our key computer-based systems could have a material adverse effect on our business.

We depend to a significant degree on our computer based systems in the operation of our business, particularly in our inventory management. The destruction or the failure of any such computer-based systems for any significant period of time would materially adversely affect our business, financial condition, results of operations and cash flows. We have a disaster recovery plan established and tested for our main computer system servicing our Canadian and U.S. service centers and two of our U.S. energy products operations. There is no certainty that our plan will be successful in an actual disaster.

The loss of key individuals could adversely affect our ability to implement our business strategy.

Our success is dependent in large part on the management and leadership skills of our senior management team, including Brian R. Hedges, our Chief Executive Officer, Marion E. Britton, our Chief Financial Officer, and John G. Reid, our Vice President Operations, Service Centers. In addition, because of our decentralized operating structure, the loss of any senior managers or key employees at regional centers could materially adversely affect our business, financial condition, results of operations and cash flows. We cannot provide assurance that we will be able to attract and retain equally qualified personnel when needed. If we lose any of these executives or senior management or fail to attract and retain equally qualified personnel, we may not be able to implement our business strategy.

GENERAL DEVELOPMENT OF THE BUSINESS

On November 8, 2012, we purchased 100% of the issued and outstanding shares of Apex Distribution Inc. and related companies for $227 million in cash plus a five-year “earnout” which will require us to pay additional cash consideration depending on the financial results of the Apex Distribution operations over the next five years. A form 51-102F4 Business Acquisition Report for the Apex Distribution acquisition was filed on SEDAR on January 21, 2013.

On May 1, 2012, we purchased the operating assets of Siemens Laserworks for $27 million in cash. On May 28, 2012, we purchased the operating assets of Alberta Industrial Metals for $28 million in cash.

On April 19, 2012, we issued $300 million aggregate principal amount of 6.0% senior unsecured notes due April 19, 2022 for net proceeds of $293 million and on May 25, 2012 we redeemed all of our 6.375% US$139 million outstanding U.S. Senior Notes.

On October 8, 2009, we issued $175 million aggregate principal amount of 7.75% convertible unsecured subordinated debentures due September 30, 2016 for net proceeds of $167 million. Each debenture is convertible into common shares at the option of the holder at a conversion price of $25.75 per common share.

RATINGS

We have received the following credit ratings from Moody's Investors Service (Moody's).

	Moody's
Corporate rating	Ba1
Senior unsecured notes	Ba1
Outlook	Stable

Moody's Investors Service

Moody's credit ratings are on a long-term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. According to Moody's, a rating of Ba is the fifth highest of nine major categories. Moody's applies numerical modifiers 1, 2 and 3 in each generic rating classification from Aa to Caa in its corporate bond rating system. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category. The rating outlook is stable.

We understand that the ratings are based on, among other things, information furnished to the Ratings Agencies by us and information obtained by the Ratings Agencies from publicly available sources. The credit ratings given by the Ratings Agencies are not recommendations to buy, hold or sell any of our securities since such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a Rating Agency in the future.

What the ratings address:

Unsecured Debt: Credit ratings are the current opinion of the rating agency on creditworthiness of an obligor with respect to a specific financial obligation and a specific class of financial obligation for a specific financial program. Ratings take into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and take into account the currency in which the obligation is denominated.

Rating Outlook: Rating outlook assesses the potential direction of a long-term credit rating over the intermediate to longer-term. In determining a rating outlook consideration is given to any changes in the economic and fundamental business conditions. An outlook is not necessarily a precursor of a rating change.

MARKET FOR THE SECURITIES OF RUSSEL METALS

Our common shares are listed and posted for trading on The Toronto Stock Exchange under the symbol "RUS". Information concerning the trading prices and volumes during the 2012 fiscal year is set out in the following table:

The Toronto Stock Exchange Share Price Trading Range

Month	High	Low	Close	Share Volume
December 2012	$ 28.25	$ 25.90	$ 27.61	3,949,224
November 2012	28.97	26.54	27.58	2,228,000
October 2012	28.28	26.77	27.90	4,201,153
September 2012	28.20	25.00	27.52	4,772,542
August 2012	26.10	24.46	25.05	3,257,988
July 2012	26.25	23.73	25.79	2,801,270
June 2012	25.65	23.61	25.11	3,470,950
May 2012	27.92	25.15	25.45	3,305,320
April 2012	27.16	25.36	27.11	2,699,102
March 2012	27.95	26.03	26.78	5,429,655
February 2012	27.25	24.68	26.74	5,890,960
January 2012	25.30	22.52	24.83	3,439,354

Our convertible unsecured subordinated debentures are listed for trading on The Toronto Stock Exchange under the symbol "RUS.DB". Information concerning the trading prices and volumes during the 2012 fiscal year is set out in the following table:

The Toronto Stock Exchange Debenture Price Trading Range

Month	High	Low	Close	Trading Volume
December 2012	$ 121.00	$ 117.00	$ 118.75	29,460
November 2012	122.10	118.21	121.00	5,110
October 2012	121.67	118.01	121.67	107,340
September 2012	122.25	117.00	121.50	60,940
August 2012	118.10	115.50	116.00	31,120
July 2012	118.49	114.21	117.25	23,167
June 2012	117.38	113.76	116.25	96,220
May 2012	123.25	116.50	117.75	121,910
April 2012	121.34	117.09	120.95	20,875
March 2012	124.00	118.11	120.50	34,760
February 2012	122.00	117.04	121.99	95,900
January 2012	118.19	112.73	117.25	65,000

The transfer agent and registrar for our common shares and convertible debentures is CIBC Mellon Trust Company, 320 Bay Street, P.O. Box 1, Toronto, Ontario M5H 4A6.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares without nominal or par value. As at December 31, 2012, 60,204,636 shares were issued and outstanding. Holders of the Company's common shares are entitled to receive notice of any meetings of shareholders and are entitled to one vote per common share held. Holders of the Company's common shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Board.

At December 31, 2012, the Company had outstanding $175 million aggregate principal amount of 7.75% convertible debentures due September 30, 2016. 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) 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, subject to adjustment in certain circumstances. During 2012, convertible debentures in the principal amount of $10,000 were converted into 388 common shares.

MATERIAL CONTRACTS

The following are the material contracts, other than contracts entered into in the ordinary course of business, which we have entered into and are still in effect:

1. Credit facility entered into between Russel Metals Inc. and its subsidiary FIL (US) Inc. as Borrowers and a syndicate of Canadian and US banks, including the Royal Bank of Canada, JP Morgan Chase Bank, N.A., The Bank of Nova Scotia, Comerica Bank, Laurentian Bank of Canada and ATB Financial. The original credit agreement was effective October 29, 2004 and was subsequently amended February 25, 2005, March 20, 2006, October 6, 2006, December 27, 2007, May 1, 2009, June 24, 2010, and June 23, 2011. The current agreement expires June 24, 2014 and entitles us to borrow at rates that vary based on our credit rating, on a revolving basis, up to $202.5 million to be utilized for borrowings and two letter of credit lines of $25 million each.

2. Trust Indenture between Russel Metals Inc. and CIBC Mellon Trust Company dated October 8, 2009, as amended on December 14, 2010 providing for the $175 million of 7.75% convertible unsecured subordinated debentures due September 30, 2016.

3. Trust Indenture between Russel Metals Inc. and BNY Trust Company of Canada dated April 19, 2012 for the $300 million of 6.00% Senior Unsecured Notes due April 19, 2022.

DIVIDEND RECORD

The following table shows common share dividends paid on a per share basis.

	Years Ended December 31, 2012	2011	2010
Common shares	$ 1.35	$ 1.15	$ 1.00

In the first quarter of 2011, the quarterly dividend was increased from $0.25 to $0.275 per share, in the third quarter of 2011, the quarterly dividend was further increased to $0.30 per share, and in the second quarter of 2012, the quarterly dividend was further increased to $0.35 per share, which is its current level. The Board of Directors reviews the dividend policy quarterly.

Our ability to pay dividends on common shares is impacted by restrictions associated with the senior unsecured notes due April 19, 2022. Dividends on common shares in excess of $0.35 per share per quarter and the repurchase of common shares are considered to be restricted payments under the Note Indenture. At December 31, 2012, we had $110 million available for restricted payments. Our ability to make restricted payments is adjusted quarterly by 50% of the quarterly net income or loss if our cumulative net income from December 31, 2011 is positive, or 100% of the quarterly net income or loss if our cumulative net income from December 31, 2011 is negative. Net income is adjusted for certain exclusions.

Our ability to pay dividends is also impacted by covenants in our syndicated bank facility. The payment of any dividend will be subject to our having 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 our levels of accounts receivable and inventories, has traditionally been in excess of borrowings. At December 31, 2012 our excess borrowing base availability was $540 million or approximately six times the declared dividend.

MAJOR SUBSIDIARIES

The following is a list of our major subsidiaries at December 31, 2012, all of which are wholly owned.

	Jurisdiction of incorporation
Apex Distribution Inc.	Alberta
Apex Remington Holdings, Inc.	State of Delaware
Apex Remington, Inc.	State of Delaware
Fedmet Enterprises Corporation	State of Delaware
Fedmet International Corporation	State of Delaware
FIL (US) Inc.	State of Alaska
JMS Russel Metals Corp.	State of Delaware
Pioneer Steel & Tube Corp.	State of Delaware
Russel Metals JMS Corporation	State of Delaware
Russel Metals Williams Bahcall Inc.	State of Delaware
Sunbelt Group L.P.	State of Texas
Thunder Bay Terminals Ltd.	Ontario
Triumph Tubular & Supply Ltd.	Alberta
Wirth Steel, a General Partnership	Quebec

DIRECTORS AND SENIOR EXECUTIVE OFFICERS

The following table sets out the name, municipality of residence and the principal occupation of each of our directors. Each individual was a director on December 31, 2012. Information relating to our senior executive officers follows.

DIRECTORS

Name, Municipality of Residence and Position Held	Date Became Director	Principal Occupation
ALAIN BENEDETTI (1)(3) Sainte-Anne-des-Lacs, Quebec, Canada	February 23, 2006	Corporate Director
JOHN M. CLARK (1)(3) Etobicoke, Ontario, Canada	May 3, 2012	President Investment and Technical Management Corp. (finance and merchant banking)
JAMES F. DINNING (2)(4) Calgary, Alberta, Canada	February 17, 2003	Chair of the Board Western Financial Group Inc. (insurance, investment and banking)
CARL R. FIORA (3)(4) Middletown, Ohio, U.S.A.	May 11, 1994	Corporate Director
ANTHONY F. GRIFFITHS (2)(3) Toronto, Ontario, Canada Chair of the Board	May 14, 1997	Corporate Director
JOHN A. HANNA (1)(4) Toronto, Ontario, Canada	May 3, 2012	Corporate Director
BRIAN R. HEDGES Toronto, Ontario, Canada	May 12, 2009	President and CEO of the Company
ALICE D. LABERGE (1)(3) Vancouver, British Columbia, Canada	July 30, 2007	Corporate Director
LISE LACHAPELLE (1)(2) Ile-des-soeurs, Quebec, Canada	May 15, 1996	Corporate Director
WILLIAM M. O'REILLY (2)(4) Scarborough, Ontario, Canada	May 12, 2009	Corporate Director

(1) Member of the Audit Committee
(2) Member of the Nominating and Corporate Governance Committee
(3) Member of the Management Resources and Compensation Committee
(4) Member of the Environmental Management and Health & Safety Committee

Mr. Benedetti is a Corporate Director. He is past Chair of the Canadian Institute of Chartered Accountants. From 1998 to his retirement in June 2004 he was Vice Chair and Canadian Area Managing Partner of Ernst & Young LLP. Mr. Benedetti is currently a director of Dorel Industries Inc. and Imperial Tobacco Canada Limited. He is a Chair of the Board of Governors of Dynamic Mutual Funds.

Mr. Clark is a Director and President of Investment and Technical Management Corp. a company engaged in corporate finance and merchant banking. Mr. Clark has held the position of President of Investment and Technical Management Corp. since 1999, Mr. Clark was Chief Financial Officer and a director of Polaris Geothermal Inc. from June 2004 to October 2009. Mr. Clark was President and/or Executive Chairman of Laurasia Resources Limited, a publicly traded oil and gas exploration and development company from 1988 to 1998. Mr. Clark is currently a director of Crown Point Energy Inc., Vista Gold Corp., Zephyr Minerals Ltd., Colio Estate Wines Inc., Aizan Technologies Inc. and Cumulus Wines Pty Ltd.

Mr. Dinning has been Chair of the Board of Western Financial Group Inc. a company engaged in insurance, investment and banking, since 2004. From 1998 to 2004, Mr. Dinning was Executive Vice President of TransAlta Corporation and from 1997 to 1998 was Senior Vice President. Prior to 1997, Mr. Dinning held several key positions during his 11 years as a member of the Legislative Assembly in Alberta, including Provincial Treasurer from 1992 to 1997. Mr. Dinning is Chair of the Board and interim Chief Executive Officer of Liquor Stores N.A. Ltd. and serves as a director of Armstrong Group, Oncolytics Biotech Inc. and Parkland Fuel Corporation. He is Chair of the Board of Export Development Canada, a Crown Corporation wholly owned by the Government of Canada and the CanadaWest Foundation, a charitable Canadian organization. He also serves as Chancellor of the University of Calgary.

Mr. Fiora is a Corporate Director. At the time of his retirement in November 1990, Mr. Fiora was the President and Chief Executive Officer of Armco Steel Company L.P., a steel manufacturing company.

Mr. Griffiths has served as the Company's Chair of the Board and as a director since May 1997. From 1985 to 1993 Mr. Griffiths served in several capacities at Mitel Corporation, including Chief Executive Officer and Chair. From 1993 to present, Mr. Griffiths has been associated with various companies acting as an independent consultant. Mr. Griffiths is a director of The Brick Ltd., Fairfax Financial Holdings Limited (and its subsidiary companies Crum & Forster Holdings Corp., Northbridge Financial Corporation, Odyssey Re Holdings Corp. and Zenith National Insurance Corp.), Gedex Inc., Jaguar Mining Inc., Novadaq Technologies Inc. and Vitran Corporation Inc.

Mr. Hanna is a Corporate Director. Mr. Hanna was Chief Executive Officer of Rexel Canada Electrical Inc. (formerly Westburne Industrial Enterprises, Ltd.), from 2003 until 2005 and Executive Vice President and Chief Financial Officer from 1992 to 2003. Prior to 1992 Mr. Hanna had been Chief Financial Officer of Hydro-Quebec and Via Rail Canada Inc. Mr. Hanna is currently a director of Innergex Renewable Energy Inc., Transport Canada and Infrastructure Canada Departmental Audit Committee and Uni-Select Inc.

Mr. Hedges is the President and Chief Executive Officer of the Company. Mr. Hedges is a Chartered Accountant and a Chartered Professional Accountant. He has been employed with the Company since 1994. His business career encompassed the positions of Chief Financial Officer, President and Chief Executive Officer of Gandalf Technologies, as well as Chief Financial Officer of Teleglobe Inc. Both companies were involved in the Canadian international telecommunications industry. Mr. Hedges was Chief Financial Officer of the Company from 1994 until his appointment as Chief Operating Officer on February 18, 2008. On May 12, 2009, Mr. Hedges was appointed President and Chief Executive Officer. Mr. Hedges also sits on the board of a charitable organization in support of Carleton University.

Ms. Laberge is a Corporate Director. She was President and Chief Executive Officer of Fincentric Corporation, a global provider of software solutions to financial institutions, from December 2003 to July 2005. Prior to this appointment she was Chief Financial Officer of Fincentric. Prior to joining Fincentric in October 2000, Ms. Laberge was with MacMillan Bloedel Limited for over 18 years in a number of financial positions including Senior Vice President, Finance and Chief Financial Officer. Ms. Laberge is currently a director of the Royal Bank of Canada, Potash Corporation of Saskatchewan, Delta Hotels Limited and SilverBirch Management Ltd.

Mrs. Lachapelle is a Corporate Director and a consultant in corporate strategy. She was the President and Chief Executive Officer of The Forest Products Association of Canada and a consultant in corporate strategy from September 1994 to 2001. Prior to September 1994, she was President of Strategico Inc., a consulting firm specializing in public policies, for one year and a consultant with Strategico for three years. Mrs. Lachapelle is a director of Industrial Alliance Insurance and Financial Services Inc. and Innergex Renewable Energy Inc. She is also a director of BNP Paribas (Canada) and Mirabaud Canada Inc., Canadian subsidiaries of global banks.

Mr. O'Reilly is a Corporate Director. Mr. O'Reilly is a director of Gedex Inc. Mr. O'Reilly was the Managing Partner and a member of the Management Committee of Davies Ward Phillips & Vineberg LLP, the principal legal advisor to the Company, from 1996 until his retirement from those positions on May 31, 2010. He was a partner of that firm from 1976 until his retirement on December 31, 2011, except for the period from August 1993 to January 1996 when he served as an executive officer of Russel Metals. Mr. O'Reilly was the Secretary of Russel Metals from May 1994 to May 2009 when he was first elected as a director of the Company.

SENIOR EXECUTIVE OFFICERS

Name and municipality of Residence	**Position Held**
BRIAN R. HEDGES Toronto, Ontario, Canada	President and Chief Executive Officer
MARION E. BRITTON Mississauga, Ontario, Canada	Vice President, Chief Financial Officer and Secretary
JOHN G. REID Jackson, Tennessee, U.S.A.	Vice President Operations, Service Centers

Mr. Hedges is a director and executive officer of the Company. Mr. Hedges' biography can be found under the directors table.

Ms. Britton is an executive officer of the Company. Ms. Britton is a Chartered Accountant and a Chartered Professional Accountant. In 1984, Ms. Britton joined Marshall Drummond McCall, which was acquired by Russel Metals in 1987. From 1987 to 1994, Ms. Britton was responsible for financial management for the Metals Operations. In 1994, Ms. Britton assumed the role of Vice President and Corporate Controller and in 2004 Ms. Britton was appointed to Vice President and Chief Accounting Officer responsible for our internal control systems and financial reporting. On February 18, 2008, Ms. Britton was appointed Chief Financial Officer. On May 12, 2009, Ms. Britton was also appointed Secretary.

Mr. Reid is an executive officer of the Company. Mr. Reid started with JMS Metals Services, Inc. and related companies ("JMS") in 1991, was promoted to President of JMS in 1994 and served as President of the Company's JMS Russel Metals operations since the Company's purchase of JMS in 2007. From 2009 to 2010 Mr. Reid held the position of Vice President Operations, U.S. Service Centers of the Company. In 2010, Mr. Reid was promoted to Vice President Operations, Service Centers and has taken on increased responsibility for the Canadian Service Center operations since then. During 2012, Mr. Reid assumed responsibility for Spartan Energy Tubulars.

During the last five years, all of the directors and officers have had the principal occupations indicated opposite their respective names, with the exception of W.M. O'Reilly, B.R. Hedges, M.E. Britton and J.G. Reid whose occupational history is described above.

All directors serve one-year terms and are elected at the annual meeting of shareholders. The term of office of each of the current directors will expire at the annual meeting of shareholders to be held on May 2, 2013.

Mr. Hedges, the Company's President and Chief Executive Officer, is the only director who is not independent [(1)], as he is a member of management. Mr. Hedges was elected as a director on May 12, 2009. None of the other directors has any material business or professional relationship with the Company.

(1) The Toronto Stock Exchange Company Manual provides that: "An independent director is defined as a person who: (a) is not a member of management and is free from any interest and any business or other relationship which in the opinion of the Exchange could reasonably be perceived to materially interfere with the director's ability to act in the best interest of the company; and (b) is a beneficial holder, directly or indirectly, or is a nominee or associate of a beneficial holder, collectively of 10% or less of the votes attaching to all issued and outstanding securities of the applicant".

COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors delegates certain of its functions to four independent committees of the Board to facilitate more detailed consideration of certain issues. These committees bring recommendations to the Board for consideration and approval as appropriate.

The Audit Committee meets quarterly to review our financial statements, management's discussion and analysis of financial conditions and results of operations and press releases. The Audit Committee monitors the integrity of internal control and management information through discussions with management and regular meetings with the external auditors. In addition, the Committee reviews other public disclosure documents, including the annual report to shareholders, the annual information form, the management proxy circular, registrations and prospectuses. All directors on this Committee are independent.

The Nominating and Corporate Governance Committee develops comprehensive written mandates for each of the Board committees, monitors and evaluates the corporate governance system, recommends candidates for election to the Board and serves as a forum for concerns of directors which may not be appropriate for discussion in full Board meetings. All directors on this Committee are independent.

The Management Resources and Compensation Committee reviews compensation policies for our executive officers and directors, and is responsible for succession planning for the most senior members of management.

We have established an Environmental Management and Health & Safety Committee for the purpose of reviewing compliance policies and procedures in accordance with legislative and regulatory requirements with regard to environmental and health and safety issues. The committee receives quarterly reports from management.

As at the date hereof, our directors and executive officers as a group beneficially own, directly or indirectly, or exercise control or direction over 305,664 common shares representing approximately 0.51% of the outstanding common shares of the Company.

Except as stated below, no director or executive officer of the Company, or (in the case of paragraphs (ii) and (iii) only) shareholder holding a sufficient number of securities of the Company to affect materially the control of Russel Metals, is, as at the date of this Annual Information Form, or has been within ten (10) years before the date of this Annual Information Form,

(i) a director, chief executive officer or chief financial officer of any company (including Russel Metals) that:

> (a) while that person was acting in such capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days (collectively, and for purposes of this and the following paragraphs, an "order"); or
>
> (b) was subject to an order that was issued after that person ceased to be a director chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in their capacity as a director, chief executive officer or chief financial officer of such company;

(ii) a director or executive officer of any company (including Russel Metals) that, while that person was acting in such capacity, or within a year of that person ceasing to so act, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(iii) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such person.

To our knowledge, the only directors in respect of whom any such disclosure is required are Mr. Clark, Mr. Griffiths and Mrs. Lachapelle. In relation to paragraph (a), Mr. Clark was formerly a director of APIC Petroleum Corporation (formerly Marketvision Direct Inc.) ("APIC") when on December 5, 2001, the Ontario Securities Commission issued a cease trade order for APIC. This order related to APIC's failure to file and deliver to its shareholders annual financial statements for the year ended June 30, 2001 and the first quarter interim financial statements for the period ended September 30, 2001, within the time periods prescribed. The cease trade order was lifted on March 22, 2002, when the outstanding financial statements were filed. On December 7, 2001, the British Columbia Securities Commission issued a cease trade order in connection with the same infraction. This cease trade order was lifted February 1, 2002. Mr. Griffiths was formerly a director of Brazilian Resources, Inc., which was issued a temporary cease trade order by the Ontario Securities Commission on June 10, 2013. Mr. Griffiths was formerly a director of PreMD Inc. In April 2009 a cease trade order was issued in connection with the voluntary delisting of the company's shares from the TSX, due to the company's failure to file continuous disclosure materials required by Ontario securities law. This cease order is still in effect. In relation to paragraph (b), Mr. Griffiths was a director of Slater Steel Inc. in 2003, when it operated under the protection of the CCAA in an orderly wind-down. Mr. Griffiths and Mrs. Lachapelle were directors of AbitibiBowater Inc. in 2009 at the time when AbitibiBowater Inc. and certain of its U.S. and Canadian subsidiaries filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware for relief under the provisions of Chapter 11 and Chapter 15 of the United States Bankruptcy Code, as amended, and certain of its Canadian subsidiaries sought creditor protection under the Companies' Creditors Arrangement Act with the Superior Court of Quebec in Canada. In December 2010, AbitibiBowater Inc. emerged from Chapter 11 Bankruptcy protection.

AUDIT COMMITTEE INFORMATION

The members of the audit committee are A.D. Laberge (Chair), A. Benedetti, J.M. Clark, J.A. Hanna and L. Lachapelle. The audit committee has direct communication with our finance department to review issues as appropriate and meets directly with the external auditors on a quarterly basis.

Each member of the Audit Committee is independent and financially literate. A. Benedetti, J.M Clark, J.A. Hanana and A.D. Laberge are considered to be "financial experts", as defined in the Charter of the Audit Committee following this section. Each member of the Audit Committee has the ability to perform their responsibilities as an Audit Committee member based on their education and/or experience as summarized below:

A.D. Laberge (Chair)

- Former President and CEO and CFO of Fincentic Corporation
- Former Senior Vice President of Finance and CFO of MacMillan Bloedel Limited
- Chair of the Audit Committee of Potash Corporation of Saskatchewan
- Audit Committee member of Royal Bank of Canada, Delta Hotels Limited and SilverBirch Management Ltd.
- Former Audit Committee member of Catalyst Paper Corporation
- Former Chair of the Audit Committee of B.C. Hydro
- Master of Business Administration

A. Benedetti

- Chartered Accountant and Chartered Professional Accountant
- Former Chair of the Canadian Institute of Chartered Accountants
- Former Vice Chair and Canadian Area Managing Partner for Ernst & Young LLP
- Chair of the Audit Committee of Dorel Industries Inc. and Imperial Tobacco Canada Limited
- Former Chair of the Audit Committee of Birks & Mayors Inc. and Dynamic Mutual Funds
- Certified as a Corporate Director by the Institute of Corporate Directors

J.M. Clark
- Chartered Accountant and Chartered Professional Accountant
- Former Chief Financial Officer and director of Polaris Geothermal Inc.
- Former President and/or Executive Chairman of Laurasia Resources Limited
- Audit Committee member Crown Point Energy Inc., Vista Gold Corp. and Aizan Technologies Inc.
- Former Audit Committee member of APIC Petroleum Corporation, Alberta Clipper Inc., Impact Energy Inc., Polaris Geothermal Inc., Thunder Energy Inc. and Thunder Energy Trust

J. Hanna
- Chartered Accountant, Chartered Professional Accountant, and Certified General Accountant
- Former CEO and CFO of Rexel Canada Electrical Inc.
- Former CFO of Hydro-Quebec and Via Rail Canada Inc.
- Chair of Audit Committee of Innergex Energy Renewal Inc.
- Audit Committee member of Uni-Select Inc. And Transport Canada and Infrastructure Canada Departmental Audit Committee

L. Lachapelle
- Audit Committee member of Industrial Alliance Insurance and Financial Services Inc. and BNP Paribas (Canada)
- Former President and CEO of Forest Products Association of Canada
- Former President of Strategico Inc.
- Former Audit Committee member of AbitibiBowater Inc.
- Bachelor of Commerce

Audit Fees

The aggregate fees charged by Deloitte LLP (the Company's external auditors who are independent in accordance with the rules of professional conduct) for audit services including work on acquisitions for the year ended December 31, 2012 were $1.6 million (2011: $1.3 million).

Audit-Related Fees

The aggregate fees charged by Deloitte LLP for the year ended December 31, 2012 for assurance and related services that are reasonably related to the performance of the audit and are not reported above were $0.3 million (2011: $0.2 million). Such services included review of our debt issue, consulting on IFRS transition and audits of employee benefit plans.

Tax Fees

The aggregate fees charged by Deloitte LLP for U.S. tax compliance, tax advice and planning work for the fiscal year ended December 31, 2012 were $0.3 million (2011: $0.2 million).

Other Fees

Other than noted above, no other fees were charged by Deloitte LLP during 2012 and 2011 for any projects of services.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and securities authorized for issuance under the Company's Share Option Plan, is contained in our Management Proxy Circular.

Additional financial information is provided in our consolidated financial statements and its Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2012.

A copy of the foregoing documents together with a copy of this annual information form and any interim financial statements issued by us subsequent to December 31, 2012 may be obtained on request to the Assistant Secretary, Russel Metals Inc., Suite 210, 1900 Minnesota Court, Mississauga, Ontario L5N 3C9. These documents are also posted regularly to our web site located at www.russelmetals.com. (See Investor Relations and Financial Reports.) These documents, together with other additional information relating to our Company may be found on SEDAR at www.sedar.com.

When the securities of Russel Metals are in the course of a distribution pursuant to a short-form prospectus or when a preliminary short-form prospectus has been filed in respect of a distribution of our securities, we will provide to any person, upon request to our Assistant Secretary at the address noted above, one copy of this annual information form, our Annual Report, any interim financial statements, our Management Proxy Circular and any other document that is incorporated by reference into the preliminary prospectus or prospectus.

CHARTER OF THE AUDIT COMMITTEE

1. PURPOSE AND RESPONSIBILITIES

The primary purpose of the Committee is to assist Board oversight of:

(a) the integrity of Russel's financial statements;
(b) Russel's compliance with legal and regulatory requirements;
(c) the External Auditor's qualifications and independence; and
(d) the performance of Russel's internal audit function and the External Auditor.

2. DEFINITIONS AND INTERPRETATION

2.1 *Definitions*

In this Charter:

(a) "Board" means the board of directors of Russel;
(b) "Chair" means the chair of the Committee;
(c) "Committee" means the audit committee of the Board;
(d) "Director" means a member of the Board;
(e) "External Auditor" means Russel's independent auditor; and
(f) "Russel" means Russel Metals Inc.

2.2 *Interpretation*

The provisions of this Charter are subject to the provisions of Russel's by-laws and to the applicable provisions of the *Canada Business Corporations Act* (the "Act"), and any other applicable legislation.

3. ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE

3.1 *Establishment of the Audit Committee*

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

3.2 *Appointment and Removal of Members of the Committee*

(a) *Board Appoints Members* - The members of the Committee shall be appointed by the Board, having considered the recommendation of the Nominating and Corporate Governance Committee of the Board.

(b) *Annual Appointments* - The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

(c) *Vacancies* - The Board may appoint a member to fill a vacancy, which occurs in the Committee between annual elections of Directors.

(d) *Removal of Member* - Any member of the Committee may be removed from the Committee by a resolution of the Board.

3.3 *Number of Members*

The Committee shall consist of three or more Directors.

3.4 *Independence of Members*

Each member of the Committee shall be independent for the purposes of all applicable regulatory and stock exchange requirements.

3.5 *Financial Literacy*

(a) *Financial Literacy Requirement* - Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

(b) *Definition of Financial Literacy* - "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Russel's financial statements.

3.6 *Audit Committee Financial Expert*

(a) Attributes of an Audit Committee Financial Expert. To the extent possible, the Board will appoint to the Committee at least one Director who has the following attributes:

(i) an understanding of generally accepted accounting principles and financial statements;
(ii) ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
(iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by Russel's financial statements, or experience actively supervising one or more persons engaged in such activities;
(iv) an understanding of internal controls and procedures for financial reporting; and
(v) an understanding of audit committee functions.

(b) Experience of the Audit Committee Financial Expert. To the extent possible, the Board will appoint to the Committee at least one Director who acquired the attributes in (a) above through:

(i) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions (or such other qualification as the Board interprets such qualification in its business judgment);
(ii) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
(iii) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
(iv) other relevant experience.

3.7 *Retirement and Term*

(a) *Rotation of Membership* - The Nominating and Corporate Governance Committee shall recommend to the Board a process for ensuring that at least every three years, unless otherwise expressly determined by the Board, at least one member of the Committee will retire from the Committee and at least one new member will be appointed to the Committee who has not been a member of the Committee for at least three years.

(b) *Six Year Term Limit* - No person shall serve on the Committee for a period of more than six consecutive years unless the Board shall, in any particular case, specifically determine to make an exception from such limitation.

3.8 *Board Approval Required*

No member of the Committee shall serve on more than three other public company audit committees without the approval of the Board.

4. COMMITTEE CHAIR

4.1 *Board to Appoint Chair*

The Board shall appoint the Chair from the members of the Committee who are unrelated directors (or, if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

4.2 *Term*

The position of Chair shall normally be rotated every three years, but the term of any Chair may be extended for a longer term, not to exceed six years.

5. COMMITTEE MEETINGS

5.1 *Quorum*

A quorum of the Committee shall be two.

5.2 *Secretary*

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 *Time and Place of Meetings*

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly.

5.4 *In Camera Meetings*

The Committee shall meet separately, periodically, with each of:

(a) management;
(b) the External Auditor; and
(c) the internal auditor.

5.5 *Right to Vote*

Each member of the Committee shall have the right to vote on matters that come before the Committee.

5.6 *Invitees*

The Committee may invite Directors, officers and employees of Russel or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at Russel's expense.

5.7 *Regular Reporting*

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

6. AUTHORITY OF COMMITTEE

6.1 *Retaining and Compensating Advisors*

The Committee shall have the authority to engage independent counsel and other advisors as the Committee may deem appropriate in its sole discretion and to set and pay the compensation for any advisors employed by the audit committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

6.2 *Other Expenses*

The Committee shall determine, and Russel shall pay, the ordinary expenses of the Committee that are necessary or appropriate in carrying out their duties.

6.3 *Recommendations to the Board*

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

7. REMUNERATION OF COMMITTEE MEMBERS

7.1 *Remuneration of Committee Members*

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

7.2 *Directors' Fees*

No member of the Committee may earn fees from Russel or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares or options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from Russel.

SPECIFIC DUTIES AND RESPONSIBILITIES

8. INTEGRITY OF FINANCIAL STATEMENTS

8.1 *Review and Approval of Financial Information*

(a) *Annual Financial Statements* - The Committee shall review and discuss with management and the External Auditor, Russel's audited annual financial statements and related MD&A together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.

(b) *Interim Financial Statements* - The Committee shall review and discuss the report of the External Auditor, together with management and the External Auditor and approve Russel's interim unaudited financial statements (including, without limitation, its quarterly unaudited financial statements and any other unaudited special purpose financial statements intended for publication) and related MD&A.

(c) *Material Public Financial Disclosure* - The Committee shall discuss with management and the External Auditor:

(i) the types of information to be disclosed and the type of presentation to be made in connection with earnings press releases;

(ii) financial information and earnings guidance (if any) provided to analysts and rating agencies; and

(iii) press releases containing financial information (paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information).

(d) *Procedures for Review* - The Committee shall be satisfied that adequate procedures are in place for the review of Russel's disclosure of financial information extracted or derived from Russel's financial statements (other than financial statements, MD&A and earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.

(e) *Accounting Treatment* - The Committee shall review and discuss with management and the External Auditor:

(i) major issues regarding accounting principles and financial statement presentation, including any significant changes in Russel's selection or application of accounting principles and major issues as to the adequacy of Russel's internal controls and any special audit steps adopted in light of material control deficiencies;

(ii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and

(iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures on Russel's financial statements.

(f) The Committee should review and discuss with management and, if appropriate, with the External Auditor or legal counsel, the management certifications of the financial statements as required by National Instrument 52-109.

9. EXTERNAL AUDITOR

9.1 *External Auditor*

(a) *Authority with Respect to External Auditor* - As a representative of Russel's shareholders, the Committee shall be directly responsible for the appointment, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for Russel. In the discharge of this responsibility, the Committee shall:

- (i) have sole responsibility for recommending to the Board the person to be proposed to Russel's shareholders for appointment as External Auditor for the above-described purposes as well as the responsibility for recommending such External Auditor's compensation and determining at any time whether the Board should recommend to Russel's shareholders whether the incumbent External Auditor should be removed from office;
- (ii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and
- (iii) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.

(b) *Independence* - The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:

- (i) assure the regular rotation of the lead audit partner as required by law and consider whether, in order to ensure continuing independence of the External Auditor, Russel should rotate periodically, the audit firm that serves as External Auditor;
- (ii) require the External Auditor to submit on a periodic basis to the Committee, a formal written statement delineating all relationships between the External Auditor and Russel and that the Committee is responsible for actively engaging in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and for recommending that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;
- (iii) unless the Committee adopts pre-approval policies and procedures, approve any non-audit services provided by the External Auditor and may delegate such approval authority to one or more of its independent members who shall report promptly to the Committee concerning their exercise of such delegated authority; and
- (iv) review and approve the policy setting out the restrictions on Russel hiring partners, employees and former partners and employees of Russel's current or former External Auditor.

(c) *Issues Between External Auditor and Management* - The Committee shall:

- (i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or an access to requested information;
- (ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor; and
- (iii) review with the External Auditor:
  - any accounting adjustments that were proposed by the External Auditor, but were not made by management;
  - any communications between the audit team and audit firm's national office respecting auditing or accounting issues presented by the engagement;
  - any management or internal control letter issued, or proposed to be issued by the External Auditor to Russel; and
  - the performance of Russel's internal audit function and internal auditors.

(d) *Non-Audit Services*.

(i) The Committee shall either:

- approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of Russel to Russel (including its subsidiaries); or
- adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the audit committee's responsibilities to management.

(ii) The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full audit committee at its first scheduled meeting following such pre-approval.

(iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by Russel at the time of the engagement as being non-audit services.

(e) *Evaluation of External Auditor* - The Committee shall evaluate the External Auditor each year, and present its conclusions to the Board. In connection with this evaluation, the Committee shall:

(i) review and evaluate the performance of the lead partner of the External Auditor;

(ii) obtain the opinions of management with respect to the performance of the External Auditor; and;

(iii) obtain and review a report by the External Auditor describing:

- the External Auditor's internal quality-control procedures;
- any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues; and
- all relationships between the External Auditor and Russel (for the purposes of assessing the External Auditor's independence).

(f) *Review of Management's Evaluation and Response* - The Committee shall:

(ii) review management's evaluation of the External Auditor's audit performance;

(iii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses;

(iv) review management's response to significant internal control recommendations of the internal audit staff and the External Auditor;

(v) receive regular reports from management and receive comments from the External Auditor, if any, on:

- Russel's principal financial risks;
- the systems implemented to monitor those risks; and
- the strategies (including hedging strategies) in place to manage those risks; and

(v) recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.

10. INTERNAL CONTROL

10.1 *Review by Audit Committee*

The Committee shall review any internal control report prepared by management, including management's assessment of the effectiveness of Russel's internal control structure and procedures for financial reporting.

11. INTERNAL AUDIT FUNCTION

11.1 *Internal Auditor*

In connection with Russel's internal audit function, the Committee shall:

(a) review the terms of reference of the internal auditor and meet with the internal auditor as the Committee may consider appropriate to discuss any concerns or issues;

(b) in consultation with the External Auditor and the internal audit group, review the adequacy of Russel's internal control structure and procedures designed to ensure compliance with laws and regulations and any special audit steps adopted in light of material deficiencies and controls;

(c) review the periodic reports of activities of the internal auditor; and

(d) periodically review with the internal auditor any significant difficulties, disagreements with management or scope restrictions encountered in the course of the work of the internal auditor.

The Director of Internal Audit shall have dual reporting to the Chair of the Audit Committee and to the Chief Executive Officer of Russel.

12. COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

12.1 *Risk Assessment and Risk Management*

The Committee shall discuss Russel's major financial risk exposures and the steps management has taken to monitor and control such exposures.

12.2 *Related Party Transactions*

The Committee shall review and approve all related party transactions in which Russel is involved or which Russel proposes to enter into.

12.3 *WhistleBlowing*

The Committee shall put in place procedures for:

(a) the receipt, retention and treatment of complaints received by Russel regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of Russel of concerns regarding questionable accounting or auditing matters.

13. ANNUAL PERFORMANCE EVALUATION

On an annual basis, the Committee shall follow the process established by the Board and overseen by the Nominating and Corporate Governance Committee for assessing the performance of the Committee.

14. CHARTER REVIEW

The Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any changes it deems appropriate.