

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold within the United States, except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This short form prospectus does not constitute an offer to sell or solicitation to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference in this short form prospectus may be obtained on request without charge from the Assistant Secretary of Russel Metals Inc., 1900 Minnesota Court, Suite 210, Mississauga, Ontario L5N 3C9, (905) 819-7777 and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

October 2, 2009



\$175,000,000

7.75% Convertible Unsecured Subordinated Debentures due September 30, 2016

This short form prospectus qualifies the distribution (the "Offering") of an aggregate of \$175,000,000 principal amount of 7.75% convertible unsecured subordinated debentures (the "Debentures") of Russel Metals Inc. ("Russel Metals" or the "Company") at a price of \$1,000 per Debenture. See "Plan of Distribution". The Debentures will bear interest at an annual rate of 7.75% payable in equal instalments semi-annually in arrears on March 31 and September 30 in each year commencing March 31, 2010. The maturity date of the Debentures will be September 30, 2016 (the "Maturity Date").

Debenture Conversion Privilege

Each Debenture will be convertible into freely-tradeable common shares of the Company ("Common Shares") at the option of the holder at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, and (ii) the date specified by the Company for redemption of the Debentures, at a conversion price of \$25.75 per Common Share (the "Conversion Price"), being a conversion rate of approximately 38.8350 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the trust indenture governing the terms of the Debentures. Upon conversion, holders will not be entitled to interest accrued since the last interest payment date unless they convert their Debentures after the record date for the subsequent interest payment date, in which case, they will be entitled to receive such interest payment. Further particulars concerning the conversion privilege are set out under "Description of the Securities Being Distributed – Conversion Privilege".

The Company's outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "RUS". The TSX has conditionally approved the listing of the Debentures distributed under this short form prospectus and the Common Shares issuable on the conversion, redemption or maturity of the Debentures on the TSX. Listing is subject to the Company fulfilling all of the listing requirements of the TSX on or before December 24, 2009. On October 1, 2009, the closing price of the outstanding Common Shares was \$16.82.

| | <u>Price to the Public</u> | <u>Underwriters' Fee⁽¹⁾</u> | <u>Net Proceeds to Russel Metals⁽²⁾</u> |
|-------------------------|----------------------------|--|--|
| Per Debenture | \$ 1,000 | \$ 40 | \$ 960 |
| Total | \$175,000,000 | \$7,000,000 | \$168,000,000 |

(1) The Underwriters' Fee represents 4.0% of the offering price of the Debentures. See "Plan of Distribution".

(2) Before deducting the expenses of the Offering estimated at \$900,000, which are payable from the proceeds of the Offering.

There is no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See “Risk Factors”.

The Debentures may not be redeemed by the Company prior to September 30, 2015. On or after September 30, 2015 and any time prior to the Maturity Date, the Company may at its option redeem, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days’ and not less than 30 days’ notice.

Subject to required regulatory approval and provided that there is not a current event of default, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity through, in whole or in part, the issuance of Common Shares upon at least 40 days’ and not more than 60 days’ prior notice, by delivering that number of Common Shares obtained by dividing the principal amount of the Debentures by 95% of the weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or the Maturity Date, as the case may be. Any accrued or unpaid interest will be paid in cash. Further particulars concerning the interest, repurchase and maturity provision of the Debentures are set out under “Description of the Securities Being Distributed”.

Investing in the Debentures involves certain risks that should be considered by a prospective purchaser. See “Risk Factors”.

The offering price and terms of the Debentures were determined by negotiation between Russel Metals and GMP Securities L.P., on its own behalf and on behalf of RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. (collectively, the “Underwriters”). The Underwriters, as principals, conditionally offer the securities, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement (as defined herein) referred to under “Plan of Distribution” and subject to the approval of certain legal matters by Davies Ward Phillips & Vineberg LLP on behalf of the Company and by Stikeman Elliott LLP on behalf of the Underwriters.

RBC Dominion Securities Inc. and Scotia Capital Inc. are wholly-owned subsidiaries of Canadian chartered banks (the “Banks”). The Banks are lenders to the Company. Consequently, the Company may be considered to be a connected issuer of RBC Dominion Securities Inc. and Scotia Capital Inc. under applicable Canadian securities legislation. See “Plan of Distribution”.

The Underwriters may engage in market stabilization activities as described in the “Plan of Distribution”.

Subscriptions for the Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is intended that the closing of the Offering will occur on or about October 8, 2009 or such other date as may be agreed upon by the Company and the Underwriters (the “Closing Date”) but in any event, no later than October 22, 2009. The Debentures will be available for delivery in the book-based system of CDS Clearing and Depository Services Inc. (“CDS”) on or about the Closing Date. Except in certain limited circumstances, the Debentures will be issued in the book-based system of CDS and purchasers of Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. See “Description of the Securities Being Distributed – Depository Services”.

Russel Metals is incorporated under the *Canada Business Corporations Act*. The registered and principal office of the Company is located at 1900 Minnesota Court, Suite 210, Mississauga, Ontario L5N 3C9.

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Readers should rely only on the information contained or incorporated by reference in this short form prospectus (the "Prospectus"). Russel Metals has not authorized any person to provide different information. The Debentures may be sold only in those jurisdictions where offers and sales are permitted. This Prospectus is not an offer to sell or a solicitation of an offer to buy the Debentures in any jurisdiction where it is unlawful.

All references in this prospectus to "dollars" or "\$" are to Canadian dollars unless otherwise noted. The Company's consolidated financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Russel Metals publishes its consolidated financial statements in Canadian dollars.

Unless the context otherwise requires, all references to "Russel Metals" or the "Company" include Russel Metals Inc., its predecessors and subsidiaries.

SUMMARY

The following is a summary only and is to be read in conjunction with, and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus, in the documents incorporated by reference herein and the trust indenture (the "Indenture") to be entered into as of the closing date on or about October 8, 2009 or such other date as may be agreed upon by the Company and the Underwriters (the "Closing Date") but in any event, no later than October 22, 2009 between the Company and CIBC Mellon Trust Company, as trustee (the "Trustee").

The Offering

| | |
|-----------------------------------|--|
| Issuer: | Russel Metals Inc. ("Russel Metals" or the "Company"). |
| Offering: | \$175,000,000 aggregate principal amount of 7.75% convertible unsecured subordinated debentures (the "Debentures") convertible into fully paid, non-assessable and freely-tradeable common shares of the Company (the "Common Shares"). |
| Maturity Date: | September 30, 2016 (the "Maturity Date"). |
| Price: | \$1,000 per Debenture. |
| Interest: | 7.75% per annum payable in equal instalments semi-annually in arrears on March 31 and September 30 in each year, commencing March 31, 2010. The first interest payment on March 31, 2010 will include interest accrued from the Closing Date to, but excluding, March 31, 2010. |
| Interest Payment Election: | Unless an Event of Default (as defined below) has occurred and is continuing, the Company may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay interest on the Debentures, on the date it is payable under the Indenture (i) in cash; (ii) by delivering Common Shares to the Trustee, for sale, to satisfy the interest obligations in accordance with the Indenture in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares; or (iii) any combination of (i) and (ii) above. |
| Conversion: | <p>The Debentures will be convertible into Common Shares at the option of the holder at any time prior to the close of business on the earlier of the business day immediately preceding (i) the Maturity Date, and (ii) the date specified by the Company for redemption of the Debentures, at a conversion price of \$25.75 per Common Share (the "Conversion Price"), being a conversion rate of approximately 38.8350 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment as provided in the Indenture. Upon conversion, holders will not be entitled to interest accrued since the last interest payment date unless they convert their Debentures after the record date for the subsequent interest payment date, in which case, they will be entitled to receive such interest payment.</p> <p>Upon conversion of any of the Debentures, the Company will have the right to settle the conversion in cash (or a combination of cash and Common Shares) in lieu of Common Shares unless the holder has expressly indicated that the holder does not wish to receive cash in lieu of Common Shares. If the Company elects to settle the conversion right in respect of all or any portion of the principal amount of the Debentures in cash, the Company will deliver to the holder an amount in cash equal to the Current Market Price (as defined below) on the date on which the conversion notice is given by the holder to the Company multiplied by the number of Common Shares into which that applicable portion of the Debentures would then be convertible.</p> |

Redemption:

The Debentures will not be redeemable before September 30, 2015. On and after September 30, 2015 and any time prior to the Maturity Date, the Debentures may be redeemed in whole or in part, from time to time, at the option of the Company on not more than 60 days' and not less than 30 days' prior notice at a price equal to their principal amount plus accrued and unpaid interest.

Payment upon Redemption or Maturity:

Unless an event of default has occurred and is continuing, and subject to required regulatory approval, the Company may, at its option, elect to satisfy its obligation to pay the principal amount of the Debentures on redemption or at maturity through, in whole or in part, the issuance of Common Shares upon at least 40 days' and not more than 60 days' prior notice, by delivering that number of Common Shares determined by dividing the principal amount of the Debentures which are to be redeemed or which have matured by 95% of the Current Market Price preceding the date fixed for redemption or the Maturity Date, as the case may be. Any accrued or unpaid interest will be paid in cash.

Purchase for Cancellation:

The Company will also have the right to purchase Debentures for cancellation in the market, by tender, private contract or in the market at any time, subject to any required regulatory approval.

Take-Over Protection:

Within 30 days following the occurrence of a Change of Control (as defined below), the Company will be required to make an offer in writing to purchase all of the Debentures then outstanding (the "Debenture Offer") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon. A "Change of Control" will be defined in the Indenture governing the Debentures as the acquisition by any person, or group of persons acting jointly or in concert, of (i) voting control or direction of more than 50% of the outstanding voting securities of the Company but excludes an acquisition, merger, reorganization, amalgamation, arrangement, combination or other similar transaction if the holders of voting securities of the Company immediately prior to such transaction hold, directly or indirectly, securities representing at least 50% of the voting control or direction in the Company or the successor entity upon completion of the transaction; or (ii) more than 50% of the consolidated assets of the Company.

If a Change of Control occurs in which 10% or more of the consideration for the voting securities in the transaction or transactions constituting a Change of Control consists of: (i) cash; (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a stock exchange, then during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the Debenture Offer is delivered, holders of Debentures will be entitled to convert their Debentures at a new conversion price determined in accordance with the terms of the Indenture.

Listing:

The TSX has conditionally approved the listing of the Debentures and the Common Shares issuable on the conversion, redemption or maturity of the Debentures on the TSX. Listing is subject to the Company fulfilling all of the listing requirements of the TSX on or before December 24, 2009.

Use of Proceeds:

The net proceeds to the Company from the issue and sale of the Debentures (the “Offering”) after deducting both the underwriters’ fee equal to 4.0% of the gross aggregate proceeds of the Offering (the “Underwriters’ Fee”) and the estimated expenses of the Offering, are estimated to be approximately \$167,100,000. Russel Metals intends to use the net proceeds of the Offering for working capital, potential acquisitions and general corporate purposes. See “Use of Proceeds”.

Subordination:

The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness (as defined herein) of the Company. The Debentures will also be effectively subordinate to claims of creditors of the Company’s subsidiaries except to the extent the Company is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The Debentures will not limit the ability of the Company to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging its properties to secure any indebtedness.

FORWARD-LOOKING STATEMENTS

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

NON-GAAP MEASURES

Certain of the documents incorporated by reference in this Prospectus include a number of measures that are not prescribed by generally accepted accounting principles (GAAP) and as such may not be comparable to similar measures presented by other companies. Russel Metals believes these measures are commonly employed to measure performance in its industry and are used by analysts, investors, lenders and other interested parties to evaluate financial performance and the Company's ability to incur and service debt to support its business activities. The measures used are specifically defined where they are first used in the documents incorporated by reference. While non-GAAP measures are helpful supplemental information, they should not be considered in isolation as an alternative to net income, cash flows generated by operating, investing or financing activities, or other financial statement data presented in accordance with GAAP.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar regulatory authorities in each of the provinces of Canada. Copies of these documents may be obtained on request without charge from the Assistant Secretary at the Company's head office located at 1900 Minnesota Court, Suite 210, Mississauga, Ontario, (905) 819-7777 or by accessing the disclosure documents available through the Internet, on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com.

The following documents of the Company filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- (a) the annual information form of Russel Metals dated February 23, 2009;
- (b) the audited comparative consolidated financial statements of Russel Metals for the years ended December 31, 2008 and 2007, together with the notes thereto and the auditors' report thereon;
- (c) management's discussion and analysis of financial condition and results of operations of Russel Metals for the year ended December 31, 2008;
- (d) the unaudited comparative interim consolidated financial statements of Russel Metals as at June 30, 2009 and for the three and six month periods ended June 30, 2009 and 2008, together with the notes thereto;
- (e) management's discussion and analysis of financial condition and results of operations of Russel Metals for the three and six month periods ended June 30, 2009;
- (f) the management information circular of Russel Metals dated March 2, 2009 prepared in connection with the annual meeting of shareholders of Russel Metals held on May 12, 2009; and
- (g) the material change report of Russel Metals dated October 1, 2009 with respect to this offering.

All documents of the type referred to in the preceding paragraphs (a) to (g), any material change report (other than any confidential material change report) and any business acquisition report subsequently filed by the Company with such securities commissions or similar regulatory authorities in any of the provinces of Canada subsequent to the date of this Prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein, or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

ELIGIBILITY FOR INVESTMENT

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the Company, and Stikeman Elliott LLP, counsel to the Underwriters, provided that the Common Shares, or in the case of the Debentures, the Debentures, are listed on a designated stock exchange (which includes the TSX) for the purposes of the *Income Tax Act* (Canada) (the “Tax Act”), the Debentures being offered pursuant to this Prospectus and the Common Shares issuable on the conversion, redemption or maturity of the Debentures, if issued on the date hereof, would be qualified investments under the Tax Act as of the date hereof for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Company, or an employer that does not deal at arm’s length with the Company, has made a contribution), registered education savings plans, registered disability savings plans and tax-free savings accounts (“TFSA”).

Notwithstanding the foregoing, if the Debentures or Common Shares are “prohibited investments” for the purposes of a TFSA, a holder of such account will be subject to penalty taxes as set out in the Tax Act. Provided that the holder of a TFSA deals at arm’s length with the Company for the purposes of the Tax Act, and does not hold a “significant interest” (within the meaning of the Tax Act) in the Company or any corporation, partnership or trust with which the Company does not deal at arm’s length for the purposes of the Tax Act, the Debentures and the Common Shares will not be “prohibited investments” for such TFSA for the purposes of the Tax Act. Holders of a TFSA should consult their own tax advisors to ensure that the Debentures and Common Shares issuable on the conversion, redemption or maturity of the Debentures would not be a “prohibited investment” for the purposes of the Tax Act in their particular circumstances.

THE COMPANY

Russel Metals 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. The head office and principal place of business of the Company is located at 1900 Minnesota Court, Suite 210, Mississauga, Ontario L5N 3C9.

BUSINESS OF THE COMPANY

Russel Metals is one of the largest metals distribution and processing companies in North America. The Company primarily distributes steel products and conducts its distribution business primarily in three business segments: metals service centers, energy tubular products and steel distributors.

Metals Service Centers

The Company’s metals service centers sell plate, flat rolled carbon and other general line carbon steel products, as well as some 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, the Company’s metals service centers operate under the names Russel Metals, Métaux Russel, A. J. Forsyth, Acier Leroux, Acier Loubier, Acier Richler, B&T Steel, Leroux Steel, Mégantic Métal, Métaux Russel Produits Spécialisés, Russel Metals Specialty Products, McCabe Steel, Russel Leroux, and York-Ennis. The Company’s 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 seven 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 through its facility in Ohio.

The Company's 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, Russel Metals enables end users to reduce their overall production costs and decrease capital required for raw materials and metals processing equipment. The Company's specialized 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, flame 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 2008, the Company's metals service centers segment handled an average of approximately 3,437 transactions per day. Typically, the metals service centers sales are made on an individual purchase order basis. The Company's metals service center 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.

Energy Tubular Products

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

Fedmet Tubulars — a distributor of oil country tubular goods (which include 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.

Triumph Tubular & Supply — a distributor of oil country tubular goods for use in oil and gas production and distribution. Triumph's sales office is located in Calgary, Alberta.

Comco Pipe and Supply Company — a distributor of pipe, valve and fitting products. 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.

Pioneer Pipe — a distributor and processor of steel pipe products to the construction, oil and gas and ski industries in the western United States. Pioneer Pipe has facilities in Aurora, Colorado and Lindon, Utah.

Spartan Steel Products — a supplier of steel pipe products mainly to the energy sector headquartered in Evergreen, Colorado.

The energy tubular products businesses sell a range of products to end users located primarily in western Canada and the western United States.

Steel Distributors

Russel Metals' steel distributors sell steel in large volumes to other steel service centers and large equipment manufacturers mainly on an "as is" basis. Steel distributors source their steel domestically and off shore.

The steel distributor businesses 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.

The 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 Sunbelt Group, processes coils.

CAPITALIZATION

The following table sets forth the capitalization of the Company as at June 30, 2009 and pro forma capitalization as at June 30, 2009, as adjusted to give effect to the Offering:

| | <u>As at June 30, 2009</u> (\$000,000s) | <u>As at June 30, 2009 after giving effect to the Offering</u> (\$000,000s) |
|--|--|--|
| Indebtedness | | |
| Indebtedness | 252 | 252 |
| Convertible Debentures — Liability Component | <u>—</u> | <u>154⁽¹⁾</u> |
| Total Indebtedness | <u>252</u> | <u>406</u> |
| Shareholders' Equity | | |
| Shareholders' Equity | 860 | 860 |
| Convertible Debentures — Equity Component | <u>—</u> | <u>13⁽¹⁾</u> |
| Total Shareholders' Equity | <u>860</u> | <u>873</u> |
| Total Capitalization | <u><u>1,112</u></u> | <u><u>1,279</u></u> |

(1) The proceeds of the Convertible Debentures are recognized in part as a liability and in part as equity. The issue costs have been apportioned between the components and the amount attributable to the liability component has been included in debt.

Since June 30, 2009, there have been no material changes in the share and loan capital of the Company. After giving effect to the Offering, the Company will experience an increase in indebtedness related to the Debentures of \$175,000,000.

RATINGS

The Debentures offered herein have not been rated.

The Company has received the following credit ratings from each of Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P") (each a "Rating Agency").

| | <u>Moody's</u> | <u>S&P</u> |
|------------------------------|----------------|----------------|
| Corporate Rating | Ba1 | BB+ |
| Senior unsecured notes | Ba2 | BB |
| Outlook | Stable | 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.

Standard & Poor's Ratings Services

S&P's credit ratings are on a long-term debt rating scale that ranges from AAA to D, which represents the range from the highest to lowest quality of such securities rated. According to S&P, the BB+ rating is the fifth highest of ten major rating categories. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

The ratings are based on, among other things, information furnished to the Ratings Agencies by the Company 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 the Company's 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.

EARNINGS COVERAGE

The following earnings coverage ratios and adjusted earnings coverage ratios are calculated on a consolidated basis for the year ended December 31, 2008 and the twelve-month period ended June 30, 2009 and are derived from audited financial statements, in the case of the year ended December 31, 2008, and unaudited financial statements, in the case of the twelve-month period ended June 30, 2009.

The earnings of the Company before interest expense and income tax expense for the year ended December 31, 2008 and the twelve-month period ended June 30, 2009 were \$355.2 million and \$63.4 million, respectively. The interest expense for the year ended December 31, 2008 and the twelve-month period ended June 30, 2009 was \$15.6 million and \$17.2 million, respectively, for a coverage ratio of 22.8 times and 3.7 times, respectively.

After giving effect to this Offering, the pro forma earnings of the Company before interest expense and income tax expense for the year ended December 31, 2008 and the twelve-month period ended June 30, 2009 were \$355.2 million and \$63.4 million, respectively. After giving effect to this Offering, the pro forma interest expense for the year ended December 31, 2008 and the twelve-month period ended June 30, 2009 was \$29.2 million and \$30.8 million, respectively, resulting in a coverage ratio of 12.2 times and 2.1 times, respectively.

These coverage ratios reflect historical earnings adjusted for the net impact of interest on the Debentures, as noted. Under GAAP, a portion of the Debentures will be classified on the balance sheet as a liability and a portion will be allocated to equity to reflect the conversion feature. The related interest expense and carrying charges will be amortized using the effective interest method. For purposes of the pro forma calculations above, interest expense has been calculated as though the Debentures had been accounted for in their entirety as debt. Also, for purposes of the calculation, interest expense does not include related carrying charges (e.g., the amortization of debt issuance costs).

The pro forma earnings coverage set forth above: (i) have been prepared in accordance with Canadian disclosure requirements using financial information that was prepared in accordance with GAAP; (ii) give effect to the issuance of the Debentures under this Prospectus as of the beginning of the applicable period; (iii) assume there are no additional earnings derived from the use of the net proceeds of the Offering; and (iv) do not purport to be indicative of earnings coverage ratios for any future periods.

USE OF PROCEEDS

The net proceeds to the Company from the issue and sale of the Debentures, after deducting both the Underwriters' Fee and the estimated expenses of the Offering, are estimated to be approximately \$167,100,000. Russel Metals intends to use the net proceeds of the Offering for working capital, potential acquisitions and general corporate purposes.

The Company will retain broad discretion in allocating the net proceeds not applied as set forth above. The Company's actual use of such net proceeds may vary depending on the Company's operating and capital needs from time to time. See "Plan of Distribution".

DESCRIPTION OF THE SECURITIES BEING DISTRIBUTED

The Debentures will be issued under the Indenture. The following description of the Debentures is a brief summary of their material attributes and characteristics, which does not purport to be complete, and is qualified in its entirety by reference to the Indenture providing for the issuance of the Debentures. The following summary uses words and terms which are defined in the Indenture. For full particulars, reference is made to the Indenture.

Debentures

The Debentures will be issued under and pursuant to the provisions of the Indenture. The Debentures will initially be limited in aggregate principal amount to \$175,000,000. The Company may, from time to time, without the consent of holders of Debentures, issue additional Debentures of the same series or of a different series under the Indenture. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof and will be available for delivery on or about the Closing Date. Except in certain limited circumstances, purchasers of Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. See "Depository Services". No fractional Debentures will be issued. The Debentures will be due on September 30, 2016.

Except as described below, the Debentures will bear interest from the date of issue at 7.75% per annum, which will be payable in equal instalments semi-annually in arrears on March 31 and September 30 in each year, commencing on March 31, 2010. The first interest payment will include interest accrued from the Closing Date to, but excluding, March 31, 2010. Interest will be payable based on a 365-day year. The interest on the Debentures will be payable in lawful money of Canada as specified in the Indenture. At the option of the Company, subject to required regulatory approval and unless an Event of Default has occurred and is continuing, the Company may deliver Common Shares to the Trustee, who shall facilitate the sale of such shares through investment bankers, brokers or dealers identified by the Company in order to raise funds to satisfy all or any part of the Company's obligation to pay interest on the Debentures. However, in any event, the holders of the Debentures shall be entitled to receive cash payments equal to the interest otherwise payable on the Debentures. See "Interest Payment Election".

The principal on the Debentures will be payable in lawful money of Canada as specified in the Indenture. At the option of the Company, subject to required regulatory approval and unless an Event of Default has occurred and is continuing, the Company may deliver by payment of Common Shares to satisfy, in whole or in part its obligation to repay the principal amount of the Debentures, as further described under "Redemption" and "Payment upon Redemption or Maturity".

The Debentures will be direct obligations of the Company and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all other liabilities of the Company as described under "Subordination". The Indenture will not restrict the Company from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its real or personal property to secure any indebtedness.

Conversion Privilege

The Debentures will be convertible at the holder's option into fully paid, non-assessable Common Shares, freely-tradeable under Canadian provincial securities laws, at any time prior to the close of business on the business day immediately preceding either: (i) the date specified by the Company for redemption of the Debentures; or (ii) the Maturity Date, at the Conversion Price, being a conversion rate of approximately 38.8350 Common Shares per \$1,000 principal amount of Debentures. No adjustment will be made for distributions on Common Shares issuable upon conversion or for interest accrued since the most recently completed interest payment date on Debentures surrendered for conversion;

however, holders converting their Debentures after the record date for the subsequent interest payment date will receive all interest which has accrued prior to that interest payment date and which has not been paid. Holders converting their Debentures shall become holders of record of Common Shares of the Company on the business day immediately following the conversion date. Notwithstanding the foregoing, Debentures converted during the six business days preceding March 31 and September 30 in each year, commencing March 31, 2010, will be deemed to be converted on March 31 or September 30, as the case may be, as the registers of the Trustee will be closed during such periods. However, any conversion during the six business days preceding a redemption date or the Maturity Date will be completed notwithstanding any closure of the registers of the Trustee.

In the event a holder of the Debentures exercises its conversion rights thereunder, the Company will have the right to settle the conversion in cash (or a combination of cash and Common Shares) in lieu of Common Shares unless the holder has expressly indicated in the applicable conversion notice that it does not wish to receive cash in lieu of Common Shares. If the Company elects to settle the conversion right applicable in respect of all or any portion of the principal amount of the Debentures (the "Elected Amount") in cash, the Company will deliver to the holder an amount in cash equal to the Current Market Price on the date on which the conversion notice is given by the holder to the Company multiplied by the number of Common Shares into which the Elected Amount would then be convertible, together with that number of Common Shares as would otherwise be issuable in respect of the balance of the principal amount of the Debentures.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the Conversion Price in certain events including without limitation: (i) the subdivision or consolidation of the outstanding Common Shares; (ii) the distribution of Common Shares to holders of all or substantially all of the outstanding Common Shares by way of dividend or otherwise other than an issue of securities to holders of Common Shares who have elected to receive dividends in securities of the Company in lieu of receiving cash dividends paid in the ordinary course; (iii) the issuance of options, rights or warrants to all or substantially all holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then Current Market Price (as defined below) of the Common Shares; and (iv) the distribution to all holders of Common Shares of any securities or assets (other than cash dividends and equivalent dividends in securities paid in lieu of cash dividends in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (ii), (iii) or (iv) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures into Common Shares prior to the applicable record date or effective date, as the case may be. The Company will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In addition, if a holder elects to convert its Debentures in connection with a Change of Control that occurs prior to the Maturity Date, the holder will be entitled to receive additional Common Shares as a make-whole premium on conversion in certain circumstances. See "Cash Change of Control".

The term "Current Market Price" will be defined in the Indenture to mean the weighted average price per share for Common Shares for 20 consecutive trading days ending on the fifth trading day preceding the date of determination on the TSX (or, if the Common Shares are not listed thereon, on such stock exchange on which the Common Shares are listed as may be selected for such purpose by the directors of Russel Metals and approved by the Trustee, or if the Common Shares are not listed on any stock exchange, then on the over-the-counter market). The weighted average price shall be determined by dividing the aggregate sale price of all Common Shares sold on the said exchange or market, as the case may be, during the said 20 consecutive trading days by the total number of Common Shares so sold.

In the case of (i) any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Common Shares; (ii) any consolidation, amalgamation or merger of the Company with or into any other entity; (iii) any sale or conveyance of the properties and assets of the Company as, or substantially as, an entirety to any other entity; or (iv) a liquidation, dissolution or winding-up of the Company, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale or conveyance or liquidation, dissolution or winding up, be entitled to receive the number of Common Shares or other securities on the exercise of the conversion right that such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale or conveyance or liquidation, dissolution or winding up.

No fractional Common Shares will be issued on any conversion but in lieu thereof the Company shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

Redemption

The Debentures will not be redeemable before September 30, 2015 (except in the event of certain circumstances described herein under “Change of Control of the Company”). On and after September 30, 2015 and any time prior to the Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of the Company on not more than 60 days’ and not less than 30 days’ prior notice at a price equal to their principal amount plus accrued and unpaid interest. In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Trustee on a pro rata basis or in such other manner as the Trustee deems equitable.

Payment upon Redemption or Maturity

On redemption or at the Maturity Date, the Company will repay the indebtedness represented by the Debentures by paying to the Trustee in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, together with accrued and unpaid interest thereon. The Company may, at its option, on not more than 60 days’ and not less than 40 days’ prior notice, subject to required regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to pay the principal amount of the Debentures which are to be redeemed or the principal amount of the Debentures which are due on the Maturity Date, as the case may be, by issuing Common Shares to the holders of the Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Common Shares to be issued will be determined by dividing the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured by 95% of the Current Market Price on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Common Shares will be issued on redemption or maturity but in lieu thereof the Company shall satisfy fractional share interests by a cash payment equal to the Current Market Price of any fractional interest.

Purchase for Cancellation

The Company will also have the right to purchase Debentures for cancellation in the market, by tender, by private contract or otherwise, subject to required regulatory approval.

Subordination

The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness (hereinafter defined) and indebtedness to trade creditors of the Company. “Senior Indebtedness” of the Company will be defined in the Indenture as the principal of and premium, if any, and interest on and other amounts in respect of all indebtedness of the Company (whether outstanding as at the date of the Indenture or thereafter incurred), other than indebtedness evidenced by the Debentures and all other existing and future debentures or other instruments of the Company which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures. Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, the Debenture and each other series of debentures issued under the Indenture, or any indenture supplement to the Indenture, will rank *pari passu* with each other (regardless of their actual date or terms of issue) and with all other present and future subordinated and unsecured indebtedness of the Company except for sinking provisions (if any) applicable to different series of debentures or similar types of obligations of the Company.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Company, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Company, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Company, then those holders of Senior Indebtedness, including any indebtedness to trade creditors, will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

The Indenture will also provide that the Company will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of the Debentures at any time when a default with respect to any Senior Indebtedness permitting the holders

thereof to accelerate the maturity thereof has occurred under the Senior Indebtedness and is continuing and the notice of the event of default has been given by or on behalf of the holders of Senior Indebtedness to the Company, unless the Senior Indebtedness has been repaid in full. The Debentures will also be effectively subordinate to claims of creditors of the Company's subsidiaries except to the extent the Company is a creditor of any such subsidiaries ranking at least *pari passu* with such other creditors.

The Company has outstanding senior notes in an aggregate principal amount of US\$175 million, due March 1, 2014 and bearing interest at 6.375% per annum, that are redeemable at the option of the Company (the "Senior Notes"). In addition, the Company is a borrower under certain credit facilities, including secured facilities, and other debt instruments. The Debentures will be subordinated and postponed in right of payment to the prior payment in full of all such indebtedness and the Senior Notes.

Change of Control of the Company

Within 30 days following the occurrence of a Change of Control, the Company will be required to make an offer in writing to purchase all of the Debentures then outstanding (the "Debenture Offer"), at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon (the "Debenture Offer Price").

The Indenture will contain notification and repurchase provisions requiring the Company to give written notice to the Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Trustee will thereafter promptly mail to each holder of Debentures a notice of the Change of Control, together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Company pursuant to the Debenture Offer, the Company will have the right to redeem all the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Company to the Trustee within ten days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

Cash Change of Control

If a Change of Control occurs in which 10% or more of the consideration for the voting securities in the transaction or transactions constituting a Change of Control consists of: (i) cash; (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a stock exchange (a "Cash Change of Control"), then subject to regulatory approvals, during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective (the "Effective Date") and ending 30 days after the Debenture Offer is delivered, holders of Debentures will be entitled to convert their Debentures at a new conversion price (the "Change of Control Conversion Price") calculated as follows:

$COCCP = OCP / (1 + (CP \times (c/t)))$ where:

COCCP is the Change of Control Conversion Price;

OCP is the Conversion Price in effect on the Effective Date;

CP = 45%;

c = the number of days from and including the Effective Date to but excluding the Maturity Date; and

t = the number of days from and including the Closing Date to but excluding the Maturity Date.

In the event that the Change of Control Conversion Price calculated in accordance with the formula above is less than any regulatory permitted discount to market price, the Change of Control Conversion Price shall be deemed to be that implied by the maximum permitted discount to market price.

Interest Payment Election

Unless an Event of Default has occurred and is continuing, the Company may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay interest on the Debentures (the “Interest Obligation”), on the date it is payable under the Indenture (an “Interest Payment Date”), (i) in cash; (ii) by delivering sufficient Common Shares to the Trustee, who shall facilitate the sale of such Common Shares, to satisfy the Interest Obligation on the Interest Payment date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares (the “Common Share Interest Payment Election”); or (iii) any combination of (i) and (ii) above.

The Indenture will provide that, upon the Company making a Common Share Interest Payment Election, the Trustee shall (i) accept delivery from the Company of Common Shares in accordance with the Common Share Interest Payment Election; (ii) accept bids with respect to, and consummate sales of, such Common Shares, each as the Company shall direct in its absolute discretion through the investment banks, brokers or dealers identified by the Company; (iii) invest the proceeds of such sales in securities issued or guaranteed by the Government of Canada which mature prior to the applicable Interest Payment Date, and use the proceeds received from investment in such permitted government securities, together with any additional cash provided by the Company, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incidental thereto that is within the Trustee’s Capacity.

The Indenture will set forth the procedures to be followed by the Company and the Trustee in order to effect the Common Share Interest Payment Election. If a Common Share Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive a cash payment equal to the interest owed on their Debentures from the Trustee out of the proceeds of the sale of Common Shares (plus any amount received by the Trustee from the Company) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Company in respect of the Interest Obligation.

Neither the Company’s making of the Common Share Interest Payment Election nor the consummation of sales of Common Shares will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (b) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

Events of Default

The Indenture will provide that an event of default (“Event of Default”) in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (i) failure for 15 days to pay interest on the Debentures when due; (ii) failure to pay principal or premium, if any, on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; (iii) a failure to make a Debenture Offer when required as a result of a Change of Control or failure to pay the Debenture Offer Price when due and payable; (iv) default in the observance or performance of any material covenant or condition of the Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Trustee to the Company specifying such default and requiring the Company to rectify the same; or (v) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws. If an Event of Default has occurred and is continuing, the Trustee may, in its discretion, and shall, upon request of holders of not less than 25% in principal amount of the Debentures, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of a majority of the principal amount of Debentures then outstanding may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms as such holders shall prescribe.

Offers for Debentures

The Indenture will contain provisions to the effect that if an offer is made for Debentures which would be a take-over bid for the Debentures within the meaning of Multilateral Instrument 62-104 – *Take-over bids and Issuer Bids* and in Ontario, the *Securities Act* (Ontario) and Ontario Securities Commission Rule 62-504 if the Debentures were considered equity securities, and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all holders of debentures any resolutions passed at meetings of the holders of debentures by votes cast thereat by holders of not less than 66 2/3% of the principal amount of the debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of the debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of debentures of each particularly affected series.

Depository Services

Except as otherwise provided below, the Debentures will be issued in the book-based system of CDS and must be purchased or transferred through participants (“Participants”) in the depository service of CDS, which include securities brokers and dealers, banks and trust companies. On the date of closing of the Offering, the Company will cause a global certificate or certificates representing the Debentures (each, a “Global Debenture”) to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of a Debenture will be entitled to receive a certificate or other instrument from the Company or CDS evidencing that purchaser’s ownership thereof, and no holder will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder. Each holder will receive a customer confirmation of purchase from the registered dealer from which the Debenture is purchased in accordance with the practices and procedures of that registered dealer. Practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Debentures.

Debentures may be issued in fully registered form if such Debentures are subject to U.S. securities law restrictions on transfer. In addition, Debentures will be issued in fully registered form to holders or their nominees other than CDS or its nominee if: (i) the Company determines that CDS is no longer willing or able to discharge properly its responsibilities as depository and the Company is unable to locate a qualified successor, (ii) the Company at its option elects, or is required by law, to terminate the book-entry system through CDS, or (iii) after the occurrence of an Event of Default under the Indenture, holders representing beneficial interests aggregating over 50% of the outstanding principal amount of Debentures determine that the continuation of the book-entry system is no longer in their best interests.

As indirect holders of Debentures, investors should be aware that they (subject to certain exceptions): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

None of the Company, the Trustee nor the Underwriters will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or any payments relating thereto; (ii) maintaining, supervising or reviewing any of CDS’ records relating to the Debentures; or (iii) any advice or representation made by or with respect to CDS and contained in this Prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a Participant. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and beneficial owners must look solely to Participants for any payments relating to the Debentures, paid by or on behalf of the Company to CDS.

Transfers

Transfers of ownership in the Debentures will be effected only through records maintained by CDS or its nominee for such Debentures with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interest in the Debentures, may do so only through Participants.

The ability of a holder to pledge a Debenture or otherwise take action with respect to such holder’s interest in the Debenture (other than through a Participant) may be limited due to the lack of a physical certificate.

Governing Law

Each of the Indenture and the Debentures are governed by, and construed in accordance with, the laws of the Province of Ontario.

DESCRIPTION OF SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Common Shares, an unlimited number of Class I preferred shares issuable in series and an unlimited number of Class II preferred shares issuable in series, in each case without nominal or par value. As at October 1, 2009, there were issued and outstanding 59,697,290 Common Shares and options to acquire an aggregate of 2,703,484 Common Shares. As at October 1, 2009 no Class I preferred shares and no Class II preferred shares were issued and outstanding.

Each holder of Common Shares is entitled to receive notice of, attend and vote at, any meeting of shareholders of Russel Metals (except where only the Class I or Class II preferred shares are entitled to vote separately as a class) and is entitled to one vote in respect of each Common Share held at such meetings. Subject to the rights of the holders of Class I and Class II preferred shares, holders of Common Shares are entitled to receive dividends if, as and when declared by the board of directors of Russel Metals and are entitled to participate rateably in any distribution of the assets of Russel Metals after payment of all outstanding debts and subject to the preference of the Class I and Class II preferred shares.

TRADING PRICE AND VOLUME

The following table sets forth, for the periods indicated, the reported high and low daily trading prices and the aggregate volume of trading of the Company's Common Shares on the TSX. The Common Shares trade on the TSX under the symbol "RUS".

| | Trading of Common Shares TSX | | |
|------------------------------------|------------------------------------|--------------|----------------|
| | High (\$) | Low (\$) | Volume # |
| 2008 | | | |
| September | 31.00 | 23.00 | 8,816,348 |
| October | 25.90 | 17.75 | 8,764,318 |
| November | 24.47 | 15.11 | 5,606,674 |
| December | 19.17 | 15.01 | 5,754,927 |
| 2009 | | | |
| January | 22.00 | 18.08 | 4,957,025 |
| February | 20.86 | 10.66 | 7,090,173 |
| March | 11.40 | 9.25 | 12,985,778 |
| April | 13.61 | 9.90 | 10,912,563 |
| May | 15.35 | 12.73 | 6,612,679 |
| June | 16.50 | 13.98 | 7,154,819 |
| July | 17.45 | 12.87 | 8,159,838 |
| August | 17.10 | 15.16 | 6,679,127 |
| September | 18.52 | 15.97 | 4,288,694 |
| October 1 ⁽¹⁾ | <u>17.01</u> | <u>16.75</u> | <u>123,187</u> |

(1) On October 1, 2009 the closing price per Common Share on the TSX was \$16.82.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated September 25, 2009 (the “Underwriting Agreement”) among the Company and the Underwriters, the Company has agreed to issue and sell an aggregate of \$175,000,000 principal amount of Debentures at a price of \$1,000 per Debenture to the Underwriters, and the Underwriters have severally agreed to purchase, as principals, such Debentures, payable in cash to the Company against delivery, on the Closing Date or any later date as the Company and the Underwriters may mutually agree, but in any event not later than October 22, 2009. The obligations of the Underwriters under the Underwriting Agreement are several, and not joint and several, and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Debentures purchased under the Underwriting Agreement. If an Underwriter fails to purchase the Debentures (a “Refusing Underwriter”), which it has agreed to purchase (the “Defaulted Debentures”), GMP Securities L.P. may delay the Closing Date for not more than five days and the remaining Underwriters (the “Continuing Underwriters”) may, but are not obligated to, purchase all but not less than all of the Defaulted Debentures pro rata according to the number of Debentures to have been acquired by the Continuing Underwriters under the Underwriting Agreement or in any proportion agreed upon, in writing, by the Continuing Underwriters.

If the Continuing Underwriters do not elect to purchase the Defaulted Debentures: (i) the Company will not be obliged to sell less than all of the Debentures; and (ii) the Company will be entitled to terminate its obligations under the Underwriting Agreement arising from its acceptance of the Underwriting Agreement, in which case there will be no further liability on the part of the Company or the Continuing Underwriters except as are otherwise applicable in the Underwriting Agreement. Any Underwriter who is a Refusing Underwriter will remain liable to the Company in damages for a failure to purchase its several portion of the Debentures unless the Underwriter was entitled to terminate its obligation in accordance with the terms of the Underwriting Agreement.

Delivery of the Debentures is conditional upon payment on closing of this Offering of \$1,000 per Debenture by the Underwriters to the Company. The Underwriting Agreement provides that the Company will pay from the gross proceeds of the Offering to the Underwriters a fee of \$40 per Debenture issued and sold by the Company, for an aggregate fee payable by the Company of \$7,000,000 in consideration for the Underwriters’ services in connection with this Offering.

The offering price and terms of the Debentures offered hereunder was determined by negotiation between the Company and GMP Securities L.P., on its own behalf and on behalf of the other Underwriters.

The Company has been advised by the Underwriters that, in connection with this Offering, the Underwriters may effect transactions that stabilize or maintain the market price of the Debentures or the Common Shares at levels other than those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Company has agreed to indemnify the Underwriters and their respective affiliates and their directors, officers, employees, shareholders and agents against certain liabilities pursuant to the Underwriting Agreement.

Under the Underwriting Agreement, the Company has agreed that it will not, without the prior written consent of the Underwriters, such consent not to be unreasonably withheld or delayed, issue, offer, sell or otherwise lend, transfer or dispose of (or announce any such agreement to issue, offer, sell or otherwise dispose of), directly or indirectly, any securities of the Company other than the Debentures, for the period up to and including 90 days after the Closing Date except in connection with: (i) the issuance or exercise of stock options to acquire Common Shares and other similar issuances pursuant to the Company’s stock option plan and other share compensation arrangements; (ii) the exercise of outstanding warrants or other convertible securities; and (iii) an issuance in connection with the acquisition of shares or assets in the ordinary course of business.

Pursuant to a policy statement of certain securities commissions, the Underwriters may not, throughout the period of distribution, bid for or purchase any Common Shares or Debentures. The foregoing is subject to certain exceptions which include, a bid or purchase permitted under the rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. The Company has been advised that in connection with this Offering and pursuant to the first mentioned exception, the Underwriters may effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without prior notice. Except in limited circumstances, the Debentures will be issued in the book-based system of CDS and must be purchased or transferred through a participant in the depository service of CDS. See “Description of the Securities Being Distributed– Depository Services”.

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus. The TSX has conditionally approved the listing of the Debentures distributed under this Prospectus and the Common Shares issuable on the conversion, redemption or maturity of the Debentures on the TSX. Listing is subject to the Company fulfilling all of the listing requirements of the TSX on or before December 24, 2009.

The Debentures and the Common Shares issuable upon the conversion, redemption or maturity of the Debentures issued or made subject to issuance under this Offering have not been, and will not be, registered under the U.S. *Securities Act* of 1933 (the “1933 Act”) or any U.S. state securities laws and, subject to certain exceptions, may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell the Debentures within the United States of America, its territories, its possessions and other areas subject to its jurisdiction, except in accordance with the Underwriting Agreement pursuant to an exemption from the registration requirements of the 1933 Act provided by Rule 144A thereunder and in compliance with applicable state securities laws. The Underwriters may, in accordance with the Underwriting Agreement, arrange for the Company to sell Debentures directly to “institutional accredited investors” who satisfy one or more of the criteria set forth in Rules 501(a)(1), (2), (3) and (7) under the 1933 Act as substituted purchasers pursuant to exemptions from registration available under Section 4(2) of the 1933 Act and/or Rule 506 of Regulation D under the 1933 Act, and in compliance with any applicable state securities laws. In addition, until 40 days after the commencement of the Offering pursuant to this Prospectus, an offer or sale of the Securities within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the 1933 Act if such offer is made otherwise than in reliance on Rule 144A.

Certificates representing any Debentures sold in the United States, and, unless determined by the Company to not be required under application provisions of the 1933 Act, any certificates representing any Common Shares issued upon conversion, redemption or maturity thereof, will bear a legend to the effect that the securities represented thereby are not and will not be registered under the 1933 Act and may only be offered or sold pursuant to certain exemptions from the registration requirements of the 1933 Act.

Each of RBC Dominion Securities Inc. and Scotia Capital Inc. is a subsidiary of a Canadian chartered bank that has, as a member of a syndicate of financial institutions or directly, made credit available to the Company (the “Existing Indebtedness”). Consequently, the Company may be considered to be a “connected issuer” of these underwriters within the meaning of applicable securities legislation. Neither of these underwriters will receive any direct benefit from the Offering other than the Underwriters’ Fee relating to the Offering. The decision to distribute the Debentures hereunder and the determination of the terms of the Offering were made through negotiation between the Company and the Underwriters. No bank had any involvement in such decision or determination. As of October 1 2009, an aggregate of \$17.7 million was outstanding under the Existing Indebtedness. A portion of the Existing Indebtedness is owed under a credit facility pursuant to which the Company has granted certain security. As of the date of this Prospectus, the Company is in compliance with its obligations under Existing Indebtedness and no breach thereunder has been waived by the lenders.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the Company, and Stikeman Elliott LLP, counsel to the Underwriters, (collectively, “Counsel”) the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder who acquires Debentures pursuant to this prospectus and who, for the purposes of the Tax Act and at all relevant times, is resident in Canada, holds the Debentures and will hold the Common Shares issuable on the conversion, redemption or maturity of the Debentures (collectively, the “Securities”) as capital property and deals at arm’s length with, and is not affiliated with, the Company and the Underwriters (a “Holder”). Generally, the Securities will be considered to be capital property to a Holder provided the Holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Holders who might not otherwise be considered to hold their Debentures as capital property may, in certain circumstances, be entitled to have

the Debentures, and all other “Canadian securities” (as defined in the Tax Act) owned by such Holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to (i) a Holder that is a “financial institution”, as defined in the Tax Act for the purposes of the mark-to-market rules; (ii) a Holder an interest in which would be a “tax shelter investment” as defined in the Tax Act; (iii) a Holder that is a “specified financial institution” as defined in the Tax Act; or (iv) a Holder who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act. Any such Holder should consult its own tax advisor with respect to an investment in the Securities.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof (the “Proposed Amendments”) and Counsel’s understanding of the current published administrative practices of the Canada Revenue Agency (the “CRA”). This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of Securities, and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of Securities should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Securities pursuant to this offering, having regard to their particular circumstances.

Taxation of Interest on Debentures

A Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues to it to the end of the particular taxation year or that has become receivable by or is received by the Holder before the end of that taxation year, except to the extent that such interest was included in computing the Holder’s income for a preceding taxation year.

Any other Holder, including an individual, will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), except to the extent that the interest was included in the Holder’s income for a preceding taxation year.

A Holder of Debentures that throughout the relevant taxation year is a “Canadian-controlled private corporation”, as defined in the Tax Act, may be liable to pay the refundable tax of 6 2/3% on its “aggregate investment income”, which, as defined in the Tax Act, includes interest income.

As described above under “Description of the Securities Being Distributed– Interest Payment Election”, the Company may elect to pay interest by issuing Common Shares to a Trustee for sale, in which event a Holder would be entitled to receive a cash payment equal to the interest owed to the Holder from the proceeds of sale of the requisite number of Common Shares by the Trustee (plus any amount received by the Trustee from the Company). If the Company were to pay interest in this manner, the Canadian federal income tax consequences to a Holder would be unlikely to differ from those described above.

Exercise of Conversion Privilege

If on a conversion of a Debenture pursuant to a Holder’s conversion privilege the Company delivers only Common Shares (other than an amount of cash not exceeding \$200 paid in lieu of a fraction of a Common Share as described below) (a “qualifying conversion”), the Holder generally will be deemed not to have disposed of the Debenture for purposes of the Tax Act and, accordingly, the Holder will not realize a capital gain (capital loss) on such conversion. Under the current administrative practice of the CRA, a Holder who receives cash not in excess of \$200 in lieu of a fraction of a Common Share upon a qualifying conversion of a Debenture may either treat this amount as proceeds of disposition of a portion of a

Debenture (thereby realizing a capital gain or capital loss) or alternatively may reduce the adjusted cost base of the Common Shares received on the qualifying conversion by the amount of the cash received.

The cost to the Holder of the Common Shares acquired on a qualifying conversion will generally be equal to the Holder's adjusted cost base of the Debenture immediately before the conversion. For the purpose of determining the adjusted cost base to the Holder of the Common Shares acquired on the conversion, the cost of such Common Shares will be determined by averaging the cost of the Common Shares so acquired with the adjusted cost base of all other Common Shares held by such holder as capital property.

Unless the Holder indicates in the Conversion Notice that it does not wish to receive cash in lieu of Common Shares upon exercise of the Holder's conversion privilege, the Company may elect to satisfy the Holder's conversion entitlement in cash or a combination of Common Shares and cash as described above in "Description of the Securities Being Distributed – Conversion Privilege". A conversion of Debentures for cash or a combination of cash and Common Shares will not be a qualifying conversion and, accordingly, the Holder will be considered to have disposed of the Debentures for proceeds of disposition equal to the aggregate fair market value of the cash and Common Shares, if any, received at the time of conversion, and the Holder will realize a capital gain (or capital loss) computed in the manner described below under "Disposition of Debentures".

Disposition of Debentures

A disposition or deemed disposition of a Debenture by a Holder, including a redemption, payment on maturity, purchase for cancellation or any conversion that is not a qualifying conversion of a Debenture into Common Shares as described above, will generally result in the Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "Taxation of Capital Gains and Capital Losses".

If the Company pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to the Holder, the Holder's proceeds of disposition of the Debenture will be equal to the fair market value, at the time of disposition of the Debenture, of the Common Shares and any other consideration so received (except any consideration received in satisfaction of accrued interest). The Holder's adjusted cost base of the Common Shares so received will be equal to the fair market value of such Common Shares. For the purposes of determining the adjusted cost base to a Holder of Common Shares at any time, the cost of Common Shares acquired on a conversion will be determined by averaging the cost of such Common Shares with the adjusted cost base of any other Common Shares owned by the Holder as capital property at that time.

Upon a disposition or deemed disposition of a Debenture (other than a redemption, payment on maturity or conversion), interest accrued thereon to the date of disposition will be included in computing the income of the Holder as described above under "Taxation of Interest on Debentures", and will be excluded in computing the Holder's proceeds of disposition of the Debenture.

Receipt of Dividends on Common Shares

Dividends received or deemed to be received on the Common Shares by a Holder who is an individual (other than certain trusts) will be included in computing the individual's income for tax purposes and will be subject to the gross-up and dividend tax credit rules normally applicable to dividends received from "taxable Canadian corporations" (as defined in the Tax Act), including the enhanced gross-up and dividend tax credit for "eligible dividends" (as defined in the Tax Act) paid by "taxable Canadian corporations" such as the Company. A dividend will be eligible for the enhanced gross-up and dividend tax credit if the recipient receives written notice (which may include a notice published on the Company's website) from the Company designating the dividend as an "eligible dividend". There may be limitations on the ability of the Company to designate dividends as eligible dividends.

Taxable dividends received by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

A Holder that is a corporation will include dividends received or deemed to be received on Common Shares in computing its income for tax purposes and generally will be entitled to deduct the amount of such dividends in computing its taxable income, with the result that no tax will be payable by it in respect of such dividends. Certain corporations,

including a “private corporation” or a “subject corporation” (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 33 1/3% on dividends received or deemed to be received on Common Shares to the extent such dividends are deductible in computing taxable income. This tax will generally be refunded to the corporation at a rate of \$1 for every \$3 of taxable dividends paid while it is a private corporation.

Disposition of Common Shares

A disposition or a deemed disposition of a Common Share by a Holder (except to the Company) will generally result in the Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Common Share are greater (or less) than the aggregate of the Holder’s adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under “Taxation of Capital Gains and Capital Losses”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “taxable capital gain”) realized by a Holder in a taxation year must be included in the Holder’s income for the year, and one-half of any capital loss (an “allowable capital loss”) realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or a trust.

A Holder that is, throughout the relevant taxation year, a “Canadian-controlled private corporation”, as defined in the Tax Act, may be liable for a refundable tax of 6 2/3% on investment income, including taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

RISK FACTORS

Risk Factors Relating to the Company and the Metal Distribution Industry

An investment in Debentures involves certain risks. A prospective purchaser of Debentures should carefully consider the risk factors described under:

- (a) the heading “Risk Related to Our Business and the Metal Distribution Industry” found on pages 15 to 19 of the Company’s annual information form dated February 23, 2009;
- (b) the heading “Risk” found on page 25, and the sub-headings “credit risk”, “interest rate risk” and “foreign exchange risk” found on page 45, in the Company’s audited comparative consolidated financial statements as at December 31, 2008 and for the year ended December 31, 2008, as contained in the Company’s Annual Report;
- (c) the sub-headings “credit risk”, “interest rate risk” and “foreign exchange risk” found on page 11 in the Company’s unaudited comparative interim consolidated financial statements as at June 30, 2009 for the three and six month periods ended June 30, 2009; and
- (d) the heading “Risk” found on page 20 of the Company’s management discussion and analysis of the financial condition and results of operations as at June 30, 2009 for the three and six month periods ended June 30, 2009,

each of which is incorporated by reference herein. In addition a prospective purchaser of Debentures should carefully consider the risk factors described in this section which relate to the Debentures as well as the other information contained in this Prospectus (including the documents incorporated by reference herein).

Risk Factors Relating to the Ownership of Debentures

Trading Prices for the Debentures

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus. The TSX has conditionally approved the listing of the Debentures and the Common Shares issuable upon conversion, redemption or maturity of the Debentures on the TSX. Listing of the Debentures is subject to the Company fulfilling all of the listing requirements of the TSX on or before December 24, 2009. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the prices at which the Debentures trade may be adversely affected. Whether or not the Debentures will trade at lower prices depends on many factors, including the liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Common Shares, general economic conditions and the Company's financial condition, historic financial performance and future prospects.

Credit Risk

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Company and its creditworthiness.

Coverage Ratios

See "Earnings Coverage", which is relevant to an assessment of the risk that the Company may be unable to pay interest or principal on the Debentures when due.

Subordination of Debentures

The Debentures are unsecured obligations of the Company and are subordinate in right of payment to all of the Company's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the Company, the assets that serve as collateral for any secured indebtedness would be made available to satisfy the obligations of secured creditors before being available to pay the Company's obligations to holders of the Debentures. Accordingly, all or a substantial portion of the Company's assets could be unavailable to satisfy the claims of the holders of the Debentures. The Debentures are also effectively subordinate to claims of creditors (including trade creditors) of the Company's subsidiaries except to the extent that the Company is a creditor of any such subsidiaries ranking at least *pari passu* with such other creditors.

Absence of Covenant Protection in Indenture

The Indenture for the Debentures does not restrict the Company's ability to incur additional indebtedness, including secured indebtedness generally, which would have a prior claim on the assets securing that indebtedness. The Indenture does not contain any provision specifically intended to protect holders of Debentures in the event of a future leveraged transaction involving the Company.

No Assurance Future Financing Will Be Available

If financing is available through the sale of debt, equity or capital properties, the terms of such financing may not be favourable to the Company and may involve dilution to existing shareholders. In addition, the trust indenture dated February 20, 2004 governing the Senior Notes and the Company's syndicated credit facility, amended and restated on May 1, 2009, contain restrictions on the ability of the Company to raise capital through issuing or incurring additional debt. Failure to raise capital when required could have a material adverse effect on the Company's business, financial condition and results of operations.

Dilution

The Company may determine to redeem outstanding Debentures for Common Shares or to repay outstanding principal amounts thereunder at maturity of the Debentures by issuing additional Common Shares. The issuance of additional Common Shares may have a dilutive effect on shareholders and an adverse impact on the price of Common Shares.

Change of Control

The Company may be required to repurchase all of the outstanding Debentures upon the occurrence of a Change of Control. If a Change of Control were to occur, the Company may lack sufficient funds to pay the purchase price for all tendered Debentures. The Company's failure to purchase tendered Debentures would constitute an event of default under the Indenture, which, without consent, might constitute a default under the terms of the Company's other indebtedness.

LEGAL MATTERS

Certain legal matters relating to this Offering will be passed upon on behalf of the Company by Davies Ward Phillips & Vineberg LLP, and on behalf of the Underwriters by Stikeman Elliott LLP. As of the date of this Prospectus, the partners and associates of Davies Ward Phillips & Vineberg LLP and Stikeman Elliott LLP, as a group, own beneficially, directly or indirectly, less than 1.0%, respectively, of the issued and outstanding Common Shares. William M. O'Reilly, a partner of Davies Ward Phillips & Vineberg LLP, is a director of Russel Metals.

AUDITORS

The auditors of the Company are Deloitte & Touche LLP, Chartered Accountants, Toronto, Ontario, who have advised that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Debentures and Common Shares is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus of Russel Metals Inc. (the "Company") dated October 2, 2009 qualifying the distribution of \$175,000,000 principal amount of 7.75% convertible unsecured subordinated debentures of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at December 31, 2008 and 2007 and the consolidated statements of earnings, retained earnings, comprehensive income, accumulated other comprehensive income (loss) and cash flows for the years then ended. Our report is dated February 23, 2009.

Toronto, Ontario
October 2, 2009

(signed) DELOITTE & TOUCHE LLP
Chartered Accountants
Licensed Public Accountants

CERTIFICATE OF THE COMPANY

Dated: October 2, 2009

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

(Signed) BRIAN R. HEDGES
President and Chief Executive Officer

(Signed) MARION E. BRITTON
Vice President and Chief Financial Officer

On behalf of the Board of Directors

(Signed) ALICE D. LABERGE
Director

(Signed) ALAIN BENEDETTI
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: October 2, 2009

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

GMP SECURITIES L.P.

(Signed) HARRIS FRICKER

RBC DOMINION SECURITIES INC.

(Signed) RIADH ZINE

SCOTIA CAPITAL INC.

(Signed) ROBERT MAH

TD SECURITIES INC.

(Signed) STEVE DUMANSKI

