MATERIAL CHANGE REPORT

Section 75 of the Securities Act (Ontario)
Section 118 of the Securities Act (Alberta)
Section 67 of the Securities Act (British Columbia)
Section 81 of the Securities Act (Nova Scotia)
Section 76 of The Securities Act, 1990 (Newfoundland)
Section 73 of the Securities Act (Quebec)
Section 84 of The Securities Act, 1988 (Saskatchewan)

ITEM 1: REPORTING ISSUER

Russel Metals Inc. (the “Corporation”), Suite 210, 1900 Minnesota Court, Mississauga, Ontario L5N 3C9

ITEM 2: DATE OF MATERIAL CHANGE

February 26, 1997

ITEM 3: PRESS RELEASE

A press release was issued on February 26, 1997 by the Corporation in Toronto. A copy of the press release is annexed hereto.

ITEM 4: SUMMARY OF MATERIAL CHANGE

The Corporation has elected to take a $50 million year-end pre-tax provision and in an accounting change, will reverse Canadian deferred taxes recoverable previously recorded on the balance sheet aggregating approximately $69 million.

ITEM 5: FULL DESCRIPTION OF MATERIAL CHANGE

The Corporation will take a $50 million year-end pre-tax provision to cover potential future costs and losses related to the disposition of non-core assets and discontinued operations. These costs are related to environmental remediation and a shortfall in some asset values associated with certain divested operations. Further, in an accounting change, the Corporation has elected to reverse Canadian deferred taxes recoverable previously recorded on the balance sheet aggregating approximately $69 million. After giving effect to these actions, the Corporation recorded an unaudited net loss for the year of $118.5 million, or ($2.42) per share. The liquidity and banking of the Corporation are unaffected by these actions.
ITEM 6: RELIANCE ON SUBSECTION 75(3) OF THE ONTARIO SECURITIES ACT OR EQUIVALENT PROVISIONS

Not applicable.

ITEM 7: OMITTED INFORMATION

Not applicable.

ITEM 8: SENIOR OFFICERS

For further information, please contact Brian R. Hedges, Senior Vice-President and Chief Financial Officer of Russel at (905) 819-7401.

ITEM 9: STATEMENT OF SENIOR OFFICER

The foregoing accurately discloses the material change referred to herein.

DATED at Mississauga, Ontario, this 28th day of February, 1997.

“BRIAN R. HEDGES”

__________________________
Brian R. Hedges
Senior Vice-President and Chief Financial Officer
Russel Metals Inc. today announced unaudited net earnings, before special provisions and accounting changes of $5.8 million, or two cents per share for the year ended December 31, 1996. The Company’s Board of Directors also today approved a year-end pre-tax provision of $50 million, to cover potential future costs and losses related to disposition of non-core assets and discontinued operations. Further, in an accounting change, the Company announced it has elected to reverse Canadian deferred taxes recoverable previously recorded on the balance sheet aggregating approximately $69 million. After giving effect to these actions, the Company recorded an unaudited net loss for the year of $118.5 million, or ($2.42) per share.

John Pelton, Chairman and CEO, commented, “It became clear in 1996 that an accelerated divestiture program would likely lead to shortfalls in some asset values and that costs, largely relating to environmental remediation with respect to divested operations, would be higher than earlier anticipated.”

Mr. Pelton added, “We are today dealing with the remaining material issues affecting expectations for current and future performance. The provisions reported here are intended to permit the Company to accelerate and conclude the disposition of its non-core assets without further charges to the income statement. Further, while we are confident that the tax losses will ultimately be recovered, their reversal eliminates the impression that these assets represent...
immediately available funds employed in operations. Both measures represent conservative policies which will allow the improving profitability of our core business to be appropriately and fairly assessed by shareholders.”

Brian Hedges, Senior Vice President and CFO commented, “The vast majority of the amounts provided are non-cash charges respecting divested businesses and assets. Accordingly, the liquidity and banking of the Company are unaffected by these actions. Further, we believe that the most appropriate financial statement presentation for tax loss recoveries occurs when the Company is actually entitled to claim tax relief against then current earnings.”

Full details of 1996 results will be available on March 18, 1997 when final year-end results are released.

Russel Metals is one of the five largest distributors and processors of metal and metal products in North America through its network of 60 service centers. The Company’s operating units trade under various names including Russel Metals, Drummond McCall, B & T Steel, Baldwin International, Bahcall Group, Total Distributors, Pioneer Steel & Tube, Copco Steel, Comco Pipe and Supply, Fedmet Corp., Russel International, and Wirth Limited. Russel Metals also has investments in the transportation sector.

For further information, contact:

David Fine
Vice President Planning
and Communications,
Russel Metals
(905) 819 - 7402
RUSSEL METALS INC.
CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)

($000, except for per share amounts)

<table>
<thead>
<tr>
<th></th>
<th>Quarter Ended December 31,</th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and services</td>
<td>$346,190</td>
<td>$322,046</td>
</tr>
<tr>
<td>Earnings from operations before interest</td>
<td>$7,127</td>
<td>$(218)</td>
</tr>
<tr>
<td>Interest</td>
<td>(6,778)</td>
<td>(7,963)</td>
</tr>
<tr>
<td>Earnings from operations</td>
<td>349</td>
<td>(8,181)</td>
</tr>
<tr>
<td>Special charge</td>
<td>(50,000)</td>
<td>-</td>
</tr>
<tr>
<td>(Provision for) recovery of income taxes</td>
<td>(68,890)</td>
<td>4,496</td>
</tr>
<tr>
<td>Net earnings (loss) for the period</td>
<td>$(118,541)</td>
<td>$3,685</td>
</tr>
<tr>
<td>Net earnings (loss) per common share</td>
<td>$(0.10)</td>
<td>$(2.42)</td>
</tr>
<tr>
<td>Net earnings (loss) per common share before special charge and tax write-off</td>
<td>$(0.10)</td>
<td>$0.02</td>
</tr>
</tbody>
</table>