TREE ISLAND STEEL

WIRE & WIRE PRODUCTS ESTABLISHED IN 1964

Consolidated Financial Statements

March 31, 2022

Since 1964, Tree Island Steel has been making products from steel wire for a diverse range of customers for industrial, construction, agricultural, and specialty applications.

Our products include welded wire mesh, fencing, galvanized wire, bright wire, a broad array of fasteners, stucco reinforcing products, and other fabricated wire products. We market these products under the Tree Island®, Halsteel®, TrueSpec®, K-Lath®, TI Wire®, ToughStrand® and ToughPanel® brand names.

Listed on the Toronto Stock Exchange ("TSX"), our shares trade under the symbol TSL.

Halsteel Collated Nails

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2022 and 2021

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 "Continuous Disclosure Obligation", Part 4, Subsection 4.3(3a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying interim condensed consolidated financial statements of Tree Island Steel have been prepared by and are the responsibility of Tree Island Steel's management.

Tree Island Steel's independent auditor, KPMG LLP, has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

May 4, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($'000 unless otherwise stated)	*Notes*	As at March 31, 2022	As at December 31, 2021
Cash		14,695	33,251
Accounts receivable	*5, 12.1*	50,062	38,054
Inventory	*6*	74,152	77,512
Prepaid expenses		6,624	6,785
Current assets		145,533	155,602
Property, plant and equipment	*7*	48,435	49,042
Right of use assets	*8.1*	19,097	19,886
Other non-current assets		1,455	1,276
Total assets		214,520	225,806
Accounts payable and accrued liabilities		19,533	27,278
Income taxes payable	*13.1*	6,453	18,305
Other current liabilities		25	55
Dividends payable		34,974	2,275
Current portion of long-term borrowing	*9.2*	2,799	2,819
Current portion of ROU lease liabilities	*8.2*	3,483	3,546
Current liabilities		67,267	54,278
Senior term loans	*9.2*	9,569	10,363
ROU Lease liabilities	*8*	23,468	24,289
Other non-current liabilities		513	517
Deferred Income tax liabilities		3,738	3,738
Total liabilities		104,555	93,185
Shareholders' equity		109,965	132,621
Total liabilities and shareholders' equity		214,520	225,806

See accompanying Notes to the Interim Unaudited Condensened Consolidated Financial Statements

Approved on behalf of Tree Island Steel.

[Signed]
"Amar S. Doman"
Executive Chairman of the Board of Directors

CONSOLIDATED STATEMENTS OF OPERATIONS

($'000 unless otherwise stated)

		Three Months Ended March 31,	
	Notes	2022	2021
Revenue	*5, 12.1, 19.1*	92,746	66,842
Cost of sales	*6*	(70,495)	(52,748)
Depreciation	*7, 8.1*	(1,416)	(1,467)
Gross profit		20,835	12,627
Selling, general and administrative expenses		(3,364)	(3,327)
Operating income		17,471	9,300
Foreign exchange loss		(113)	(113)
Other expenses		(9)	-
Financing expenses	*10*	(494)	(566)
Income before income taxes		16,855	8,621
Income tax expense	*13.1*	(4,128)	(2,157)
Net income		12,727	6,464
Net income per share	*17*	0.45	0.22
Weighted average number of shares	*17*	28,434,188	28,816,136

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
($'000 unless otherwise stated)

	Three Months Ended March 31,	
	2022	2021
Net income for the year	12,727	6,464
Unrealized gain (loss) on foreign exchange translation	(409)	8
Comprehensive income	12,318	6,472

See accompanying Notes to the Interim Unaudited Condensened Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

($'000 unless otherwise stated)	Shareholders' Capital *Note 11*	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as at December 31, 2021	223,163	(88,012)	(2,530)	132,621
Net Income	-	12,727	-	12,727
Dividends	-	(34,974)	-	(34,974)
Other comprehensive income	-	-	(409)	(409)
Balance as at March 31, 2022	223,163	(110,259)	(2,939)	109,965
Balance as at December 31, 2020	223,363	(169,726)	(2,568)	51,069
Repurchase of shares	(139)	-	-	(139)
Net Income	-	6,464	-	6,464
Dividends	-	(854)	-	(854)
Other comprehensive income	-	-	8	8
Balance as at March 31, 2021	223,224	(164,116)	(2,560)	56,548

See accompanying Notes to the Interim Unaudited Condensened Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

($'000 unless otherwise stated)		Three Months Ended March 31,	
	Notes	2022	2021
Net income		12,727	6,464
Depreciation		1,416	1,467
Net financing costs		494	566
Deferred income tax expense		-	(2)
Exchange revaluation of foreign denominated debt	*9*	(117)	(113)
Working capital adjustments			
Accounts receivable		(12,007)	(7,216)
Inventories		3,360	(1,887)
Accounts payable and accrued liabilities		(7,749)	(86)
Prepaid expenses		(20)	(454)
Income and other taxes		(11,853)	140
Other		(346)	(91)
Net cash provided by operating activities		(14,095)	(1,212)
Purchase of property, plant and equipment		(394)	(277)
Net cash provided by (used in) investing activities		(394)	(277)
Term loans - advances (repayment), net	*9.2*	(704)	(705)
Lease interest paid		(253)	(312)
Lease principal payments		(584)	(393)
Other interest paid		(241)	(252)
Advance of senior revolving facility		-	5,550
Dividend paid		(2,275)	(570)
Repurchase of common shares		-	(139)
Net cash used in financing activities		(4,057)	3,179
Effect of exchange rate change on cash		(10)	(6)
Increase (decrease) in cash		(18,556)	1,684
Cash - beginning of year		33,251	1,245
Cash - end of year		14,695	2,929

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

1 NATURE OF BUSINESS

These interim unaudited condensed consolidated financial statements of Tree Island Steel (”Tree Island” or the “Company”) for the three months ended March 31, 2022 and 2021 were authorized for issue in accordance with a resolution of the Board of Directors on May 4, 2022.

The Company is headquartered at 3933 Boundary Road, Richmond, British Columbia, Canada and the Shares are publicly traded on the Toronto Stock Exchange (“TSX”) under the symbol TSL.

Tree Island Steel owns 100% of the shares of Tree Island Industries (“TI Canada”) (collectively “Tree Island”). TI Canada supplies a diverse range of steel wire and fabricated steel wire products to customers in Canada, the United States, and internationally.

2 BASIS OF PREPARATION

2.1 BASIS OF PREPARATION

The interim unaudited condensed consolidated financial statements as at and for the three months ended March 31, 2022 and 2021 have been prepared in accordance with the International Accounting Standard ("IAS" 34, "Interim Financial Reporting"). They should be read in conjunction with the annual consolidated financial statements and the notes thereto for the year ended December 13, 2021 and do not include all the information required for the full annual financial statements. Certain comparative information has been reclassified to conform to the presentation adopted during the period.

These interim unaudited condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments categorized as fair value through profit or loss. In addition, these interim unaudited condensed consolidated financial statements have been prepared using the accrual basis of accounting.

2.2 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The functional and presentation currency of the Company is the Canadian dollar. All amounts have been rounded to the nearest thousand, except as otherwise indicated. TI Canada's wholly-owned subsidiaries, TIWH and TI USA use the U.S. Dollar as their functional currency.

3 SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The accounting policies, methods of application and critical judgements and estimates used in the preparation of these interim unaudited condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements as at December 31, 2021.

4 FUTURE IFRS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Tree Island prepares its audited consolidated financial statements in accordance with IFRS standards. At this time, new standards, interpretations or amendments to existing accounting standards are either not applicable or not expected to have a significant impact on Tree Island’s audited consolidated financial statements in the current year.

5 REVENUE AND ACCOUNTS RECEIVABLE

Revenue is net of the cost of freight associated with those sales to customers where the Company arranges the freight. For the three months ending March 31, 2022, this amounts to $5.6 million ($4.4 million in 2021).

Below is the composition and aging of Tree Island's accounts receivable:

	As at March 31, 2022	As at December 31, 2021
Current	48,043	35,911
Over 30 days past due	2,503	2,629
Total accounts receivable	50,546	38,540
Allowance for doubtful accounts	(484)	(486)
Net accounts receivable	50,062	38,054

Accounts receivable are non-interest bearing and are generally due on 30-day to 90-day terms. The credit risk that Tree Island was exposed to by way of its accounts receivable is equal to the net amount of $50.1 million as at March 31, 2022 ($38.1 million as at December 31, 2021).

At the end of each reporting period a review of the allowance for bad and doubtful accounts is performed. It is an assessment of the expected credit loss associated with trade accounts receivable after the consolidated statement of financial position date. The assessment is made by reference to age, status and risk of each receivable, current economic conditions and historical information. The trade accounts receivable balance is reduced through the use of the allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of operations. Reversals to the allowance for doubtful accounts occur when previously allowed for trade accounts receivable are collected. Individual trade accounts receivable, together with any associated allowance previously recognized, are written off when there is no realistic prospect of future recovery. Accounts receivable with related parties are discussed in Note 12.1.

The following table represents a summary of the movement of the allowance for doubtful accounts:

	As at March 31, 2022	As at December 31, 2021
Opening balance - beginning of period	486	331
Additions during the period	-	232
Payments	-	(77)
Foreign exchange revaluation	(2)	-
Closing balance - end of period	484	486

See Note 15.1 on credit risk of trade receivables to understand how credit quality of accounts receivable that are neither past due nor impaired are managed and measured.

6 INVENTORIES

Tree Island had the following categories of inventory:

	As at March 31, 2022	As at December 31, 2021
Raw materials	30,318	30,397
Finished and semi-finished products	28,540	33,006
Consumable supplies and spare parts	15,294	14,109
Total inventory	74,152	77,512

For the three months ended March 31, 2022 and 2021, Tree Island recognized, in income, inventory costs for the following:

	Three Months Ended March 31, 2022	2021
Opening inventory	77,512	46,808
Material purchases	51,802	40,199
Conversion costs	15,333	14,436
Closing inventory	(74,152)	(48,695)
Cost of sales	70,495	52,748

The reserves for slow moving inventory as at March 31, 2022 were $1.4 million ($1.3 million at December 31, 2021).

7 PROPERTY, PLANT AND EQUIPMENT

The carrying value of property, plant and equipment is reviewed each reporting period. For the purposes of testing for impairment, or the reversal of impairment, Tree Island Steel's assets are grouped and tested at the Cash Generating Unit level. Tree Island considers both qualitative and quantitative factors when determining whether an asset may be impaired, or when a reversal of impairment is required. Where the carrying value of the assets is not expected to be recoverable from future cash flows, they are written down to their recoverable amount. Tree Island has noted no indicators of impairment as at March 31, 2022.

From time to time the Company makes investments to update, replace or make additions to existing capital assets, which includes, but is not limited to, the buildings occupied and capital equipment. These investments are part of the normal course of business activity.

The net book value of the Company's property, plant and equipment is detailed below:

	Land & Improvement	Building & Improvement	Machinery & Equipment	Capital in Progress	Total
Cost					
As at December 31, 2020	9,748	46,960	43,029	744	100,481
Additions	5,625	5,816	1,142	(313)	12,270
Disposals	(2,026)	(5,693)	(309)	(19)	(8,047)
Foreign exchange translation	(9)	(41)	(61)	(1)	(112)
As at December 31, 2021	13,338	47,042	43,801	411	104,592
Additions	-	-	77	316	393
Foreign exchange translation	-	(56)	(204)	(3)	(263)
As at March 31, 2022	13,338	46,986	43,674	724	104,722
Depreciation and impairment					
As at December 31, 2020	70	36,194	21,150	-	57,414
Depreciation for the period	16	1,408	2,155	-	3,579
Disposals	-	(5,121)	(272)	-	(5,393)
Foreign exchange translation	(86)	68	(32)	-	(50)
As at December 31, 2021	-	32,549	23,001	-	55,550
Depreciation for the period	-	332	511	-	843
Foreign exchange translation	-	(16)	(90)	-	(106)
As at March 31, 2022	-	32,865	23,422	-	56,287
Net book value as at					
December 31, 2021	13,338	14,493	20,800	411	49,042
March 31, 2022	13,338	14,121	20,252	724	48,435

8 LEASES

Below is a table of the carrying amounts of Tree Island's right-of-use assets and lease liabilities and the related movements during the period:

8.1 RIGHT OF USE ASSETS

	Land & buildings	Machinery & equipment	Total right-of-use assets
Cost			
As at December 31, 2020	31,475	2,197	33,672
Additions	157	336	493
Disposals	(7,099)	(273)	(7,372)
Foreign exchange translation	(99)	5	(94)
As at December 31, 2021	24,434	2,265	26,699
Additions	-	126	126
Disposals	(155)	(170)	(325)
Foreign exchange translation	(331)	(11)	(342)
As at March 31, 2022	23,948	2,210	26,158
Depreciation and impairment			
As at December 31, 2020	(6,653)	(1,037)	(7,690)
Additions	(1,850)	(414)	(2,264)
Disposals	2,887	251	3,138
Foreign exchange translation	6	(3)	3
As at December 31, 2021	(5,610)	(1,203)	(6,813)
Depreciation for period	(459)	(114)	(573)
Disposals	154	95	249
Foreign exchange translation	70	6	76
As at March 31, 2022	(5,845)	(1,216)	(7,061)
Carrying value as at:			
December 31, 2021	18,824	1,062	19,886
March 31, 2022	18,103	994	19,097

8.2 LEASE LIABILITY

	Land & buildings	Machinery & equipment	Total lease liabilities
Lease liability			
As at December 31, 2020	28,975	1,173	30,148
New contracts and renewals	3,994	342	4,336
Contract disposal	(4,952)	(22)	(4,974)
Interest expense	1,160	39	1,199
Payment of lease liability	(2,327)	(445)	(2,772)
Foreign exchange translation	(99)	(3)	(102)
Lease liability as at December 31, 2021	26,751	1,084	27,835
New contracts and renewals	-	126	126
Contract disposal	-	(76)	(76)
Interest expense	244	9	253
Payment of lease liability	(596)	(120)	(716)
Foreign exchange translation	(465)	(6)	(471)
Lease liability as at March 31, 2022	25,934	1,017	26,951
Less: current portion	(3,021)	(462)	(3,483)
Total as at March 31, 2022	22,913	555	23,468

9 SENIOR CREDIT FACILITY

The Company has a senior banking facility with Wells Fargo Capital Finance Corporation Canada (“Wells Fargo”). The five-year senior secured committed banking facility (the “Senior Credit Facility”) which matures in June of 2023, may be used for Tree Island’s financing requirements in Canadian and/or U.S. dollars, and comprises of the following:

- $60.0 million of Senior Revolving Credit facility; and
- $20.0 million of Senior Term facility.

9.1 SENIOR REVOLVING CREDIT FACILITY

The amount advanced under the Senior Credit Facility at any time is limited to a defined percentage of inventories, accounts receivable, machinery and equipment, and real estate, less certain reserves. The Senior Credit Facility is secured by a first charge over Tree Island’s assets supported by the appropriate guarantees, pledges and assignments, and requires that certain covenants be met by Tree Island.

The Senior Credit Facility includes a $10.0 million Letter of Credit sub-facility which enables TI Canada and TI USA to open documentary and standby letters of credit for raw material purchases. There was a $287 thousand Letter of Credit outstanding as at March 31, 2022.

The amount available under the revolving portion of the Senior Credit Facility is limited to the amount of the calculated borrowing base as prescribed in the Senior Credit Facility, less issued Letters of Credit.

Interest payable on funds borrowed in Canadian or U.S. currency is at variable rates.

There are no amounts outstanding under the Senior Revolving Credit portion of the Senior Credit Facility.

Deferred financing costs are included in other non-current assets on the consolidated statement of financial position.

The Senior Credit Facility has financial tests and other covenants with which the Company and its subsidiaries must comply, the primary one being based on the remaining funds within the senior credit facility that is available (“Availability Test”). Only if the Availability Test falls below a certain threshold then other covenants, which include a rolling four quarters defined fixed charge coverage ratio of 1:1, are tested. As well, the Senior Credit Facility contains restrictive covenants that limit the discretion of the Company’s management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company’s operating subsidiaries to incur additional indebtedness, to create liens or other encumbrances, or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

As at March 31, 2022 the Company was in compliance with its financial covenants on the Senior Credit Facility.

9.2 SENIOR TERM FACILITY

Under the terms of the Senior Credit Facility, the Company has designated portions up to a total of $20 million denominated in either Canadian or U.S. dollars.

The following amounts are outstanding under the Senior Term Facility:

	As at March 31, 2022	As at December 31, 2021
Senior term loans - beginning of period	13,182	16,040
Foreign exchange revaluation	(110)	(55)
Payments	(704)	(2,803)
Senior term loans - end of period	12,368	13,182
Less: current portion	(2,799)	(2,819)
Total	9,569	10,363

10 FINANCING EXPENSES

	Notes	Three Months Ended March 31, 2022	2021
Interest on senior credit facility	*9.1*	(14)	119
Interest on senior term facility	*9.2*	69	74
Interest on lease liability		253	312
Other interest and financing costs		181	58
Amortization of deferred financing costs		5	3
Total		494	566

11 SHAREHOLDERS' CAPITAL

Tree Island is authorized to issue an unlimited number of common shares with no par value.

Shares issued and outstanding are as follows:

	Shares	Gross	Issuance Cost	Net
Shareholders' capital - December 31, 2020	28,503,514	234,763	11,400	223,363
Repurchase of common shares	(69,326)	(200)	-	(200)
Shareholders' capital - December 31, 2021	28,434,188	234,563	11,400	223,163
Repurchase of common shares	-	-	-	-
Shareholders' capital - March 31, 2022	28,434,188	234,563	11,400	223,163

11.1 NORMAL COURSE ISSUER BID

The Company has an ongoing normal course issuer bid (the "Bid"). The current Bid is effective November 9, 2021 to November 8, 2022. The Bid allows the Company to purchase up to 1,421,000 Shares over the term. Tree Island has no obligation to purchase any Shares under the Bid.

For the period January 1, 2022 to March 31, 2022 the Company did not repurchase any shares.

12 RELATED PARTY TRANSACTIONS

12.1 TRANSACTIONS WITH ASSOCIATED COMPANIES

The Futura Corporation ("Futura") is considered to be a related party to the Company because of its share ownership interest and the fact that Mr. Doman, the sole shareholder and president of Futura, and Mr. Rosenfeld, the Executive Vice President of Futura, sit on the Board of Directors.

Based on Tree Island Steel's outstanding Shares as at May 4, 2022, Futura owns 34.5% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of Doman Building Materials Group Ltd. ("DBM"). For the three months ended March 31, 2022, Tree Island sold, net of rebates, approximately $1.1 million ($0.9 million in 2021) of goods to DBM and trade accounts receivable owing from DBM as at March 31, 2022 is approximately $0.2 million (approximately $0.3 million in 2021). Outstanding trade accounts receivable from DBM at period end are unsecured, interest free and settlement occurs in cash (Note 5).

12.2 TRANSACTION WITH KEY MANAGEMENT PERSONNEL

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three months ended March 31, 2022 were approximately $0.3 million ($0.3 million approximately in 2021) which includes wages, salaries and retirement contributions, paid annual and sick leave, vehicle costs and also includes directors' fees paid to members of the Board.

13 INCOME TAXES

13.1 INCOME TAX EXPENSE

The income tax expense is divided between current and deferred taxes as follows:

	Three Months Ended March 31, 2022	2021
Current tax expense	(4,128)	(2,159)
Deferred tax expense	-	2
Total in the Consolidated Statement of Operations	(4,128)	(2,157)

14 FINANCIAL INSTRUMENTS

14.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

Tree Island records certain of its financial instruments at fair value using various techniques. These include estimates of fair values based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as discounted cash flow analysis and option pricing models, using, to the extent possible, observable market-based inputs.

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term nature of these instruments;
- Fair value on amounts under the Company's Senior Term Facility are based on estimated market interest rate on similar borrowings. The carrying value approximates fair value as the interest rates approximate market. A 1% change in the market interest rate would change the fair value of Senior Term Facility by $0.1 million.
- Fair value of the forward exchange forward contracts is estimated using observable foreign exchange spot and forward rates. The Company does not consider interest rates or the credit quality of counterparties as significant inputs to the valuation; and
- Fair value on the Company's lease liabilities are based on estimated market interest rate on similar borrowings. The carrying value of the lease liabilities approximates fair value as the interest rates approximate market.

	As at March 31, 2022		As at December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalent	14,695	14,695	33,251	33,251
Accounts receivable	50,062	50,062	38,054	38,054
Total financial assets	64,757	64,757	71,305	71,305
Accounts payable, accrued & other current liabilities	19,533	19,533	27,278	27,278
Senior term loans	12,368	12,368	13,182	13,182
Lease Liabilities	26,951	26,951	27,835	27,835
Total financial liabilities	58,852	58,852	68,295	68,295

14.2 FAIR VALUE HIERARCHY

The financial instruments have been categorized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The only financial estimates carried at fair value are commodity purchase derivatives, which are level 2 financial instruments.

15 RISK EXPOSURE AND MANAGEMENT

Tree Island is exposed to various risks associated with its financial instruments. These risks are categorized as credit risk, liquidity risk and market risk.

15.1 CREDIT RISK

Credit risk consists of credit losses arising in the event of non-payment of accounts receivable of customer accounts. However, the credit risk is minimized through selling to well-established customers of high-credit quality. The credit worthiness of customers is assessed using credit scores supplied by a third party and through direct monitoring of their financial well-being on a continual basis. Management establishes guidelines for customer credit and appropriate precautions are taken to manage credit risk. Provisions for potential credit losses (allowance for doubtful accounts) are maintained and any such losses to date have been within management's expectations. Cash is held by financial institutions with a superior-quality credit rating. Hence Tree Island considers that the risk of non-performance of such instruments is negligible.

15.2 LIQUIDITY RISK

Liquidity arises from our financial obligations and in the management of our assets, liabilities and capital structure. This risk is managed by regular evaluation of our liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner.

The main factors that affect liquidity include realized sales prices, production levels, cash production costs, working capital requirements, future capital expenditure requirements, scheduled payments on financial liabilities and lease obligations, credit capacity and expected future debt and equity capital market conditions.

Liquidity requirements are met through a variety of sources including cash balances on hand, cash generated from operations, existing credit facilities, and debt and equity capital markets. Management monitors and manages liquidity risk by preparing annual budgets, monthly projections to the end of the fiscal year and regular monitoring of financial liabilities against the constraints of the available revolving credit facilities.

The table below summarizes the future undiscounted contractual cash flow requirements for financial liabilities (including scheduled interest payments on interest bearing liabilities) as at March 31, 2022:

	Carrying Amount	Contractual Cash Flow	Less Than 1	1 - 2 Years	Greater Than 2
Accounts payable, accrued and other liabilities	19,558	19,558	19,558	-	-
Senior term loans (principal)	12,368	12,368	2,099	5,598	4,671
Senior term loans (interest)	-	976	349	260	367
Lease liability	26,951	40,824	5,016	2,374	33,434
As at March 31, 2022	58,877	73,726	27,022	8,232	38,472
Accounts payable, accrued and other liabilities	27,333	27,333	27,333	-	-
Senior term loans (principal)	13,182	13,182	2,819	5,638	4,725
Senior term loans (interest)	-	911	300	242	369
Lease liability	27,835	41,982	4,418	2,573	34,991
As at December 31, 2021	68,350	83,408	34,870	8,453	40,085

15.3 FOREIGN CURRENCY RISK

Tree Island's U.S. dollar-denominated cash, accounts receivable, accounts payable and accrued liabilities and Senior Credit Facility are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with the changes in the U.S./Canadian dollar exchange rate. The Company enters into U.S. dollar currency forward contracts for periods consistent with a portion of U.S. dollar currency transaction exposures, generally from one to three months. These are not designated as cash flow, fair value or net investment hedges. As of March 31, 2022, the Company had no outstanding U.S. dollar currency forward contracts.

For the three months ended March 31, 2022, a $0.01 increase (decrease) in the Canadian dollar to U.S. dollar exchange rate would have increased (decreased) net comprehensive income by $0.4 million.

15.4 INTEREST RATE RISK

Tree Island is exposed to interest rate risk on its Senior Credit Facility. Interest payable on the funds advanced under the Senior Credit Facility are based on variable rates.

A one percent increase in the interest rates charged on the Senior Term Loan would increase financing expenses by $0.1 million annually. Tree Island does not use derivative instruments to manage the interest rate risk.

15.5 RAW MATERIAL PRICE RISK

Tree Island is exposed to changes in the price of the materials used in its production process and, from time to time, enters into forward contracts to purchase a portion of the zinc used. These are not designated as cash flow or fair value hedges. As at March 31, 2022, the Company had no outstanding zinc forward contracts.

16 MANAGEMENT OF CAPITAL

The Company's objectives when managing its capital are:

- To maintain a capital base so as to preserve and enhance investor, creditor, and market confidence and to sustain viability and future development of the business; and
- To manage capital in a manner that will comply with the financial covenants on the Senior Credit Facility and Senior Term Loan agreements as described further in Notes 9.1 and 9.2.

The Company manages the capital structure in accordance with these objectives, with considerations given to changes in economic conditions and the risk characteristics of the underlying assets in particular, by closely monitoring cash flows and compliance with external debt covenants. The table below is what management considers capital:

	As at March 31, 2022	As at December 31, 2021
Total shareholders' equity	109,965	132,621
Senior term loans	12,368	13,182
Lease liabilities	26,951	27,835
Total capital	149,284	173,638

17 NET INCOME PER SHARE

Basic earnings per Share amount is calculated by dividing net income for the year by the weighted average number of Shares outstanding during the year.

Diluted earnings per Share amount is calculated by dividing the net income for the year by the weighted average number of Shares outstanding during the year plus the weighted average number of Shares that would be issued on conversion of all the dilutive potential units into Shares. As at March 31, 2022 the Company does not have any instruments issued that could be dilutive.

The following reflects the income and Share data used in the earnings per Share computations:

	Three Months Ended March 31, 2022	2021
Net income for the period	12,727	6,464
Weighted average number of Shares outstanding:	28,434,188	28,816,136
Net income per share ($/share)	0.45	0.22

18 PROVISIONS AND COMMITMENTS

18.1 LITIGATION AND CLAIMS

From time to time Tree Island is party to certain legal actions and claims. In the period there are no known claims which individually, or in the aggregate, is expected to have a material adverse effect on its financial position, consolidated statement of operations or cash flows.

18.2 PURCHASE COMMITMENTS

As at March 31, 2022, Tree Island's wholly owned subsidiaries have committed to material purchases (including finished goods) totalling $54.1 million ($44.0 million in 2021).

19 SEGMENTED INFORMATION

19.1 MARKET SEGMENTS

Revenues for each group for the three months ended March 31, 2022 and 2021 were as follows:

	Three Months Ended March 31,	
	2022	2021
Industrial	29,993	22,429
Commercial	27,536	12,829
Agricultural	14,628	14,075
Residential	20,589	17,509
Total Revenue	92,746	66,842

Tree Island operates primarily within one industry, the steel wire products industry, with no separately reportable operating segments. Tree Island groups its products into the following: Industrial, Commercial, Agricultural, Construction, and Residential Construction. No one customer is more than 10% of total revenue.

19.2 GEOGRAPHIC SEGMENTS

The products are sold primarily to customers in the United States and Canada and are attributed to geographic areas based on the location of customers:

	Three Months Ended March 31, 2022	2021
United States	55,170	42,648
Canada	34,153	22,995
International	3,423	1,199
Total revenue	92,746	66,842

Non-current assets for this purpose consist of property, plant and equipment, right-of-use assets and other non-current assets. These assets are attributed to geographic areas based on the locations of the subsidiary Company owning the assets.

	As at March 31, 2022	As at December 31, 2021
United States	30,236	31,085
Canada	38,751	39,119
Total non-current assets	68,987	70,204

SHAREHOLDER INFORMATION

TREE ISLAND STEEL

Board of Directors:

Amar S. Doman – Executive Chairman of the Board

Peter Bull

Harry Rosenfeld

Sam Fleiser

Theodore A. Leja

Joe Downes

Executive Officers:

Remy Stachowiak
President,
Chief Operating Officer

Nancy Davies
Chief Financial Officer and Vice President, Finance

Shares:

Market Information

Tree Island Steel is listed on the Toronto Stock Exchange trading symbol: TSL.

Registrar and Transfer Agent

Computershare Investor Services Inc.

Corporate Head Office:

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Richmond, B.C.
Canada, V6V 1T8

Website:

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Investor Relations*:*

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(416)-962-3300
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Auditors:

KPMG LLP Vancouver, B.C.