



TREE ISLAND STEEL

WIRE & WIRE PRODUCTS

ESTABLISHED IN 1964



Management's Discussion and Analysis

March 31, 2025

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

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MANAGEMENT DISCUSSION AND ANALYSIS

The following is a discussion of the financial condition and results of operations of Tree Island Steel Ltd. ("Tree Island" or the "Company") and its wholly owned subsidiaries. This discussion is current to May 9, 2025 and should be read in conjunction with the interim unaudited condensed consolidated financial statements for the three months ended March 31, 2025. Tree Island Steel's interim unaudited condensed consolidated financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS") and are reported in Canadian dollars. Additional information relating to Tree Island Steel, including the audited consolidated financial statements and Annual Information Form ("AIF") for the year ended December 31, 2024, can be found at www.sedarplus.ca or on Tree Island Steel's website at www.treeisland.com.

1 FORWARD LOOKING STATEMENTS AND RISK

This management's discussion and analysis ("MD&A") includes forward-looking information with respect to Tree Island Steel, including our business, operations and strategies, as well as financial performance and conditions. The use of forward-looking words such as, "may," "will," "expect" or similar variations generally identify such statements. Any statements that are not statements of historical fact should be considered to be forward-looking statements. Although we believe that the forward-looking statements are reasonable, they involve risks and uncertainties, including the risks and uncertainties discussed under the heading "Risks Relating to the Company's Business" in the Company's AIF for the year ended December 31, 2024.

The forward-looking statements contained herein reflect management's current beliefs and are based upon certain assumptions that management believes to be reasonable based on the information currently available to management. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these forward-looking statements, prospective investors should specifically consider various factors including the risks outlined herein under the heading "Risk Exposure and Management" which may cause actual results to differ materially from any forward-looking statement. Such risks and uncertainties include, but are not limited to: general economic, market and business conditions, public health epidemics, the economy and potentially its supply chain, the cyclical nature of our business and demand for our products, the impact of any tax reassessments or appeals therefrom, financial condition of our customers, competition, deterioration in Tree Island Steel's liquidity, leverage, and restrictive covenants, disruption in the supply of raw materials, volatility in the costs of raw materials, dependence on the construction industry, transportation costs and availability, foreign exchange fluctuations, labour relations, trade actions, dependence on key personnel and skilled workers, reliance on key customers, environmental matters, physical impacts of extreme weather conditions, intellectual property risks, energy costs, un-insured loss, credit risk, operating risk, product liability risks, management of growth, success of acquisition and integration strategies, and other risks and uncertainties set forth in our publicly filed materials.

Should one or more of the risks or uncertainties identified herein materialize, or should the assumptions underlying the forward-looking statements prove to be incorrect, then the actual results may vary materially from those described herein.

This MD&A has been reviewed by the Board of Directors of Tree Island Steel and its Audit Committee, and contains information that is current as of the date of this MD&A, unless otherwise noted. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Readers are cautioned not to place undue reliance on this forward-looking information and management of Tree Island undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities law.

2 NON-IFRS MEASURES

References in this MD&A to “EBITDA” are to provide an adjusted EBITDA that we define as operating income adjusted by adding back total depreciation and foreign exchange gains or losses. EBITDA is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. We believe that providing an EBITDA is an important supplemental measure for evaluating our performance. You are cautioned that our definition of EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS, nor should it be used as an indicator of performance, cash flows from operating, investing and financing activities, as a measure of liquidity or cash flows. Our method of calculating EBITDA may differ from methods used by other issuers and, accordingly, our definition of EBITDA may not be comparable to similar measures presented by other issuers.

3 TREE ISLAND STEEL

Since 1964, Tree Island has been manufacturing products from steel wire for a diverse range of customers and applications. Tree Island Steel, following a conversion from an income trust to a corporate entity, was incorporated under the laws of Canada on August 2, 2012, and the units of the income fund were converted to common shares in Tree Island Steel. There were 26,010,060 Shares outstanding as of March 31, 2025.

3.1 PRODUCTS

Tree Island is a manufacturer and supplier of premium quality wire products for a broad range of applications. Our goal is to match the appropriate wire product with our customers’ needs. We achieve this by manufacturing most of our products at our own manufacturing facilities, while outsourcing others to qualified manufacturers. We market these products to customers in Canada, the United States and internationally.

We market our products under the following brands:



We offer consistent, high quality wire and wire products which meet or exceed customers' needs, ASTM standards and applicable codes, as well as a broad range of applications, technical support and excellent customer service.

The products we source from other suppliers are generally limited to commodity items, or items we do not produce. Products within this group meet general industry specifications, but are not customized to individual customer requirements. Outsourced products allow us to enhance our relationship with those customers that require competitively priced commodity products. These products typically create complementary pull-through for our manufactured products.

3.2 MARKETS

The following summarizes the markets, key product groups, the specific end-use markets, and regions we serve with our products:

Markets	Brand	Key Product Groups	Specific End-Use Market	Regions
Industrial	Tree Island® TI Wire®	Bright/galvanized/annealed low and high carbon wire	Wire fabricating, industrial applications, OEM manufacturing	North America and International
Agricultural	Tree Island®, ToughStrand®, ToughPanel®	Game fence and farm fence Vineyard wire and barbed wire Livestock panels	Agriculture, farming	North America
Commercial Construction	Tree Island®	Welded wire mesh Concrete reinforcing products	Commercial construction, mining, infrastructure projects	North America and International
Residential Construction	Tree Island®, Halsteel®, TrueSpec®, K-Lath®	Collated, bulk and packaged nails Stucco reinforcing mesh Welded wire panels	Construction and renovation for new and existing homes	North America

3.3 SEASONALITY

Our operations are impacted by the seasonal nature of the various industries we serve, primarily the construction and agriculture industries. Accordingly, revenues, sales volumes and operating results for interim quarters are not necessarily indicative of the results that may be expected for the full fiscal year.

4 2025 BUSINESS OVERVIEW AND DEVELOPMENT

4.1 BUSINESS OVERVIEW

For the three-month period ended March 31, 2025, revenues, net of freight and distribution, decreased by \$6.4 million to \$50.2 million, from \$56.6 million in the same period in 2024. The decline was primarily driven by lower sales volumes to U.S. customers mostly in the residential segment with our decision to pull back from certain unprofitable product lines. Beginning in March, there was also a pullback in demand due to the U.S. tariffs on certain steel products made in Canada. Although average selling prices were higher, gross profit for the first quarter decreased to \$3.9 million, from \$4.8 million in the same period in 2024, due to lower sales and production volumes. Adjusted EBITDA amounted to \$2.0 million, compared to \$3.1 million during the same period in 2024 from lower gross profit. To manage operational costs, company-wide headcount was reduced by 9% compared to the previous year.

For the period January 1, 2025 to March 31, 2025, the Company repurchased 7,806 shares under the normal course issuer bid ("NCIB") at a total cost of \$20 thousand (at an average price of \$2.56 per share).

4.2 DUTIES ON CERTAIN U.S. WIRE EXPORTS

The Company has been advised that certain shipments of wire produced in Canada and then subsequently sold to the U.S. from 2019 onwards should be subject to unpaid U.S. duties. The Company disagrees and is appealing the matter.

4.3 U.S. SECTION 232 STEEL TARIFF EXPANSION

On February 10th, 2025, President Donald Trump signed proclamations to impose 25% tariffs on imports of steel and aluminum into the US from all countries without exception, cancelling exemptions for Canada, Mexico, the EU, UK, Japan, South Korea, Australia, and other allied nations. In addition, the scope of the tariffs was extended to include steel derivative products. Under the new revised U.S. Section 232 Steel Tariff, all steel wire and wire products imported from Canada will be subject to a 25% tariff, unless the steel wire and wire products is made from US-melt and poured steel. This took effect on March 12, 2025.

Price increases or surcharges on the end products have been implemented to counter the costs associated with the tariffs. In addition, Management is evaluating its raw material sourcing strategy and leveraging US-melt and poured steel wire rod where commercially appropriate.

4.4 U.S. INTERNATIONAL ECONOMIC POWERS ACT (IEEPA) TARIFFS ON CANADA

On March 4th, 2025 the U.S. administration imposed a 25% tariff on most Canadian goods and 10% tariff on Canadian energy and potash exports to the U.S. On March 7th, 2025, these tariffs were paused for goods imported from Canada that qualify for duty-free treatment under the Canada-United States-Mexico Agreement (CUSMA). Certain wire products produced by the Company from raw materials not originating from North America, do not qualify for duty-free preferential treatment and remain subject to the IEEPA tariffs in Canada. Management is evaluating its raw material sourcing strategy and leveraging US-melt and poured steel wire rod where commercially appropriate.

Tariffs continue to evolve, including with the changes announced in the April 29th, 2025 executive order, which addresses instances of tariff stacking. The Company continues to assess the impact and opportunities these changes have on its U.S. sales.

4.5 CANADIAN COUNTER TARIFFS

The 25% counter tariffs imposed by Canada apply to the steel wire rod the Company procures from the U.S.; however, on April 15, the Canadian government announced temporary 6-month relief for goods imported from the U.S. that are used in Canadian manufacturing. This allows the company to continue to obtain raw materials from the U.S. suppliers to support certain U.S. Sales. The Company does not have any significant sales into Canada from its U.S. subsidiaries that would be affected by these counter tariffs.

4.6 ANTI-DUMPING INVESTIGATION ON WIRE IMPORTED FROM CERTAIN COUNTRIES INTO CANADA

On April 22, 2025, Canada Border Services Agency (“CBSA”) initiated an investigation regarding the alleged dumping of carbon and alloy steel wire originating in or exported from the People’s Republic of China, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, the Republic of India, the Italian Republic, the Federation of Malaysia, the Portuguese Republic, the Kingdom of Spain, the Kingdom of Thailand, the Republic of Türkiye, and the Socialist Republic of Vietnam. As one of the primary Canadian producers of carbon steel wire, the Company is a supporter of this case.

5 SUMMARY FINANCIAL INFORMATION

	Three Months Ended March 31,	
	2024	2023
<i>(\$'000 unless otherwise stated)</i>		
Results from Operations:		
Revenue	60,590	79,749
Freight and distribution costs	(4,037)	(4,478)
Subtotal	56,553	75,271
Cost of sales	(50,409)	(62,157)
Depreciation	(1,316)	(1,329)
Gross Profit	4,828	11,785
Selling, general and administrative expenses	(3,391)	(3,484)
Operating Income	1,437	8,301
Foreign exchange gain	381	141
Gain on disposition of property, plant, and equipment	-	(66)
Other expenses	-	-
Interest income	208	137
Financing expenses	(561)	(436)
Income before income taxes	1,465	7,777
Income tax expense	(840)	(1,927)
Net Income	625	5,850
Net income per share	0.02	0.21
Dividend per share	0.030	0.050
Financial position as of:		
	March 31, 2024	December 31, 2023
Total assets	149,973	151,109
Total non-current financial liabilities	10,881	10,939
Adjusted EBITDA:		
	Three Months Ended March 31,	2023
	2024	
Operating Income	1,437	8,301
Add back depreciation	1,316	1,329
Foreign exchange gain	381	141
Adjusted EBITDA	3,134	9,771

6 COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

(\$'000 unless otherwise stated)	2025	2024	Variance Fav/(Unfav)	
REVENUE NET OF FREIGHT AND DISTRIBUTION COSTS	50,191	56,553	(6,362)	(11.2%)

The decline in revenue over the comparative period by 11.2% was primarily due to lower sales volumes to U.S. customers mostly in the residential segment with our decision to pull back from certain unprofitable product lines.

Revenue Net of Freight and Distribution Costs by Market Segment

	Three Months Ended March 31,					
	2025		2024		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
Industrial	19,369	38.6%	19,200	34.0%	169	0.9%
Commercial	11,924	23.8%	11,956	21.1%	(32)	(0.3%)
Agricultural	10,380	20.7%	10,422	18.4%	(42)	(0.4%)
Residential	8,518	17.0%	14,975	26.5%	(6,457)	(43.1%)
Total	50,191	100.0%	56,553	100.0%	(6,362)	(11.2%)

Revenue Net of Freight and Distribution Costs by Location

	Three Months Ended March 31,					
	2025		2024		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	26,709	53.2%	32,570	57.6%	(5,861)	(18.0%)
Canada	22,434	44.7%	23,172	41.0%	(738)	(3.2%)
International	1,048	2.1%	811	1.4%	237	29.2%
Total	50,191	100.0%	56,553	100.0%	(6,362)	(11.2%)

Average C\$/U.S.\$ 1.44 1.35

(\$'000 unless otherwise stated)	2025	2024	Variance Fav/(Unfav)	
COST OF SALES	44,851	50,409	5,558	11.0%

The decrease in cost of sales compared to prior year was primarily driven by lower sales volumes, and a reduction in headcount to manage operational costs.

(\$'000 unless otherwise stated)	2025	2024	Variance Fav/(Unfav)	
GROSS PROFIT	3,954	4,828	(874)	(18.1%)

The decrease in gross profit was largely due to lower sales and production volumes offset by rising raw material and tariff costs.

(\$'000 unless otherwise stated)	2025	2024	Variance Fav/(Unfav)	
SG&A	3,114	3,391	277	8.2%

SG&A expenses are lower when compared to prior period, primarily due to lower compensation costs.

(\$'000 unless otherwise stated)	2024	2023	Variance Fav/(Unfav)	
INTEREST INCOME	208	137	70	51.1%

Interest income decreased compared to same period in 2024 due to decrease in cash and cash equivalents.

(\$'000 unless otherwise stated)	2024	2023	Variance Fav/(Unfav)	
FINANCING EXPENSES	561	436	(124)	(28%)

Financing costs were lower primarily due to lower financing costs associated with imported raw materials.

Financing Expenses

	Three Months Ended March 31,			
			Variance Fav/(Unfav)	
	2024	2023	Amount	%
Fees on senior credit facility	3	10	7	70.0%
Interest on lease liability	268	265	(3)	(1.1%)
Other interest expense	279	153	(126)	(82.4%)
Deferred financing costs	11	8	(3)	(37.5%)
Total financing expenses	561	436	(125)	(28.7%)

(\$'000 unless otherwise stated)	2024	2023	Variance Fav/(Unfav)	
FOREIGN EXCHANGE GAIN	381	141	240	170.2%

Our Canadian operation, whose functional currency is the Canadian dollar, has a portion of its assets, liabilities, sales and expenses denominated in currencies other than the Canadian dollar, in particular the U.S. dollar. With raw material costs being denominated in U.S. dollars, having a significant portion of our sales also being denominated in U.S. dollars creates a natural partial hedge. Foreign currency forward contracts are used to manage a portion of the remaining currency risk. Foreign exchange gains and losses are unpredictable in nature and therefore can vary significantly over time. As at March 31, 2025 the Company did not have any U.S. dollar currency forward contracts outstanding.

(\$'000 unless otherwise stated)	2024	2023	Variance Fav/(Unfav)	
OTHER EXPENSES	0	-	-	N/A

The other expenses represents legal and compliance costs related to trade and tariff cases in the quarter.

(\$'000 unless otherwise stated)	2024	2023	Variance Fav/(Unfav)	
INCOME TAX EXPENSE	840	1,927	1,087	56.4%

Income tax expense is based on a statutory rate of 27.0% for Canadian taxable income applied to the income before taxes, with adjustments for permanent differences between accounting and taxable income.

(\$'000 unless otherwise stated)	2024	2023	Variance Fav/(Unfav)	
NET INCOME	625	5,850	(5,225)	(89.3%)

The decrease in earnings over the comparative period is attributable to lower gross profits.

7 FINANCIAL CONDITION AND LIQUIDITY

7.1 WORKING CAPITAL

A summary of the composition of our working capital, excluding certain items, as at March 31, 2025 compared to 2024 is provided below:

(\$'000 unless otherwise stated)	As at March 31,	
	2024	2023
Cash and cash equivalents	20,205	23,442
Accounts receivable	28,878	36,508
Inventories	46,470	57,286
Other current assets	8,556	4,186
	<u>104,109</u>	<u>121,422</u>
Accounts payable and accrued liabilities	(15,551)	(25,426)
Dividends payable	(813)	(1,411)
Other current liabilities	(825)	-
	<u>(17,189)</u>	<u>(26,837)</u>
Net balance	86,920	94,585

We define working capital as current assets less current liabilities. Current assets include cash, accounts receivable, inventories and other current assets. Current liabilities includes accounts payable and accrued liabilities, dividends payable and other current liabilities and excludes current portions of long-term borrowings and ROU lease liabilities.

Our business requires an ongoing investment in working capital, comprised primarily of accounts receivable and inventories, financed primarily by credit in the form of accounts payable and accrued liabilities. Our largest investment in working capital is in our inventories. We have arrangements with our key suppliers to provide us with financing or trade credit for the purchase of the raw materials needed for our operations.

Our investment in working capital fluctuates from quarter-to-quarter, based on factors such as seasonal sales demand, strategic purchasing decisions taken by management, and the timing of collections from customers and payments made to our suppliers. Sales and working capital requirements may be higher during seasonal peaks.

Cash and cash equivalents have been invested in a money market mutual fund account to optimize returns while ensuring liquidity and safety of capital. Cash and cash equivalents are an integral part of the Company's working capital and are used to finance day-to-day operations, capital expenditures, and other strategic investments. The Company continuously evaluates its cash and cash equivalent balances to maintain an appropriate level to meet its operational and strategic needs while preserving financial stability.

Accounts receivable as at March 31, 2025 were lower than the same period last year due to lower sales in the quarter. We manage our accounts receivable and the related credit risk by focusing on the credit worthiness of customers, by assigning credit scores supplied by a third party and through direct monitoring of their financial well-being on a continual basis. We have established guidelines for customer credit, and appropriate precautions are taken to improve collectability or limit increasing credit exposure. We maintain provisions for potential credit losses (allowance for doubtful accounts) and such losses to date have been within our expectations.

Inventories were higher as at March 31, 2025 due to rising raw material and tariff costs and changes in inventory mix. We manage our inventories with an emphasis on a continuous inflow of raw materials to meet our production needs balanced with strategic purchases, barring unforeseen events, impacting potential end markets. We have also established processes to regularly adjust the production levels of finished goods stocked in our warehouses so that we can both satisfy customer needs, growth requirements and meet our objective of maintaining adequate inventories on hand.

Accounts payable was higher as at March 31, 2025 compared to the same period in 2024, mainly due to timing of material receipts and the payments for material costs.

Our objective for managing the investment in working capital is to maximize the turnover of productive current assets, specifically accounts receivable and inventories. We work with our key vendors to use vendor credit when available on advantageous terms.

7.2 CASH FLOW

Summary Cash Flow

	Three Months Ended March 31,	
	2024	2023
<i>(\$'000 unless otherwise stated)</i>		
Cash provided by operating activities before working capital adjustments	2,896	7,469
Working capital adjustments	(1,270)	4,738
Net cash (used in) provided by operating activities	1,626	12,207
Investment income on cash equivalents	199	21
Property, plant and equipment expenditures	(683)	(709)
Net cash used in investing activities	(484)	(688)
Lease interest paid	(268)	(265)
Lease principal payments	(303)	(1,111)
Other interest paid	(269)	(62)
Advance on senior revolving facility	14	-
Dividend paid	(814)	(1,415)
Share buyback	(92)	(253)
Net cash used in financing activities	(1,732)	(3,106)
Exchange rate impact on foreign cash balances	455	53
Decrease in cash balances	(135)	8,466

7.3 SENIOR CREDIT FACILITY

The Company's senior secured committed banking facility with current lender Wells Fargo Capital Finance Corporation Canada ("WellsFargo") matures on July 1, 2026.

The facility enables the Company to borrow up to \$35.0 million in Canadian and/or U.S. funds. Interest payable on funds borrowed in Canadian and U.S. currency is at variable rates. For the revolving facility, up to \$25.0 million may be borrowed at any time in Canadian and/or U.S. dollars with the amount advanced under the revolving facility limited to a defined percentage of inventories and accounts receivable, machinery and equipment, and real estate less certain reserves. In addition, up to \$10.0 million may be borrowed as term debt, in Canadian and/or U.S. dollars.

The Senior Credit Facility is secured by a first charge over the Company's assets supported by the appropriate guarantees and pledges and assignments, and requires that certain covenants be met by Tree Island. The Senior Credit Facility has defined covenants, the primary one being that a certain amount of credit availability be maintained. Only if this amount falls below a certain threshold, then other covenants, which include a defined fixed charge coverage ratio, are tested. In addition, there are other restrictive covenants that limit the discretion of management with respect to certain business matters.

As at March 31, 2025 the Company was in compliance with its covenants on the Senior Credit Facility.

8 CAPITAL EXPENDITURES AND CAPACITY

For the three months ended March 31, 2025, we added \$0.25 million in capital expenditures.

9 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of March 31, 2025, we were committed to the contracts, operating leases and debt repayments (including scheduled interest payments on interest bearing debt) set out below, which will be financed through working capital and our Senior Credit Facility.

The production materials include raw materials, such as wire rod and zinc, and finished goods. These raw materials are used in the day-to-day operations of our manufacturing facilities, and are in the normal course of our business activities. Finished goods are purchased for resale without further processing and are also in the normal course of our business activities. All committed production material purchases are to be delivered over the next three months.

From time to time, we make investments to update, replace or make additions to our existing capital assets, which includes, but is not limited to, the buildings we occupy and capital equipment. These investments are in the normal course of our business activity. For the capital assets we have committed to purchase but have not yet received, amounts remaining to be paid are disclosed as purchase commitments. As of March 31, 2025, the Company had outstanding capital equipment commitments of \$0.3 million.

From time to time, 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, 2025, the Company did not have any U.S. dollar currency forward contracts outstanding.

Contractual Obligations and Commitments

(\$'000 unless otherwise stated)	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Thereafter</u>	<u>Total</u>
Production materials	24,003	-	-	-	-	-	24,003
AP and accrued liabilities	15,573	-	-	-	-	-	15,573
Capital Equipment	302	-	-	-	-	-	302
Tax reassessment deposit	813	-	-	-	-	-	813
Dividends	2,304	2,323	2,354	1,982	1,847	26,991	37,801
Lease liabilities	14	-	-	-	-	-	14
Total obligations and commitments	43,009	2,323	2,354	1,982	1,847	26,991	78,506

10 SUMMARY OF QUARTERLY FINANCIAL RESULTS

The table below provides selected quarterly financial information for the eight most recent fiscal quarters to March 31, 2025. Sales volumes in the fourth quarter of the year are traditionally lower in the year due to the seasonality of our business. Quarter-over-quarter results may also be impacted by unusual or infrequently occurring items.

Summary of Quarterly Financial Results

	Mar 31, <u>2024</u>	Dec 31, <u>2023</u>	Sep 30, <u>2023</u>	Jun 30, <u>2023</u>	Mar 31, <u>2023</u>	Dec 31, <u>2022</u>	Sep 30, <u>2022</u>	Jun 30, <u>2022</u>
<i>(\$'000 unless otherwise stated)</i>								
Revenue net of freight and distribution	56,553	47,344	53,366	63,591	75,271	67,116	80,202	98,370
Gross profit	4,828	3,387	6,039	9,082	11,785	8,317	14,591	21,588
Foreign exchange gain (loss)	381	(261)	22	(125)	141	4	(2)	75
Net income (loss)	625	(1,895)	1,944	1,651	5,850	(756)	8,013	13,119
Net income (loss) per unit - basic	0.02	(0.07)	0.07	0.06	0.21	(0.03)	0.28	0.46

Commentary:

- In the second half of fiscal year 2023, margins were affected by lower unit sales prices and reduced shipped volumes with the closure of the Etiwanda facility in 2023.
- For full year 2024, margins decreased due to lower volumes and reduced spreads between sales prices and raw material costs.
- In the first quarter of 2025, results were impacted by lower sales volumes to U.S. customers particularly in the residential segment with our decision to pull back from certain unprofitable product lines. Beginning in March, there was also a pull back in demand because of the U.S. tariffs on certain steel products made in Canada.

These financial results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

11 ACCOUNTING POLICIES AND STATEMENTS

Certain of our accounting policies involve critical accounting estimates that require us to make subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under differing conditions or using different assumptions. We evaluate these estimates and assumptions regularly.

Our significant accounting policies are described in Note 3 of the December 31, 2024 Consolidated Financial Statements and in the Annual Information Form for the year ended December 31, 2024.

11.1 CRITICAL ACCOUNTING ESTIMATES

The areas that we considered to have critical accounting estimates are: inventory valuation, allowance for doubtful accounts, assessment of impairment related to property, plant and equipment, lease discount rates applied and useful life and the execution of the two extension terms for our leased facility in the U.S.. These critical estimates and the judgments involved are discussed further in Note 3 to the Consolidated Financial Statements for December 31, 2024.

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, sits on the Board of Directors. Based on Tree Island Steel's outstanding Shares as at March 31, 2025, Futura owns 37.7% 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, 2025, Tree Island sold, net of rebates, approximately \$0.6 million (\$0.7 million in 2024) of goods to DBM and trade accounts receivable owing from DBM as at March 31, 2025 is approximately \$0.1 million (\$0.3 million in 2024). Outstanding trade accounts receivable from DBM at period end are unsecured, interest free and settlement occurs in cash.

12.2 TRANSACTIONS 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, 2025, were approximately \$0.3 million (\$0.3 million in 2024) 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 RISKS AND UNCERTAINTIES

Investment in Tree Island Steel is subject to a number of risks. Our income is dependent upon the wire products business, which is susceptible to a number of risks. Risks pertaining to current economic conditions are discussed in the section above under the heading "2024 Business Overview and Development". A detailed discussion of our significant business risks is provided in the 2024 Annual Information Form under the heading "Risk Relating to the Company's Business" which can be found at www.sedarplus.ca

14 LITIGATIONS AND CLAIMS

From time to time Tree Island is party to certain legal actions, claims and tax audits. In the period there are no known claims which individually, or in the aggregate, are expected to have a material adverse effect on its financial position, consolidated statement of operations or cash flows. As more information becomes known with respect to any claims, actions or tax audits, the Company then establishes provisions in the period.

15 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for designing disclosure controls and procedures that: (a) provide reasonable assurance that material information required to be disclosed by us is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) ensure that information required to be disclosed by us is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Our management is responsible for designing, establishing, and maintaining an adequate system of internal control over financial reporting. Our internal control system was designed based on the 2013 Internal Control – Integrated Framework (“2013 COSO Framework”) published by the Committee of Sponsoring Organizations of the Treadway Commission to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS Accounting Standards.

The Chief Operating Officer, in the capacity of chief executive officer, and Chief Financial Officer certified the appropriateness of the financial disclosures in the interim financial report together with the other financial information included in the interim filings for the three months ended March 31, 2025. These executives also certified that they are responsible for the design and effectiveness of disclosure controls and procedures and internal control over financial reporting. There have been no changes in internal control over financial reporting during the three months ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company’s Board of Directors and Audit Committee reviewed and approved the March 31, 2025 unaudited condensed consolidated financial statements and this MD&A prior to its release.

SHAREHOLDER INFORMATION

TREE ISLAND STEEL

Board of Directors:

Amar S. Doman –
Executive Chairman of
the Board

Peter Bull

Harry Rosenfeld

Sam Fleiser

Joe Downes

Executive Officers:

Nancy Davies
Chief Operating Officer

Brian Liu
*Vice President, Finance
and CFO*

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:

3933 Boundary Road
Richmond, B.C.
Canada, V6V 1T8

Website:

www.treeisland.com

Investor Relations:

Ali Mahdavi
Investor Relations
(416)-962-3300
amahdavi@treeisland.com

Auditors:

KPMG LLP Vancouver, B.C.

