



**WIRE & WIRE PRODUCTS**

**ESTABLISHED IN 1964**



**Consolidated Financial Statements**  
*September 30, 2024*

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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**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2024 and 2023**

**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.

November 5, 2024

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2024 and 2023**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<i>(\$'000 unless otherwise stated)</i>		As at September 30,	As at December 31,
	<i>Notes</i>	2024	2023
Cash & cash equivalents	5	8,283	20,340
Accounts receivable	6, 13.1	28,178	23,748
Inventory	7	54,578	52,071
Prepaid expenses		5,008	4,693
Income taxes recoverable	14	4,588	3,953
<b>Current assets</b>		<b>100,635</b>	<b>104,805</b>
Property, plant and equipment	8	47,223	48,292
Right of use assets	9.1	19,763	18,345
Other non-current assets		2,863	2,818
<b>Total assets</b>		<b>170,484</b>	<b>174,260</b>
Accounts payable and accrued liabilities		17,439	15,110
Income tax payable		-	2,281
Dividends payable		782	814
Current portion of ROU lease liabilities	9.2	1,357	739
<b>Current liabilities</b>		<b>19,578</b>	<b>18,944</b>
ROU Lease liabilities	9.2	24,410	23,057
Other non-current liabilities		97	219
Deferred income tax liabilities		5,333	5,163
<b>Total liabilities</b>		<b>49,418</b>	<b>47,383</b>
<b>Shareholders' equity</b>		<b>121,066</b>	<b>126,877</b>
<b>Total liabilities and shareholders' equity</b>		<b>170,484</b>	<b>174,260</b>

*See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements*

Approved on behalf of Tree Island Steel.

[Signed]

"Amar S. Doman"

Executive Chairman of the Board of Directors

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2024 and 2023**
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(\$'000 unless otherwise stated)	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023 Restated	2024	2023 Restated
Revenue	6, 13.1, 20.1	54,948	56,890	173,256	203,901
Freight and distribution costs		(3,334)	(3,524)	(11,103)	(11,674)
Subtotal		51,614	53,366	162,153	192,227
Cost of sales		(48,179)	(46,114)	(146,600)	(161,576)
Depreciation	8, 9.1	(1,384)	(1,213)	(4,066)	(3,747)
Gross profit		2,051	6,039	11,487	26,904
Selling, general and administrative expenses		(3,340)	(3,213)	(10,019)	(10,049)
Operating income (loss)		(1,289)	2,826	1,468	16,855
Foreign exchange gain (loss)		(89)	22	495	39
Loss on disposition of property, plant and equipment		-	(7)	-	(104)
Site closure costs		-	-	-	(1,340)
Reorganization costs		(33)	-	(44)	(2,097)
Interest income		80	122	415	513
Financing expenses	11	(659)	(551)	(1,787)	(1,359)
Income (Loss) before income taxes		(1,990)	2,412	547	12,507
Income tax (expense) recovery	14.1	144	(468)	(1,158)	(3,064)
Net income (loss)		(1,846)	1,944	(611)	9,443
Net income (loss) per share	18	(0.07)	0.07	(0.02)	0.34
Dividends per share		0.03	0.03	0.09	0.13
Weighted average number of shares	18	26,113,570	27,581,442	26,628,953	27,956,254

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(\$'000 unless otherwise stated)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	(1,846)	1,944	(611)	9,443
Unrealized gain (loss) on foreign exchange translation	(321)	722	581	(62)
Comprehensive income (loss)	(2,167)	2,666	(30)	9,381

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2024 and 2023**
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

<i>(\$'000 unless otherwise stated)</i>	Shareholders' Capital <i>Note 12</i>	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as at December 31, 2023	218,976	(91,019)	(1,080)	126,877
Repurchase of shares	(92)	-	-	(92)
Net Income	-	625	-	625
Dividends	-	(813)	-	(813)
Other comprehensive income	-	-	645	645
<b>Balance as at March 31, 2024</b>	<b>218,884</b>	<b>(91,207)</b>	<b>(435)</b>	<b>127,242</b>
Repurchase of shares	(3,048)	-	-	(3,048)
Net Income	-	610	-	610
Dividends	-	(784)	-	(784)
Other comprehensive income	-	-	257	257
<b>Balance as at June 30, 2024</b>	<b>215,836</b>	<b>(91,381)</b>	<b>(178)</b>	<b>124,277</b>
Repurchase of shares	(262)	-	-	(262)
Net Income	-	(1,846)	-	(1,846)
Dividends	-	(782)	-	(782)
Other comprehensive loss	-	-	(321)	(321)
<b>Balance as at September 30, 2024</b>	<b>215,574</b>	<b>(94,009)</b>	<b>(499)</b>	<b>121,066</b>
Balance as at December 31, 2022	222,629	(94,133)	(400)	128,096
Repurchase of shares	(253)	-	-	(253)
Net Income	-	5,850	-	5,850
Dividends	-	(1,411)	-	(1,411)
Other comprehensive loss	-	-	(15)	(15)
<b>Balance as at March 31, 2023</b>	<b>222,376</b>	<b>(89,694)</b>	<b>(415)</b>	<b>132,267</b>
Repurchase of shares	(1,682)	-	-	(1,682)
Net Income	-	1,651	-	1,651
Dividends	-	(1,384)	-	(1,384)
Other comprehensive loss	-	-	(769)	(769)
<b>Balance as at June 30, 2023</b>	<b>220,694</b>	<b>(89,427)</b>	<b>(1,184)</b>	<b>130,083</b>
Repurchase of shares	(572)	-	-	(572)
Net Income	-	1,944	-	1,944
Dividends	-	(825)	-	(825)
Other comprehensive income	-	-	722	722
<b>Balance as at September 30, 2023</b>	<b>220,122</b>	<b>(88,308)</b>	<b>(462)</b>	<b>131,352</b>

*See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements*

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2024 and 2023**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(\$'000 unless otherwise stated)</i>	Notes	Three Months		Nine Months	
		Ended September 30, 2024	2023	Ended September 30, 2024	2023
Net income (loss)		(1,846)	1,944	(611)	9,443
Depreciation	8, 9.1	1,384	1,213	4,066	3,747
Unrealized foreign exchange gain (loss) on revaluation of lease liability		(324)	444	479	(49)
Loss on disposition of property, plant and equipment		-	7	-	104
Net financing costs		578	216	1,371	498
Deferred income tax expense (recovery)		52	-	171	(118)
Working capital adjustments					
Accounts receivable		3,086	6,073	(4,591)	3,613
Inventories		(3,136)	(4,826)	(2,835)	5,605
Accounts payable and accrued liabilities		458	(883)	2,626	(947)
Prepaid expenses		506	(1,005)	(608)	(2,243)
Income and other taxes		(1,213)	1,693	(2,916)	1,574
Other		32	(66)	(110)	(47)
Net cash (used in) provided by operating activities		(423)	4,810	(2,958)	21,180
Investment income on cash equivalents		73	198	389	546
Property, plant and equipment expenditures		(155)	(1,296)	(1,569)	(3,299)
Net cash used in investing activities		(82)	(1,098)	(1,180)	(2,753)
Lease interest paid		(299)	(262)	(862)	(786)
Lease principal payments		(324)	(292)	(937)	(2,380)
Other interest paid		(319)	(286)	(858)	(532)
Deferred financing fees		(14)	(46)	(14)	(131)
Dividend paid		(784)	(1,384)	(2,411)	(4,210)
Repurchase of common shares		(258)	(572)	(3,338)	(2,507)
Net cash used in financing activities		(1,998)	(2,842)	(8,420)	(10,546)
Effect of exchange rate change on cash		(79)	88	501	40
Increase (decrease) in cash		(2,582)	958	(12,057)	7,921
Cash and cash equivalents - beginning of period		10,865	21,939	20,340	14,976
Cash and cash equivalents - end of period		8,283	22,897	8,283	22,897

*See accompanying Notes to the 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 nine months ended September 30, 2024 and 2023 were authorized for issue in accordance with a resolution of the Board of Directors on November 5, 2024.

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**

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The interim unaudited condensed consolidated financial statements as at and for the nine months ended September 30, 2024 and 2023 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 31, 2023 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 MATERIAL ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS 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, 2023.

### 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 consolidated financial statements in the current year.

### 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits, and highly liquid money market mutual fund investments. These investments are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. None of the balances represent restricted funds.

The carrying amount of cash and cash equivalents approximates their fair value due to the short-term nature of these instruments. Information about credit risk is presented in Note 16.1.

The following table presents Tree Island's cash and cash equivalent balances:

	<u>As at September 30, 2024</u>	<u>As at December 31, 2023</u>
Cash	6,359	7,551
Cash equivalents	1,924	12,789
<b>Total cash and cash equivalents</b>	<b>8,283</b>	<b>20,340</b>

## **6 REVENUE AND ACCOUNTS RECEIVABLE**

For both the sale of goods and contract manufacturing, stated revenue includes freight, where applicable, and is net of early payment discounts and rebates granted. Freight costs, incurred for the purpose of shipping product out to customers, represent flow through costs for the Company and are passed on to the end customer. These recoverable amounts of the costs are included in the Company's top-line revenue. Since these flow through costs can vary significantly, from customer to customer and year to year, changes in revenue may not be indicative of the Company's revenue trends. Therefore, the Company also presents revenue net of freight and distribution costs.

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

	As at September 30, 2024	As at December 31, 2023
Current	26,913	22,667
Over 30 days past due	1,408	1,393
<b>Total accounts receivable</b>	<b>28,321</b>	<b>24,060</b>
Allowance for doubtful accounts	(143)	(312)
<b>Net accounts receivable</b>	<b>28,178</b>	<b>23,748</b>

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 \$28.2 million as at September 30, 2024 (\$23.7 million as at December 31, 2023).

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 13.1.

See Note 16.1 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.

## **7 INVENTORIES**

Tree Island had the following categories of inventory:

	<u>As at September 30, 2024</u>	<u>As at December 31, 2023</u>
Raw materials	13,338	14,868
Finished and semi-finished products	26,544	21,071
Consumable supplies and spare parts	14,696	16,132
<b>Total inventory</b>	<b>54,578</b>	<b>52,071</b>

For the three and nine months ended September 30, 2024 and 2023, Tree Island recognized, in income, inventory costs for the following:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2024	2023	2024	2023
Opening inventory	51,442	47,100	52,071	57,531
Material purchases	36,332	37,271	103,423	112,540
Conversion costs	14,983	13,668	45,684	43,430
Closing inventory	(54,578)	(51,925)	(54,578)	(51,925)
<b>Cost of sales</b>	<b>48,179</b>	<b>46,114</b>	<b>146,600</b>	<b>161,576</b>

The reserves for slow moving inventory as at September 30, 2024 were \$1.4 million (\$1.2 million at December 31, 2023).

## **8 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 September 30, 2024.

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
<b>Cost</b>					
As at December 31, 2022	13,338	47,328	45,275	956	106,897
Additions	-	437	4,127	1,204	5,768
Disposals	-	-	(2,724)	-	(2,724)
Foreign exchange translation	-	(100)	(134)	-	(234)
As at December 31, 2023	13,338	47,665	46,544	2,160	109,707
Additions	-	546	2,452	(1,446)	1,552
Disposals	-	-	(27)	-	(27)
Foreign exchange translation	-	85	77	-	162
As at September 30, 2024	13,338	48,296	49,046	714	111,394
<b>Depreciation and impairment</b>					
As at December 31, 2022	-	33,964	26,637	-	60,601
Depreciation for the period	-	1,346	1,842	-	3,188
Disposals	-	-	(2,273)	-	(2,273)
Foreign exchange translation	-	(38)	(63)	-	(101)
As at December 31, 2023	-	35,272	26,143	-	61,415
Depreciation for the period	-	1,027	1,670	-	2,697
Disposals	-	-	(27)	-	(27)
Foreign exchange translation	-	30	56	-	86
As at September 30, 2024	-	36,329	27,842	-	64,171
<b>Net book value as at</b>					
December 31, 2023	13,338	12,393	20,401	2,160	48,292
September 30, 2024	13,338	11,967	21,204	714	47,223

**NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2024 and 2023**

**9 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:

**9.1 RIGHT OF USE ASSETS**

	Land & buildings	Machinery & equipment	Total right-of-use assets
Cost			
As at December 31, 2022	25,851	2,084	27,935
Additions	348	984	1,332
Disposals	(1,217)	(494)	(1,711)
Foreign exchange translation	(579)	(22)	(601)
As at December 31, 2023	24,403	2,552	26,955
Additions	1,492	924	2,416
Disposals	(443)	(1,206)	(1,649)
Foreign exchange translation	498	11	509
As at September 30, 2024	25,950	2,281	28,231
Depreciation and impairment			
As at December 31, 2022	(7,212)	(1,320)	(8,532)
Depreciation for period	(1,317)	(466)	(1,783)
Disposals	1,217	309	1,526
Foreign exchange translation	162	17	179
As at December 31, 2023	(7,150)	(1,460)	(8,610)
Depreciation for period	(1,060)	(309)	(1,369)
Disposals	443	1,206	1,649
Foreign exchange translation	(136)	(2)	(138)
As at September 30, 2024	(7,903)	(565)	(8,468)
Carrying value as at:			
December 31, 2023	17,253	1,092	18,345
September 30, 2024	18,047	1,716	19,763

## 9.2 LEASE LIABILITY

	Land & buildings	Machinery & equipment	Total lease liabilities
Lease liability			
As at December 31, 2022	25,121	791	25,912
New contracts and renewals	348	979	1,327
Contract disposal	-	(176)	(176)
Interest expense	1,018	40	1,058
Payment of lease liability	(3,264)	(494)	(3,758)
Foreign exchange translation	(548)	(19)	(567)
Lease liability as at December 31, 2023	22,675	1,121	23,796
New contracts and renewals	1,492	926	2,418
Interest expense	795	67	862
Payment of lease liability	(1,443)	(356)	(1,799)
Foreign exchange translation	473	17	490
As at September 30, 2024	23,992	1,775	25,767
Less: current portion	(961)	(396)	(1,357)
<b>Total As at September 30, 2024</b>	<b>23,031</b>	<b>1,379</b>	<b>24,410</b>

## 10 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 and is comprised of:

- \$25.0 million of Senior Revolving Credit facility; and
- \$10.0 million of Senior Term facility.

### 10.1 SENIOR REVOLVING CREDIT FACILITY

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.

The Senior Credit Facility includes a \$5.0 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 \$1.53 million Letter of Credit outstanding as at September 30, 2024.

**NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2024 and 2023**

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.

	As at September 30, 2024	As at December 31, 2023
Deferred financing costs	(87)	(107)
<b>Total</b>	<b>(87)</b>	<b>(107)</b>

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 September 30, 2024 the Company was in compliance with its financial covenants on the Senior Credit Facility.

**10.2 SENIOR TERM FACILITY**

Under the terms of the Senior Term Facility, the Company has designated portions up to a total of \$10 million denominated in either Canadian or U.S. dollars. There is no balance outstanding as of September 30, 2024.

**11 FINANCING EXPENSES**

	<i>Notes</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023
Fees on senior credit facility	<i>10.1</i>	3	10	10	43
Interest on lease liability		299	262	863	786
Other interest and financing costs		345	265	880	496
Amortization of deferred financing costs		12	14	34	34
<b>Total</b>		<b>659</b>	<b>551</b>	<b>1,787</b>	<b>1,359</b>

## **12 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, 2022	28,286,889	234,029	11,400	222,629
Repurchase of common shares	(1,159,463)	(3,653)	-	(3,653)
Shareholders' capital - December 31, 2023	27,127,426	230,376	11,400	218,976
Repurchase of common shares	(1,071,440)	(3,402)	-	(3,402)
Shareholders' capital - September 30, 2024	26,055,986	226,974	11,400	215,574

### **12.1 NORMAL COURSE ISSUER BID**

The Company has an ongoing normal course issuer bid (the "Bid"). The current Bid is effective November 9, 2023 to November 8, 2024. The Bid allows the Company to purchase up to 1,360,000 Shares over the term. Tree Island has no obligation to purchase any Shares under the Bid.

For the period January 1, 2024 to September 30, 2024 the Company cancelled 1,071,440 Shares purchased under the Bid at a total cost of \$3.4 million (at an average price of \$3.17 per Share).

## **13 RELATED PARTY TRANSACTIONS**

### **13.1 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 September 30, 2024, Futura owns 37.6% 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 and nine months ended September 30, 2024, Tree Island sold, net of rebates, approximately \$0.4 million and \$1.6 million (\$0.6 million and \$1.8 million in 2023) of goods to DBM and trade accounts receivable owing from DBM as at September 30, 2024 is approximately \$107 thousand (\$0.3 million in 2023). Outstanding trade accounts receivable from DBM at period end are unsecured, interest free and settlement occurs in cash (Note 6).

### **13.2 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 and nine months ended September 30, 2024 were approximately \$0.3 million and \$0.9 million (\$0.3 million and \$1 million in 2023) 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.

## **14 INCOME TAXES**

### **14.1 INCOME TAX EXPENSE**

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Current tax expense / recovery	196	(468)	(988)	(3,182)
Deferred tax expense / recovery	(52)	-	(170)	118
<b>Total in the Consolidated Statement of Operations</b>	<b>144</b>	<b>(468)</b>	<b>(1,158)</b>	<b>(3,064)</b>

TII Canada has entered into a payment plan with the Canada Revenue Agency ("CRA") to pay 50% of the Tax Amount over the course of 14 months through April 2025 and with Alberta Tax and Revenue Administration("TRA") to pay 50% of the amounts reassessed over the period of six months starting in May 2024. In August 2024, we have successfully negotiated an extension of deposit payments to CRA and TRA. The payment schedules have been extended to July 2025 and January 2025 respectively. Included in the Income Tax Recoverable amount on the Statement of Financial Position is a deposit amount of \$3.9 million paid as of September 30, 2024.

## **15 FINANCIAL INSTRUMENTS**

### **15.1 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, cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term nature of these instruments;
- 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 September 30, 2024		As at December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	6,359	6,359	7,551	7,551
Cash equivalents	1,924	1,924	12,789	12,789
Accounts receivable	28,178	28,178	23,748	23,748
<b>Total financial assets</b>	<b>36,461</b>	<b>36,461</b>	<b>44,088</b>	<b>44,088</b>
Accounts payable, accrued & other current liabilities	17,439	17,439	15,110	15,110
Lease liabilities	25,767	25,767	23,796	23,796
<b>Total financial liabilities</b>	<b>43,206</b>	<b>43,206</b>	<b>38,906</b>	<b>38,906</b>

## **15.2 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. As of September 30, 2024, the Company did not hold any of these financial instruments.

## **16 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.

### **16.1 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 and as a result, Tree Island considers that the risk of non-performance of such instruments is negligible.

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**16.2 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 September 30, 2024.

	Carrying Amount	Contractual Cash Flow	Less Than 1 Year	1 - 2 Years	Greater Than 2 Years
Accounts payable, accrued and other liabilities	17,439	17,439	17,439	-	-
Lease liability	25,767	37,236	2,500	2,525	32,211
<b>As at September 30, 2024</b>	<b>43,206</b>	<b>54,675</b>	<b>19,939</b>	<b>2,525</b>	<b>32,211</b>
Accounts payable, accrued and other liabilities	15,110	15,110	15,110	-	-
Lease liability	23,796	35,187	1,770	1,744	31,673
<b>As at December 31, 2023</b>	<b>38,906</b>	<b>50,297</b>	<b>16,880</b>	<b>1,744</b>	<b>31,673</b>

**16.3 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 September 30, 2024, the Company had no outstanding U.S. dollar currency forward contracts.

For the three months ended September 30, 2024, a \$0.01 increase (decrease) in the Canadian dollar to U.S. dollar exchange rate would have increased (decreased) net comprehensive income by \$0.2 million.

**16.4 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.

Changes in interest rates would not have an impact on the Company, as there was no outstanding balance under the Senior Term Loan as of September 30, 2024.

**16.5 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 September 30, 2024, the Company had no outstanding zinc forward contracts.

**17 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 10.1 and 10.2.

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 September 30, 2024	As at December 31, 2023
Total shareholders' equity	121,066	126,877
Lease liabilities	25,767	23,796
<b>Total capital</b>	<b>146,833</b>	<b>150,673</b>

## **18 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 September 30, 2024, 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (Loss)	(1,846)	1,944	(611)	9,443
Weighted average number of shares outstanding:	26,113,570	27,581,442	26,628,953	27,956,254
Net income (loss) per share (\$/share)	(0.07)	0.07	(0.02)	0.34

## **19 PROVISIONS AND COMMITMENTS**

### **19.1 CRA REASSESSMENT NOTICE**

TI Canada received Notices of Reassessment (NORs) from the Minister of National Revenue under the Income Tax Act (Canada) and from Alberta Corporate Tax Act for the tax years 2015 through 2018. These NORs indicate that the tax liability, including interest, for the 2015 to 2018 taxation years is approximately \$11.8 million (the "Tax Amount") under the NORs and approximately \$680,000 under the Alberta NORs. The Company disagrees with the disallowance of the bad debt deductions and capital losses and has contested the NORs and the Alberta NORs by filing notices of objection to start the appeals process. TII Canada continues to comply with the payment plan with the Canada Revenue Agency (CRA) and Alberta Tax and Revenue (TRA) to pay 50% of the tax amount. Should TI Canada be successful in defending some or all of its tax filing position, any amounts paid to the CRA and TRA in relation to the Tax Amount in respect of which such defence was successful will be payable to the Company by the CRA and TRA with interest. If TI Canada is not successful, then any remaining federal or provincial taxes payable plus interest would have to be remitted by TI Canada, less the amounts already submitted to the CRA and TRA under the payment plan. There can be no assurance regarding the outcome of the appeals process or when a resolution may be reached. The Company has not recorded accruals in connection with the NORs or the Alberta NORs. See financial statement note 14.

### **19.2 DUTIES ON CERTAIN US WIRE EXPORTS**

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

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**September 30, 2024 and 2023**

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**19.3 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, other than as disclosed in Note 19.1 and 19.2 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.

**19.4 PURCHASE COMMITMENTS**

As at September 30, 2024, Tree Island's wholly owned subsidiaries have committed to material purchases (including finished goods) totaling \$27.3 million (\$30.0 million in 2023).

**20 SEGMENTED INFORMATION**

**20.1 MARKET SEGMENTS**

Revenues, net of freight and distribution costs, for each group for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Industrial	20,454	21,638	59,510	70,661
Commercial	13,054	11,810	38,961	48,569
Agricultural	4,626	4,524	22,460	23,958
Residential	13,480	15,394	41,222	49,039
Total revenue, net of freight and distribution costs	51,614	53,366	162,153	192,227

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 Construction, Agricultural and Residential Construction. No one customer is more than 10% of total revenue.

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**20.2 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 September		Nine Months Ended September	
	2024	2023	2024	2023
United States	31,541	34,403	95,459	116,249
Canada	19,424	18,002	64,227	73,193
International	649	961	2,467	2,785
<b>Total revenue, net of freight and distribution costs</b>	<b>51,614</b>	<b>53,366</b>	<b>162,153</b>	<b>192,227</b>

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 September 30, 2024	As at December 31, 2023
United States	21,345	21,680
Canada	48,504	47,775
<b>Total non-current assets</b>	<b>69,849</b>	<b>69,455</b>

## 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:

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](http://www.treeisland.com)

### Investor Relations:

Ali Mahdavi  
Investor Relations  
(416)-962-3300  
[amahdavi@treeisland.com](mailto:amahdavi@treeisland.com)

### Auditors:

KPMG LLP Vancouver, B.C.

