



WIRE & WIRE PRODUCTS

ESTABLISHED IN 1964



Management's Discussion and Analysis
September 30, 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 November 13, 2025 and should be read in conjunction with the interim unaudited condensed consolidated financial statements for the nine months ended September 30, 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 or duty 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 25,916,357 Shares outstanding as of September 30, 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-months ended September 30, 2025, revenues, net of freight and distribution costs, were lower by \$14.8 million to \$36.8 million from \$51.6 million in 2024. This was due to the impact of the U.S. tariffs on Canada to U.S. sales of wire and wire products which was partially mitigated by increased sales within Canada. Average selling prices in certain categories were higher, however, gross profit was lower by \$0.3 million compared to prior year due to lower production volumes. Through higher average selling prices in certain categories, head count and cost reductions, adjusted EBITDA improved to \$0.2 million compared to \$6 thousand in same period last year.

For the nine months ended September 30, 2025, revenues, net of freight and distribution, were lower by \$32.8 million to \$129.4 million from \$162.2 million in 2024, mainly due to reduced U.S. sales volumes caused by tariffs and a strategic withdrawal from unprofitable products. Through cost management, gross margins are consistent with prior year; however, gross profits were lower by \$1.9 million, and adjusted EBITDA was lower by \$1.5 million due to lower production levels.

For the period January 1, 2025 to September 30, 2025, the Company repurchased 101,509 shares under the normal course issuer bid ("NCIB") at a total cost of \$259 thousand (at an average price of \$2.55 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. AND CANADIAN TARIFFS

With the evolving U.S. and Canada tariff environment, the Company continues to adjust its sales, operations and sourcing strategies.

4.4 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.

On September 4, 2025, The CBSA issued a preliminary duty rates for all ten countries. Those duty rates range from 3.5% to 138.6%, depending on the country and exporter. The formal investigation continues, and a final determination is expected in early 2026.

5 SUMMARY FINANCIAL INFORMATION

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Results from Operations:				
Revenue	38,724	54,949	136,519	173,256
Freight and distribution costs	(1,885)	(3,335)	(7,151)	(11,103)
Subtotal	36,839	51,614	129,368	162,153
Cost of sales	(33,658)	(48,179)	(115,630)	(146,600)
Depreciation	(1,368)	(1,384)	(4,128)	(4,066)
Gross Profit	1,813	2,051	9,610	11,487
Selling, general and administrative expenses	(2,916)	(3,340)	(9,352)	(10,019)
Operating Income (Loss)	(1,103)	(1,289)	258	1,468
Foreign exchange gain (loss)	(65)	(89)	78	495
Loss on disposition of property, plant, and equipment	(47)	-	(92)	-
Other expenses	(350)	(33)	(749)	(44)
Interest income	46	80	97	415
Financing expenses	(622)	(659)	(1,674)	(1,787)
Income before income taxes	(2,141)	(1,990)	(2,082)	547
Income tax (expense) recovery	-	144	-	(1,158)
Net loss	(2,141)	(1,846)	(2,082)	(611)
Net loss per share	(0.08)	(0.07)	(0.08)	(0.02)
Dividend per share	0.015	0.030	0.045	0.090

Financial position as of:	September 30,	December 31,
	2025	2024
Total assets	165,196	168,817
Total non-current financial liabilities	29,500	31,245

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Adjusted EBITDA:				
Operating Income (Loss)	(1,103)	(1,289)	258	1,468
Add back depreciation	1,368	1,384	4,128	4,066
Foreign exchange gain (loss)	(65)	(89)	78	495
Adjusted EBITDA	201	6	4,464	6,029

6 COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024

<i>(\$'000 unless otherwise stated)</i>	2025	2024	Variance Fav/(Unfav)	
REVENUE NET OF FREIGHT AND DISTRIBUTION COSTS	36,839	51,614	(14,774)	(28.6%)

Revenues were lower over comparative period by 28.6% primarily due to impact of the U.S. tariffs on Canada to U.S. sales of wire and wire products partially mitigated by increased sales within Canada.

Revenue Net of Freight and Distribution Costs by Market Segment

	Three Months Ended September 30,					
	2025		2024		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
Industrial	10,202	27.7%	20,454	39.6%	(10,252)	(50.1%)
Commercial	11,854	32.2%	13,054	25.3%	(1,200)	(9.2%)
Agricultural	4,078	11.1%	4,626	9.0%	(548)	(11.8%)
Residential	10,705	29.0%	13,480	26.1%	(2,775)	(20.6%)
Total	36,839	100.0%	51,614	100.0%	(14,775)	(28.6%)

Revenue Net of Freight and Distribution Costs by Location

	Three Months Ended September 30,					
	2025		2024		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	15,316	41.6%	31,541	61.1%	(16,225)	(51.4%)
Canada	20,795	56.4%	19,424	37.6%	1,371	7.1%
International	728	2.0%	649	1.3%	79	12.2%
Total	36,839	100.0%	51,614	100.0%	(14,775)	(28.6%)

Average C\$/U.S.\$ 1.38 1.36

<i>(\$'000 unless otherwise stated)</i>	2025	2024	Variance Fav/(Unfav)	
COST OF SALES	33,658	48,179	14,521	30.1%

The decrease in cost of sales compared to prior year was mainly due to lower sales volumes, and headcount reduction to manage operational costs.

<i>(\$'000 unless otherwise stated)</i>	2025	2024	Variance Fav/(Unfav)	
GROSS PROFIT	1,813	2,051	(237)	(11.6%)

Gross profit was lower due to lower sales and production volumes.

<i>(\$'000 unless otherwise stated)</i>	2025	2024	Variance Fav/(Unfav)	
SG&A	2,916	3,340	424	12.7%

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

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
INTEREST INCOME	46	80	(34)	(42.2%)

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

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
FINANCING EXPENSES	622	659	37	6%

Financing costs were lower primarily due to lower financing costs associated with imported raw materials offset by interest expense on advance of the revolving credit facility.

Financing Expenses

	Three Months Ended September 30,			
	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
			<u>Amount</u>	<u>%</u>
Interest and fees on senior revolving credit facility	140	3	(137)	(4369.5%)
Interest on lease liability	285	299	14	4.7%
Other interest expense	175	345	170	49.3%
Deferred financing costs	22	12	(10)	(76.3%)
Total financing expenses	622	659	38	5.7%

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
FOREIGN EXCHANGE LOSS	(65)	(89)	25	28.1%

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 portion of our sales also being denominated in U.S. dollars creates a natural partial hedge. Foreign exchange gains and losses are unpredictable in nature and therefore can vary significantly over time. As at September 30, 2025 the Company did not have any U.S. dollar currency forward contracts outstanding.

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
OTHER EXPENSES	350	33	(317)	(960.6%)

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

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
INCOME TAX RECOVERY	0	(144)	(144)	(100.0%)

Income tax expense is based on a statutory rate of 27.0% for Canadian taxable income and 29.8% for the U.S. based taxable income applied to the income of the respective subsidiaries before taxes, with adjustments for permanent differences between accounting and taxable income.

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
NET LOSS	(2,141)	(1,846)	(295)	(16.0%)

Earnings were lower over the comparative period due to lower gross profits.

7 COMPARISON OF RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024

<i>(\$'000 unless otherwise stated)</i>	2025	2024	Variance Fav/(Unfav)	
REVENUE NET OF FREIGHT AND DISTRIBUTION COSTS	129,368	162,153	(32,785)	(20.2%)

Revenues were lower over the prior year by 20.2%, mainly due to reduced U.S. sales volumes caused by tariffs and a strategic withdrawal from unprofitable products, partially offset by increased sales within Canada.

Revenue Net of Freight and Distribution Costs by Market Segment

	Nine Months Ended September 30,					
	2025		2024		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
Industrial	40,525	31.4%	59,510	36.7%	(18,985)	(31.9%)
Commercial	38,924	30.1%	38,961	24.0%	(37)	(0.1%)
Agricultural	18,817	14.5%	22,460	13.9%	(3,643)	(16.2%)
Residential	31,102	24.0%	41,222	25.4%	(10,120)	(24.5%)
Total	129,368	100.0%	162,153	100.0%	(32,785)	(20.2%)

Revenue Net of Freight and Distribution Costs by Location

	Nine Months Ended September 30,					
	2025		2024		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	60,309	46.6%	95,459	58.9%	(35,150)	(36.8%)
Canada	66,459	51.4%	64,227	39.7%	2,232	3.5%
International	2,600	2.0%	2,467	1.5%	133	5.4%
Total	129,368	100.0%	162,153	100.0%	(32,785)	(20.2%)

Average C\$/U.S.\$ 1.40 1.36

<i>(\$'000 unless otherwise stated)</i>	2025	2024	Variance Fav/(Unfav)	
COST OF SALES	115,630	146,600	30,970	21.1%

The cost of goods sold decreased compared to the prior period, primarily due to lower sales volumes, reduction in headcount and aligning production with demand to manage operational costs.

<i>(\$'000 unless otherwise stated)</i>	2025	2024	Variance Fav/(Unfav)	
GROSS PROFIT	9,610	11,487	(1,877)	(16.3%)

Gross profit was lower due to lower sales and production volumes.

<i>(\$'000 unless otherwise stated)</i>	2025	2024	Variance Fav/(Unfav)	
SG&A	9,352	10,019	667	6.7%

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

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
FOREIGN EXCHANGE GAIN	78	495	(417)	(84.2%)

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 portion of our sales also being denominated in U.S. dollars creates a natural partial hedge. Foreign exchange gains and losses are unpredictable in nature and therefore can vary significantly over time. As at September 30, 2025, the Company did not have any U.S. dollar currency forward contracts outstanding.

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
INTEREST INCOME	97	415	(318)	(76.6%)

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

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
FINANCING EXPENSES	1,674	1,787	113	6.3%

Financing costs were lower primarily due to lower financing costs associated with imported raw materials offset by interest expense on advance of the revolving credit facility.

Financing Expenses

	Nine Months Ended September 30,			
	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
			<u>Amount</u>	<u>%</u>
Interest and fees on senior revolving credit facility	225	10	(215)	(2190.8%)
Interest on lease liability	882	863	(19)	(2.2%)
Other interest expense	515	880	365	41.5%
Deferred financing costs	52	34	(18)	(52.9%)
Total financing expenses	1,674	1,787	113	6.3%

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
INCOME TAX EXPENSE	0	1,158	1,158	100.0%

Income tax expense is based on a statutory rate of 27.0% for Canadian taxable income and 29.8% for the U.S. based taxable income applied to the income of the respective subsidiaries before taxes, with adjustments for permanent differences between accounting and taxable income.

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2024</u>	<u>Variance Fav/(Unfav)</u>	
NET LOSS	(2,082)	(611)	(1,471)	(240.8%)

Earnings were lower compared to prior year primarily due to lower gross profits.

8 FINANCIAL CONDITION AND LIQUIDITY

8.1 WORKING CAPITAL

A summary of the composition of our working capital, excluding certain items, as at September 30, 2025 compared to 2024 is provided below:

(\$'000 unless otherwise stated)	As at September 30,	
	2025	2024
Cash and cash equivalents	2,806	8,283
Accounts receivable	23,387	28,178
Inventories	56,531	54,578
Other current assets	7,366	6,201
	<u>90,090</u>	<u>97,240</u>
Senior Revolving credit facility	(5,640)	-
Accounts payable and accrued liabilities	(13,524)	(17,439)
Dividends payable	(389)	(782)
	<u>(19,553)</u>	<u>(18,221)</u>
Net balance	<u>70,537</u>	<u>79,019</u>

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.

The reduction in cash and cash equivalents was mainly due to payments related to tax reassessments and tariff duties. 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 September 30, 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 September 30, 2025 due to higher raw material costs and building inventory of finished wire products made from U.S. melt steel for sale in to the U.S. market. 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 lower as at September 30, 2025 compared to the same period in 2024 due to reduction in purchase of raw and other materials and decrease in operational and other 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.

8.2 CASH FLOW

Summary Cash Flow

	Three months ended		Nine Months Ended	
	September 30,		September 30,	
	2025	2024	2025	2024
<i>(\$'000 unless otherwise stated)</i>				
Cash provided by operating activities	(701)	(156)	4,214	5,476
Tax reassessment deposit and refundable surtaxes / duties paid	(404)	(1,010)	(2,687)	(3,909)
Working capital adjustments	(2,534)	743	(6,404)	(4,525)
Net cash used in operating activities	(3,639)	(423)	(4,877)	(2,958)
Investment income on cash equivalents	43	73	80	389
Property, plant and equipment expenditures	(473)	(155)	(1,721)	(1,569)
Net cash used in investing activities	(430)	(82)	(1,641)	(1,180)
Lease interest paid	(285)	(299)	(882)	(862)
Lease principal payments	(358)	(324)	(1,062)	(937)
Other interest paid	(257)	(319)	(651)	(858)
Deferred financing expenses	-	(14)	(43)	(14)
Advance on senior revolving credit facility	4,981	-	5,640	-
Dividend paid	(389)	(784)	(1,560)	(2,411)
Share buyback	(106)	(258)	(259)	(3,338)
Net cash provided by (used in) financing activities	3,586	(1,998)	1,183	(8,420)
Exchange rate impact on foreign cash balances	98	(79)	(556)	501
Decrease in cash balances	(385)	(2,582)	(5,891)	(12,057)

8.3 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 September 30, 2025 the Company was in compliance with its covenants on the Senior Credit Facility.

9 CAPITAL EXPENDITURES AND CAPACITY

For the nine months ended September 30, 2025, we added \$1.5 million in capital expenditures.

10 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of September 30, 2025, we were committed to the contracts, operating leases and financing related charges 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.

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 September 30, 2025, the Company did not have any U.S. dollar currency forward contracts outstanding.

Contractual Obligations and Commitments

<i>(\$'000 unless otherwise stated)</i>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Thereafter</u>	<u>Total</u>
Production materials	11,780	-	-	-	-	-	11,780
Senior revolving credit facility	5,640	-	-	-	-	-	5,640
AP and accrued liabilities	13,524	-	-	-	-	-	13,524
Dividends	389	-	-	-	-	-	389
Lease liabilities	648	2,618	2,243	2,109	1,948	25,967	35,533
Total obligations and commitments	31,981	2,618	2,243	2,109	1,948	25,967	66,866

11 SUMMARY OF QUARTERLY FINANCIAL RESULTS

The table below provides selected quarterly financial information for the eight most recent fiscal quarters to September 30, 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

	Sep 30, <u>2025</u>	Jun 30, <u>2025</u>	Mar 31, <u>2025</u>	Dec 31, <u>2024</u>	Sep 30, <u>2024</u>	Jun 30, <u>2024</u>	Mar 31, <u>2024</u>	Dec 31, <u>2023</u>
<i>(\$'000 unless otherwise stated)</i>								
Revenue net of freight and distribution	36,839	42,338	50,191	44,838	51,614	53,986	56,553	47,344
Gross profit	1,813	3,871	3,954	298	2,051	4,608	4,828	3,387
Foreign exchange gain (loss)	(65)	135	8	163	(89)	202	381	(261)
Net income (loss)	(2,141)	85	2	(3,299)	(1,846)	610	625	(1,896)
Net income (loss) per unit - basic	(0.08)	0.00	0.00	(0.13)	(0.07)	0.02	0.02	0.07

Commentary:

- Last quarter of 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.
- First half of 2025, results were impacted by lower sales volumes to U.S. caused by tariffs and a strategic withdrawal from unprofitable products.
- During the third quarter of 2025, results were negatively impacted by U.S. tariffs causing lower sales of wire and wire products from Canada to U.S. partially offset by increased sales within Canada market.

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

12 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.

12.1 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.

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, 2025, Futura owns 38.0% 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, 2025, Tree Island sold, net of rebates, approximately \$0.4 million and \$1.5 million (\$0.4 million and \$1.6 million in 2024) of goods to DBM and trade accounts receivable owing from DBM as at September 30, 2025 is approximately \$127 thousand (\$107 thousand in 2024). Outstanding trade accounts receivable from DBM at period end are unsecured, interest free and settlement occurs in cash.

13.2 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 and nine months ended September 30, 2025 were approximately \$0.2 million and \$0.7 million (\$0.3 million and \$0.9 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.

14 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 "2025 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

15 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.

16 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 nine months ended September 30, 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 nine months ended September 30, 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 September 30, 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
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:

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Richmond, B.C.
Canada, V6V 1T8

Website:

www.treeisland.com

Investor Relations:

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

Auditors:

KPMG LLP Vancouver, B.C.

