



**WIRE & WIRE PRODUCTS**

**ESTABLISHED IN 1964**



**Consolidated Financial Statements**  
*March 31, 2025*

**Tree Island Steel Ltd.**

**Statement of Amendment**

Tables on the documents filed on May 9, 2025, have been amended due to error in the period represented. The current comparative periods are Q1 2025 and Q1 2024 and not Q1 2024 and Q1 2023 as represented on the document.

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**

**March 31, 2025 and 2024**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

May 9, 2025

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2025 and 2024**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

<i>(\$'000 unless otherwise stated)</i>	<i>Notes</i>	As at March 31, 2025	As at December 31, 2024
Cash & cash equivalents	5	4,054	8,697
Accounts receivable	6, 13.1	27,571	24,277
Inventory	7	51,736	51,955
Prepaid expenses		6,692	5,429
Income taxes recoverable		1,652	1,652
Other Current Assets		530	530
<b>Current assets</b>		<b>92,235</b>	<b>92,541</b>
Property, plant and equipment	8	46,230	46,879
Right of use assets	9.1	20,093	20,422
Income taxes recoverable	14.1	5,604	4,787
Other non-current assets		3,504	4,189
<b>Total assets</b>		<b>167,666</b>	<b>168,817</b>
Accounts payable and accrued liabilities		16,313	16,498
Dividends payable		390	781
Current portion of ROU lease liabilities	9.2	1,475	1,431
<b>Current liabilities</b>		<b>18,178</b>	<b>18,710</b>
ROU Lease liabilities	9.2	25,296	25,522
Other non-current liabilities		203	167
Deferred income tax liabilities		5,557	5,557
<b>Total liabilities</b>		<b>49,234</b>	<b>49,955</b>
<b>Shareholders' equity</b>		<b>118,432</b>	<b>118,862</b>
<b>Total liabilities and shareholders' equity</b>		<b>167,666</b>	<b>168,817</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**  
**March 31, 2025 and 2024**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

<i>(\$'000 unless otherwise stated)</i>		Three Months Ended March 31,	
	<i>Notes</i>	2025	2024
Revenue	6, 13.1, 20.1	53,301	60,590
Freight and distribution costs		(3,110)	(4,037)
Subtotal		50,191	56,553
Cost of sales	7	(44,851)	(50,409)
Depreciation	8, 9.1	(1,386)	(1,316)
Gross profit		3,954	4,828
Selling, general and administrative expenses		(3,294)	(3,391)
Operating income		660	1,437
Foreign exchange gain		8	381
Gain on disposition of property, plant and equipment		2	-
Other expenses		(182)	-
Interest income		26	208
Financing expenses	11	(512)	(561)
Income (Loss) before income taxes		2	1,465
Income tax expense	14.1	-	(840)
Net income		2	625
Net income per share	18	0.00	0.02
Dividends per share		0.015	0.030
Weighted average number of shares	18	26,017,779	27,109,265

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

<i>(\$'000 unless otherwise stated)</i>		Three Months Ended March 31,	
		2025	2024
Net income		2	625
Unrealized gain (loss) on foreign exchange translation		(22)	656
Comprehensive income (loss)		(20)	1,281

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

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2025 and 2024**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

<i>(\$'000 unless otherwise stated)</i>	Shareholders' Capital Note 12	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance as at December 31, 2024	215,459	(97,581)	984	118,862
Repurchase of shares	(20)	-	-	(20)
Net Income	-	2	-	2
Dividends	-	(390)	-	(390)
Other comprehensive loss	-	-	(22)	(22)
<b>Balance as at March 31, 2025</b>	<b>215,439</b>	<b>(97,969)</b>	<b>962</b>	<b>118,432</b>
Balance as at December 31, 2023	218,973	(90,511)	(1,080)	127,382
Repurchase of shares	(92)	-	-	(92)
Net Income	-	625	-	625
Dividends	-	(813)	-	(813)
Other comprehensive income	-	-	656	656
<b>Balance as at March 31, 2024</b>	<b>218,881</b>	<b>(90,699)</b>	<b>(424)</b>	<b>127,758</b>

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

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2025 and 2024**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(\$'000 unless otherwise stated)*

Three Months Ended March 31,

	<i>Notes</i>	2025	2024
Net income		2	625
Depreciation	8, 9.1	1,386	1,316
Unrealized foreign exchange (gain) loss on revaluation of lease liability		(6)	565
Gain on disposition of property, plant and equipment		(2)	-
Change in non-current assets		(132)	-
Net financing costs		491	353
Deferred income tax expense (recovery)		-	37
Working capital adjustments			
Accounts receivable		(3,294)	(5,243)
Inventories		219	5,374
Accounts payable and accrued liabilities		12	472
Prepaid expenses		(1,262)	(900)
Income and other taxes		-	(866)
Other		13	(108)
<b>Net cash (used in) provided by operating activities</b>		<b>(2,573)</b>	<b>1,625</b>
Investment income on cash equivalents		22	199
Property, plant and equipment expenditures		(442)	(683)
<b>Net cash used in investing activities</b>		<b>(420)</b>	<b>(484)</b>
Lease interest paid		(305)	(268)
Lease principal payments		(351)	(303)
Other interest paid		(185)	(269)
Advance on senior revolving facility		-	14
Dividend paid		(781)	(813)
Repurchase of common shares		(20)	(92)
<b>Net cash used in financing activities</b>		<b>(1,642)</b>	<b>(1,731)</b>
<b>Effect of exchange rate change on cash</b>		<b>(8)</b>	<b>455</b>
Increase (decrease) in cash		(4,643)	(135)
Cash and cash equivalents - beginning of period		8,697	20,340
<b>Cash and cash equivalents - end of period</b>		<b>4,054</b>	<b>20,205</b>

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

## **NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2025 and 2024**

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### **1 NATURE OF BUSINESS**

These interim unaudited condensed consolidated financial statements of Tree Island Steel Ltd. ("Tree Island" or the "Company") for three months ended March 31, 2025 and 2024 were authorized for issue in accordance with a resolution of the Board of Directors on May 9, 2025.

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.

### **2 BASIS OF PREPARATION**

#### **2.1 BASIS OF PREPARATION**

The interim unaudited condensed consolidated financial statements as at and for the three months ended March 31, 2025 and 2024 have been prepared in accordance with the IFRS Accounting Standards ("IFRS"). Certain comparative information has been reclassified to conform to the presentation adopted during the year.

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, 2024.

**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.

The International Accounting Standards Board (IASB) has issued IFRS 18, which introduces new requirements related to presentation and disclosure for financial statements. The Company will be assessing the impact of this new standard on its financial reporting.

**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:

	As at March 31, 2025	As at December 31, 2024
Cash	3,467	6,788
Cash equivalents	587	1,909
<b>Total cash and cash equivalents</b>	<b>4,054</b>	<b>8,697</b>

## NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

### 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 March 31, 2025	As at December 31, 2024
Current	26,112	22,408
Over 30 days past due	1,699	2,026
Total accounts receivable	27,811	24,434
Allowance for doubtful accounts	(240)	(157)
Net accounts receivable	27,571	24,277

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 \$27.6 million as at March 31, 2025 (\$24.3 million as at December 31, 2024).

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.

**NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2025 and 2024**

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**7 INVENTORIES**

Tree Island had the following categories of inventory:

	<u>As at March 31, 2025</u>	<u>As at December 31, 2024</u>
Raw materials	11,571	11,211
Finished and semi-finished products	23,436	24,018
Consumable supplies and spare parts	16,728	16,726
<u>Total inventory</u>	<u>51,736</u>	<u>51,955</u>

For the three months ended March 31, 2025 and 2024, Tree Island recognized, in income, inventory costs for the following:

	<u>Three Months Ended March 31,</u>	
	<u>2025</u>	<u>2024</u>
Opening inventory	51,955	52,071
Material purchases	29,932	29,379
Conversion costs	14,700	15,429
Closing inventory	(51,736)	(46,470)
<u>Cost of sales</u>	<u>44,851</u>	<u>50,409</u>

The reserves for slow moving inventory as at March 31, 2025 were \$1.5 million (\$1.5 million at December 31, 2024).

## **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 March 31, 2025.

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, 2023	13,338	47,665	46,544	2,160	109,707
Additions	-	577	3,016	(1,693)	1,900
Disposals	-	-	(27)	-	(27)
Foreign exchange translation	-	364	343	6	713
As at December 31, 2024	13,338	48,606	49,876	473	112,293
Additions	-	-	342	(90)	252
Foreign exchange translation	-	(4)	(4)	-	(8)
As at March 31, 2025	13,338	48,602	50,214	383	112,537
<b>Depreciation and impairment</b>					
As at December 31, 2023	-	35,272	26,143	-	61,415
Depreciation	-	1,376	2,246	-	3,622
Disposals	-	-	(27)	-	(27)
Foreign exchange translation	-	152	252	-	404
As at December 31, 2024	-	36,800	28,614	-	65,414
Depreciation	-	346	552	-	898
Foreign exchange translation	-	(2)	(3)	-	(5)
As at March 31, 2025	-	37,144	29,163	-	66,307
<b>Net book value as at</b>					
December 31, 2024	13,338	11,806	21,262	473	46,879
March 31, 2025	13,338	11,458	21,051	383	46,230

**NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2025 and 2024**

**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, 2023	24,405	2,550	26,955
Additions	1,492	938	2,430
Disposals	(443)	(1,212)	(1,655)
Foreign exchange translation	2,117	47	2,164
As at December 31, 2024	27,571	2,323	29,894
Additions	-	190	190
Disposals	-	(173)	(173)
Foreign exchange translation	(24)	-	(24)
As at March 31, 2025	27,547	2,340	29,887
Depreciation and impairment			
As at December 31, 2023	(7,150)	(1,460)	(8,610)
Depreciation	(1,428)	(422)	(1,850)
Disposals	443	1,212	1,655
Foreign exchange translation	(648)	(19)	(667)
As at December 31, 2024	(8,783)	(689)	(9,472)
Depreciation	(374)	(114)	(488)
Disposals	-	159	159
Foreign exchange translation	7	-	7
As at March 31, 2025	(9,150)	(644)	(9,794)
Carrying value as at:			
December 31, 2024	18,788	1,634	20,422
March 31, 2025	18,397	1,696	20,093

**NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2025 and 2024**

**9.2 LEASE LIABILITY**

	Land & buildings	Machinery & equipment	Total lease liabilities
Lease liability			
As at December 31, 2023	22,679	1,117	23,796
New contracts and renewals	1,492	939	2,431
Interest expense	1,069	96	1,165
Payment of lease liability	(1,952)	(487)	(2,439)
Foreign exchange translation	1,973	27	2,000
Lease liability as at December 31, 2024	25,261	1,692	26,953
New contracts and renewals	-	190	190
Contract disposal	-	(14)	(14)
Interest expense	277	28	305
Payment of lease liability	(522)	(133)	(655)
Foreign exchange translation	(22)	14	(8)
As at March 31, 2025	24,994	1,777	26,771
Less: current portion	(1,056)	(419)	(1,475)
<b>Total As at March 31, 2025</b>	<b>23,938</b>	<b>1,358</b>	<b>25,296</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 \$2.34 million Letter of Credit outstanding as at March 31, 2025.

## NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

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

Interest payable on funds borrowed in Canadian or U.S. currency is at variable rates. There is no balance outstanding under the Senior Revolving Credit portion of the Senior Credit Facility.

	As at March 31, 2025	As at December 31, 2024
Deferred financing costs	(64)	(76)
Total	(64)	(76)

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

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

As at March 31, 2025, 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 March 31, 2025.

## 11 FINANCING EXPENSES

		Three Months Ended March 31,	
	<i>Notes</i>	2025	2024
Fees on senior credit facility	<i>10.1</i>	10	3
Interest on lease liability		305	268
Other interest and financing costs		184	279
Amortization of deferred financing costs		13	11
Total		512	561

## **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, 2023	27,127,426	230,373	11,400	218,973
Repurchase of common shares	(1,109,560)	(3,514)	-	(3,514)
Shareholders' capital - December 31, 2024	26,017,866	226,859	11,400	215,459
Repurchase of common shares	(7,806)	(20)	-	(20)
Shareholders' capital - March 31, 2025	26,010,060	226,839	11,400	215,439

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

The Company has an ongoing normal course issuer bid (the "Bid"). The current Bid is effective November 11, 2024 to November 10, 2025. The Bid allows the Company to purchase up to 1,300,000 Shares over the term. Tree Island has no obligation to purchase any Shares under the Bid.

For the period January 1, 2025 to March 31, 2025 the Company cancelled 7,806 Shares purchased under the Bid at a total cost of \$20 thousand (at an average price of \$2.56 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 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 (Note 6).

## NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

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### 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 months ended 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.

## 14 INCOME TAXES

### 14.1 INCOME TAX EXPENSE

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

	Three Months Ended March 31,	
	2025	2024
Current tax expense	-	(803)
Deferred tax (expense) recovery	-	(37)
<b>Total in the Consolidated Statement of Operations</b>	<b>-</b>	<b>(840)</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 March 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 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 non-current section is a deposit amount of \$5.6 million paid as of March 31, 2025.

## **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 March 31, 2025		As at December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	3,467	3,467	6,788	6,788
Cash equivalents	587	587	1,909	1,909
Accounts receivable	27,571	27,571	24,277	24,277
<b>Total financial assets</b>	<b>31,625</b>	<b>31,625</b>	<b>32,974</b>	<b>32,974</b>
Accounts payable, accrued & other current liabilities	16,313	16,313	16,498	16,498
Lease liabilities	26,771	26,771	26,953	26,953
<b>Total financial liabilities</b>	<b>43,084</b>	<b>43,084</b>	<b>43,451</b>	<b>43,451</b>

## NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

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### 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 March 31, 2025, 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.

## NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

### 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 March 31, 2025.

	Carrying Amount	Contractual Cash Flow	Less Than 1 Year	1 - 2 Years	Greater Than 2 Years
Accounts payable, accrued and other liabilities	16,313	16,313	16,313	-	-
Lease liability	26,771	37,947	1,985	2,674	33,288
As at March 31, 2025	43,084	54,260	18,298	2,674	33,288
Accounts payable, accrued and other liabilities	16,498	16,498	16,498	-	-
Lease liability	26,953	38,435	2,619	2,640	33,176
As at December 31, 2024	43,451	54,933	19,117	2,640	33,176

### 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 March 31, 2025, the Company had no outstanding U.S. dollar currency forward contracts.

For the three months ended March 31, 2025, a \$0.01 increase (decrease) in the Canadian dollar to U.S. dollar exchange rate would have increased (decreased) net comprehensive income by \$0.1 million.

## NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

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### 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 March 31, 2025.

### 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 March 31, 2025, 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 March 31, 2025	As at December 31, 2024
Total shareholders' equity	118,432	118,862
Lease liabilities	26,771	26,953
<b>Total capital</b>	<b>145,203</b>	<b>145,815</b>

## **18 NET INCOME PER SHARE**

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

Diluted earnings per Share amount is calculated by dividing the net income for the year by the weighted average number of Shares outstanding during the year plus the weighted average number of Shares that would be issued on conversion of all the dilutive potential units into Shares. As at March 31, 2025, the Company does not have any instruments issued that could be dilutive.

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

	Three Months Ended March 31,	
	2025	2024
Net income	2	625
Weighted average number of shares outstanding:	26,017,779	27,109,265
Net income per share (\$/share)	0.00	0.02

## **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 14.1.

### **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 appealing the matter.

### **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.

## NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2025 and 2024

### 19.4 PURCHASE COMMITMENTS

As at March 31, 2025, Tree Island's wholly owned subsidiaries have committed to material purchases (including finished goods) and capital equipment purchases totaling \$24.3 million (\$39.9 million in 2024).

## 20 SEGMENTED INFORMATION

### 20.1 MARKET SEGMENTS

Revenues, net of freight and distribution costs, for each group for the three months ended March 31, 2025 and 2024 were as follows:

	Three Months Ended March 31,	
	2025	2024
Industrial	19,369	19,200
Commercial	11,924	11,956
Agricultural	10,380	10,422
Residential	8,518	14,975
<b>Total revenue, net of freight and distribution costs</b>	<b>50,191</b>	<b>56,553</b>

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.

### 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 March 31,	
	2025	2024
United States	26,709	32,570
Canada	22,434	23,172
International	1,048	811
<b>Total revenue, net of freight and distribution costs</b>	<b>50,191</b>	<b>56,553</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 March 31,	As at December 31,
	2025	2024
United States	22,067	22,446
Canada	53,364	53,830
<b>Total non-current assets</b>	<b>75,431</b>	<b>76,276</b>

## **21 TRADE EVENTS**

### **21.1 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 was 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.

### **21.2 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 import 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 on 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.

### **21.3 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.

### **21.4 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.

## 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](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.

