



Tree Island Announces First Quarter 2009 Results

Tree Island Wire Income Fund (TSX: TIL.UN) will hold a conference call and webcast to discuss its first quarter 2009 financial results on Tuesday, May 19, 2009 at 8:00 am Pacific Time (11:00 am Eastern). The call can be accessed by dialing: 1-800-766-6630 or 416-641-6117.

A replay will be available through June 3, 2009 at: 1-800-408-3053 or 416-695-5800, Passcode: 2661260.

The live and archived webcast can be accessed at:

<http://www.investorcalendar.com/IC/CEPage.asp?ID=145125>

VANCOUVER, B.C., May 15, 2009 / Marketwire/ – Tree Island Wire Income Fund (the “Fund”) today released first quarter 2009 financial results. The Fund’s results are based on the performance of Tree Island Industries Ltd. (“Tree Island” or “the company”) – one of North America’s largest producers of wire and fabricated wire products.

First Quarter 2009 Overview

For the three months ended March 31, 2009

- First quarter sales volumes decreased 37.1% year-over-year
- Revenue declined by 30.7% compared to Q1 2008
- EBITDA, before adding foreign exchange impacts, was a loss of \$14.6 million, compared to EBITDA income of \$1.3 million in Q1 2008



- The Fund reported a net loss of \$17.6 million, compared to net income of \$0.5 million in Q1 2008
- Gross profit and net income were lower year-over-year as a result of the \$11 million carry-over impact of 2008's steel devaluation on inventories and cost of goods sold, as well as a further Q1 2009 writedown of \$2.6 million
- Raw and finished product inventories were reduced by \$29.5 million during the quarter
- The Fund reduced its revolving credit balance, net of cash, by \$20.7 million

“Market conditions continued to deteriorate in the first quarter of 2009, with housing starts in the key US Western region amounting to just 22,400 – the lowest level recorded since 1959,” said Daniel McAtee, President and CEO of Tree Island and a Trustee of the Fund. “Conditions in our other end markets also continued to be negatively impacted by the downturn in the global economy.”

“As a result of these pressures, our first quarter sales volumes were down by 37.1%, compared to the first quarter of 2008. While our international trading volumes remained stable year-over-year, our combined imported and trading volumes declined, reflecting our near-term focus on converting and reducing overvalued raw material inventories at our domestic manufacturing facilities. As previously reported, our inventories were overvalued by approximately \$34.0 million at December 31, 2008, following a sharp fourth quarter drop in commodity prices. We wrote off \$20.4 million of the overvaluation at year-end and the remaining overvaluation contained within our inventories had an estimated \$11 million negative impact on our first quarter cost of goods sold. In addition, based on further declines in the cost of raw materials, we estimated that our inventories were overvalued by an additional \$7 to \$8 million at March 31, 2009 and we recorded a \$2.6 million writedown. Against a backdrop of weaker demand and lower market prices for finished products, the combined net impact was a significant year-over-year decline in first quarter margins, EBITDA, net income and distributable cash,” said Mr. McAtee.



“These impacts were anticipated, and we responded with an increased focus on cost reduction, cash management and tight inventory control. During the first quarter, we moved forward with announced layoffs and proceeded on schedule with the consolidation of our US manufacturing operations, which includes the closure of two facilities in the second quarter. While these initiatives led to first quarter restructuring costs, the related benefits will begin to materialize in the second quarter, with greater benefits to be realized in the second half of the year. As we have mentioned previously, the consolidation, together with the expanded use of our trading operations, will support more efficient use of our operating facilities, without impacting our ability to provide quality products and service to our customers,” said Mr. McAtee.

“We also successfully reduced our inventories by \$29.5 million during the first quarter, which enabled us to reduce our borrowings, net of cash, by \$20.7 million. Consistent with our stated intentions, we also began to implement alternate inventory management practices. These included the introduction of “tolling,” whereby we convert our customers’ raw material for a fee. This enables us to profitably utilize our manufacturing capacity with limited inventory investment.”

“Looking ahead, we expect to face continued challenges related to inventory overvaluation and weak market conditions. While we were in compliance with our financial covenants at the end of the first quarter, preliminary April results have generated new concerns about our ability to remain in compliance going forward. We are working with our lender on this issue and also maintaining our focus on aggressive cost reduction, cash management and tight inventory control,” said Mr. McAtee.



Results from Operations

<i>'000's except for tonnage and per unit amounts</i>	<i>Three Months Ended March 31</i>	
Income	2009	2008
<i>Sales Volumes – Tons</i>	42,369	67,308
Revenue	52,955	76,421
Cost of Goods Sold	(61,360)	(69,397)
Depreciation	(2,513)	(2,630)
Gross (Loss) Profit	(10,918)	4,394
<i>Gross (Loss) Profit per Ton</i>	(257)	65
Selling, General and Administrative Expenses	(6,198)	(5,686)
Operating Loss	(17,116)	(1,292)
Foreign Exchange Gain	(986)	1,078
Financing Expenses	(1,638)	(1,168)
Profit on Sale of Property, Plant & Equipment	3	4
Unrealized loss on derivatives	(26)	--
Amortization of Deferred Gain	144	116
Amortization of Intangible Assets	(340)	(281)
Recovery of Income Taxes	2,337	2,077
Net (Loss)Income	(17,622)	534
EBITDA		
Operating Loss	(17,116)	(1,292)
Add back Depreciation	2,513	2,630
EBITDA ⁽¹⁾	(14,603)	1,338
Foreign Exchange (Loss)/Gain	(986)	1,078
EBITDA Adjusted for Foreign Exchange	(15,589)	2,416
Distributable Cash		
Standardized Distributable Cash per Unit ⁽¹⁾	0.9594	0.4060
Adjusted Distributable Cash per Unit ⁽¹⁾	(0.7628)	0.0905
Distributable Cash Paid or Payable per Unit ⁽¹⁾	--	0.25
Standardized Distribution Payout % ⁽²⁾	--	62%
Adjusted Distribution Payout % ⁽²⁾	--	276%
Balance Sheet	As at March 31, 2009	As at December 31, 2008
Total Assets	177,095	203,286
Revolving Credit (Net of Cash)	43,271	64,008

(1) See definition of EBITDA, Standardized Distributable Cash and Adjusted Distributable Cash in the non GAAP Measures section.

(2) Distribution Payout % is calculated as distributions paid or payable per unit divided by distributable cash generated per unit.



First Quarter Operating Results

For the three months ended March 31, 2009, Tree Island reported revenue of \$53.0 million, compared to \$76.4 million in the same period in 2008. This decrease primarily reflects lower sales volumes, partially offset by the favourable impact of a weaker Canadian dollar.

Sales volumes decreased by 37.1%, reflecting poor economic conditions in major markets, and particularly in the US residential construction market. Housing starts in the key US Western Region were down 57.7% compared to Q1 2008 (per the US Census Bureau).

The breakdown in sales volumes by market was as follows:

Market	Q1 2009		Q1 2008	
	Tons (000's)	% of Sales Volumes	Tons (000's) ⁽²⁾	% Sales Volumes ⁽²⁾
Residential Construction	10	23.8%	24	35.8%
Commercial Construction	5	11.9%	7	10.4%
Industrial/OEM (Original Equipment Manufacturers)	19	45.2%	25	37.3%
Agricultural	2	4.8%	5	7.5%
Specialty	1	2.4%	1	1.5%
International Trading ⁽¹⁾	5	11.9%	5	7.5%
Total	42	100.0%	67	100.0%

(1) International trading includes direct trading company sales and does not include import sales, which are reflected in our sales volumes to other markets.

(2) Effective 2009 the basis for classification of sales by market was changed to enable a more accurate classification by market. 2008 numbers have been restated to reflect the reclassification.

International trading sales continue to represent a growing share of Tree Island's sales volumes, accounting for 11.9% of total volumes in Q1 2009. Imported and trading sales also represented a slightly higher percentage of total volumes, but overall, were lower as Tree Island increased domestic manufacturing to reduce raw material inventories.



Although raw material prices decreased during the first quarter, Tree Island was not able to take advantage of the lower costs as it consumed its higher-cost inventories. As a result, cost of goods sold was significantly higher than a year ago, reflecting the continuing impact of Q4 inventory overvaluation, which together with the Q1 writedown, amounted to approximately \$13.6 million. As a result of these factors, carbon rod costs (representing 49.0% of Q1 2009 cost of goods sold) increased by 59.2% per ton compared to Q1 2008 as the company consumed higher-cost carbon rod on hand. In contrast, stainless steel rod costs (representing 3.3% of Q1 2009 cost of goods sold) decreased by 32.9% per ton and the cost of zinc (representing 1.8% of cost of goods sold) decreased by 24.6% per pound.

Selling, general and administrative (“SG&A”) expenses were \$6.2 million in the first quarter, compared to \$5.7 million in Q1 2008. This increase reflects the impact of a weaker Canadian dollar on costs at the company’s US operations, as well as restructuring costs, partially offset by the positive impact of cost-cutting initiatives and the absence of costs related to the Q1 2008 special meeting. The company’s consolidation and other cost-cutting initiatives are expected to provide more significant benefits beginning in the second and third quarters as restructuring initiatives take full effect.

First quarter EBITDA, before adding foreign exchange impacts, was a loss of \$14.6 million, compared to EBITDA income of \$1.3 million in Q1 2008. The change in EBITDA reflects the negative impact of the inventory overvaluation, a \$2.6 million inventory writedown, higher raw material costs and reduced sales volumes.

The Fund reported a first quarter net loss of \$17.6 million (loss of \$0.80 per unit), compared to net income of \$0.5 million (\$0.02 per unit) during the same period in 2008. The change in net income reflects lower EBITDA and a loss on foreign exchange.

For the three months ended March 31, 2009, the Fund reported negative distributable cash of \$0.80 per unit, and declared no distributions. By comparison, the Fund generated positive distributable cash of \$0.09 per unit and declared distributions of \$0.25 per unit during the same period in 2008.



Outlook

Tree Island believes that its business risk remains higher than normal as a result of macro-economic conditions. Based on preliminary April results, the Fund anticipates that it will not be able to satisfy its lender's minimum cumulative EBITDA covenant. A violation of the covenant could cause the Fund's indebtedness to become immediately due and payable, and the Fund might not be able to access funds under its revolving credit facility. In the event of such a circumstance, the Fund anticipates it would need to raise additional capital in the form of equity or debt to supplement or replace its existing credit facilities in order to have sufficient liquidity to meet its obligations over the next 12 months. Given the current credit market, there is uncertainty as to whether sufficient capital would be made available, either from the Fund's current lender or other parties. As a result of these circumstances, there is considerable doubt upon the Fund's ability to continue as a going concern.

Although there can be no assurance that the Fund's lender will waive non-compliance with the covenant, discussions with the lender have commenced to address this matter. In addition, management and the board are reviewing options for raising capital. The Fund also continues to focus on aggressive cost reduction and careful supply chain management as it manages cash flow on a day-to-day basis.

The outlook for market conditions remains very cautious. Although there are signs that housing declines are starting to slow, Tree Island does not anticipate any significant rebound in the residential construction market in 2009. Sales to the commercial construction market are also expected to decline through most of 2009, but could begin to normalize late in the year as government stimulus packages support infrastructure projects. Tree Island produces a number of infrastructure-related products including structural reinforcing and wire rope products used in highway and bridge construction.

Demand from the agricultural and specialty markets is expected to remain relatively stable through 2009. In addition, the company expects to further expand international sales in 2009 as it pursues market opportunities through its international trading operations and further reduces raw material inventories.



Inventory overvaluation related to declines in commodity prices over the past two quarters is expected to have a continued negative impact on the Fund's profitability in the second quarter of 2009 as the remaining affected inventory works its way through the system. Tree Island has begun to implement alternate strategies for managing inventories, with the objective of creating a more flexible and faster-turning mix of raw, semi-finished and finished goods. This includes continuing to shift the balance of manufactured versus sourced products as the company takes advantage of its international trading capabilities and the flexibility they provide. While these strategies are expected to help Tree Island better manage its inventory size and costs, volatility in commodity prices could continue to have a negative impact on future margins and profitability. In addition, the Fund's ability to manage foreign exchange risk has been reduced and it expects to be subject to greater exchange rate volatility.

Overall, management expects markets and margins will remain challenged in 2009 and will conduct business accordingly. While maintaining a primary focus on cash management and cost reduction, the company will also pursue strategic opportunities in its diverse geographic and end-use markets.

Tree Island Profile

Headquartered in Richmond, British Columbia, Tree Island Industries produces wire products for a diverse range of construction, agricultural, manufacturing and industrial applications. Its products include bright wire, stainless steel wire and galvanized wire; a broad array of fasteners, including packaged, collated and bulk nails; stucco reinforcing products, engineered structural mesh, fencing and other fabricated wire products. The company markets these products under the Tree Island, TI Imports and HK Universe brand names. Tree Island also owns and operates a Hong Kong-based trading company that provides internationally sourced products to Tree Island and its customers worldwide.

Non-GAAP Measures

References in this news release to "EBITDA" are to operating profit plus depreciation. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flows from operations. EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Management believes that EBITDA is an important supplemental measure in evaluating the Fund's performance.



You are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Tree Island's method of calculating EBITDA may differ from methods used by other issuers and, accordingly, Tree Island's EBITDA may not be comparable to similar measures presented by other issuers.

"Distributable cash" is also not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. Canadian open-ended income trusts, such as this Fund, use distributable cash as an indicator of financial performance and ability to fund distributions. We define distributable cash as net cash from operating activities less all capital expenditures, plus the change in non-cash operating assets and liabilities, plus non-maintenance capital expenditures, plus the 2006 pre-tax proceeds on the sale of a property option (the tax provision for these proceeds on sale is included in the net cash provided from operating activities). Changes in non-cash operating assets and liabilities and non-maintenance capital expenditures are added back in the calculation of distributable cash because they are funded through the Fund's committed credit facilities. Tree Island's distributable cash may differ from similar computations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities. The Fund believes that distributable cash is a useful supplemental measure that may assist investors in assessing the return on their investment in units.

The Fund defines maintenance capital expenditures as cash outlays required to maintain our plant and equipment at current operating capacity and efficiency levels. Non-maintenance capital expenditures are defined as cash outlays required to increase business operating capacity or improve operating efficiency, and are also referred to as profit improvement capital.

Forward-Looking Statements

This press release includes forward-looking information with respect to the Fund and the company, including their 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 contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Although management believes that expectations reflected in



forward-looking statements are reasonable, such statements involve risks and uncertainties including the risks and uncertainties discussed under the heading “Risk Factors” in the Fund’s annual information form and management discussion and analysis for the year ended December 31, 2008.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the statements. Such risks and uncertainties include, but are not limited to: general economic conditions and markets and, in particular, the potential impact of the current economic downturn, risks associated with operations such as competition, dependence on the construction industry, market conditions for the company’s products, supplies of and costs for its raw materials, dependence on key personnel, labour relations, regulatory matters, environmental risks, the successful execution of acquisition and integration strategies and other strategic initiatives, foreign exchange fluctuations, the effect of leverage and restrictive covenants in financing arrangements, the cost and availability of capital, the possibility of deterioration in working capital position, the impact on liquidity if the Fund were to go offside of covenants in its debt facilities, the impact that changes in supplier payment terms or slow payment of accounts receivable could have on liquidity, product liability, the ability to obtain insurance, energy cost increases, changes in tax legislation, other legislation and governmental regulation, changes in accounting policies and practices, operations in a foreign country, and other risks and uncertainties set forth in the Fund’s publicly filed materials.

This press release has been reviewed by the Fund's Board of Trustees and its Audit Committee, and contains information that is current as of the date of this press release, 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 the Fund 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 laws.

Interim Unaudited Consolidated Financial Statements of

TREE ISLAND WIRE INCOME FUND

March 31, 2009

TREE ISLAND WIRE INCOME FUND

Interim Consolidated Balance Sheets (Unaudited)

(In thousands of dollars)


(See Nature of Business and Going Concern Uncertainty - Note 2)

	As at March 31 2009	As at December 31 2008
Assets		
<i>Current</i>		
Cash	\$ 5,378	\$ 1,201
Accounts receivable	26,885	25,094
Income and other taxes receivable	5,164	5,018
Inventories (Note 5)	77,024	106,563
Prepaid expenses	3,354	4,010
Future income taxes	124	116
	<u>117,929</u>	<u>142,002</u>
<i>Property, plant and equipment</i>	52,947	54,980
<i>Intangible assets</i>	6,113	6,304
<i>Other non-current assets</i>	106	-
	<u>\$ 177,095</u>	<u>\$ 203,286</u>
Liabilities		
<i>Current</i>		
Revolving credit (Note 7)	\$ 48,649	\$ 65,209
Accounts payable and accrued liabilities	75,285	66,783
Income taxes payable	1,055	963
Interest payable	1,623	495
	<u>126,612</u>	<u>133,450</u>
<i>Deferred gain on sale of option</i>	4,456	4,471
<i>Other non-current liabilities</i>	230	207
<i>Future income taxes</i>	1,926	4,140
	<u>133,224</u>	<u>142,268</u>
<i>Contingent liabilities and commitments (Note 12)</i>		
Unitholders' Equity	43,871	61,018
	<u>\$ 177,095</u>	<u>\$ 203,286</u>

Approved on behalf of Tree Island Wire Income Fund



Trustee



Trustee

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND

Interim Consolidated Statements of Operations (Unaudited)

(In thousands of dollars, except units and per unit amounts)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Sales	\$ 52,955	\$ 76,421
Cost of goods sold and inventory writedowns (Note 5)	61,360	69,397
Depreciation	2,513	2,630
Gross (loss) profit	(10,918)	4,394
Selling, general and administrative expenses	6,198	5,686
Operating loss	(17,116)	(1,292)
Foreign exchange (loss) gain	(986)	1,078
Gain on sale of fixed property, plant and equipment	3	4
Amortization of intangible assets	(340)	(281)
Amortization of deferred gain	144	116
Unrealized loss on derivatives	(26)	-
Financing expenses	(1,638)	(1,168)
Loss before income taxes	(19,959)	(1,543)
Recovery of income taxes (Note 10)	2,337	2,077
Net (loss) income for the period	\$ (17,622)	\$ 534
Net (loss) income per unit		
Basic	\$ (0.80)	\$ 0.02
Diluted	\$ (0.80)	\$ 0.02
Weighted-average number of units		
Basic	21,976,251	21,933,648
Diluted	21,976,251	22,002,138

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND

Interim Consolidated Statements of Comprehensive Income (Unaudited)

(In thousands of dollars)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Net (loss) income for the period	\$ (17,622)	\$ 534
Other comprehensive income		
Unrealized income on translating financial statements of self-sustaining operations	467	2,141
Related income tax recovery	(135)	(150)
Other comprehensive income	<u>332</u>	<u>1,991</u>
Comprehensive (loss) income for the period	<u>\$ (17,290)</u>	<u>\$ 2,525</u>

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND**Interim Consolidated Statements of Unitholders' Equity (Unaudited)**
(In thousands of dollars)

	<u>Unitholders' Capital</u>	<u>Contributed Surplus</u>	<u>Accumulated Earnings</u>	<u>Distributions</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total for three months ended March 31, 2009</u>	<u>Total for three months ended March 31, 2008</u>
Balance, beginning of period	\$ 210,174	\$ 978	\$ 29,069	\$ (159,236)	\$ (19,967)	\$ 61,018	\$ 134,805
Activity for the three months ended March 31	117	38	(17,622)	(12)	332	(17,147)	(2,873)
Balance, end of period	<u>\$ 210,291</u>	<u>\$ 1,016</u>	<u>\$ 11,447</u>	<u>\$ (159,248)</u>	<u>\$ (19,635)</u>	<u>\$ 43,871</u>	<u>\$ 131,932</u>

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND

Interim Consolidated Statements of Cash Flows (Unaudited)

(In thousands of dollars)

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Cash flows from operating activities		
Net (loss) income for the period	\$ (17,622)	\$ 534
Items not involving cash		
Depreciation	2,513	2,630
Unrealized loss on derivatives	26	-
Gain on disposal of property, plant and equipment	(3)	(4)
Amortization of deferred financing	97	86
Amortization of intangible assets	340	281
Deferred financing fees written off	268	-
Amortization of deferred gain	(144)	(116)
Future income taxes	(2,358)	(1,277)
Unit-based compensation	143	89
	(16,740)	2,223
Change in non-cash operating assets and liabilities		
Accounts receivable	(1,791)	(13,894)
Inventories, net of inventory writedowns (Note 5)	29,539	(1,793)
Accounts payable and accrued liabilities	8,426	23,731
Income and other taxes	21	(884)
Other	1,703	(241)
Total change in non-cash operating assets and liabilities	37,898	6,919
Net cash provided by operating activities	21,158	9,142
Cash flows from investing activities		
Proceeds on disposal of long-lived assets	4	6
Purchase of property, plant and equipment	(73)	(238)
Net cash used in investing activities	(69)	(232)
Cash flows from financing activities		
Repayment of long-term debt	-	(21)
Deferred financing costs	(664)	-
Drawdown of revolving credit	(16,261)	(9,588)
Distributions to unitholders	-	(5,487)
Net cash used in financing activities	(16,925)	(15,096)
Effect of exchange rate changes on cash and cash equivalents	13	192
(Decrease) increase in cash	4,177	(5,994)
Cash, beginning of period	1,201	6,032
Cash, end of period	\$ 5,378	\$ 38
Supplemental Cashflow Information:		
Interest paid	\$ 145	\$ 1,187
Income taxes paid	\$ -	\$ 83

See accompanying Notes to the Interim Consolidated Financial Statements

TREE ISLAND WIRE INCOME FUND

Notes to the Interim Consolidated Financial Statements

For the three month periods ended March 31, 2009 and March 31, 2008

(Unaudited and in thousands of dollars, except per unit amounts)

1. INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Interim Consolidated Financial Statements of Tree Island Wire Income Fund (the "Fund") have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") on a basis consistent with those followed in the most recent audited annual consolidated financial statements except as described in note 3. These Interim Consolidated Financial Statements do not include all the information and note disclosures required by GAAP for annual consolidated financial statements and therefore should be read in conjunction with the December 31, 2008 audited consolidated financial statements of the Fund and the notes below.

Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full fiscal year ending December 31, 2009. Our operations are impacted by the seasonal nature of the various industries we serve, primarily the Canadian construction and agriculture industries. Accordingly, fourth quarter results are traditionally lower than other quarters due to the onset of winter and the corresponding reduction in consumer activities.

2. NATURE OF BUSINESS AND GOING CONCERN UNCERTAINTY

The Fund is an unincorporated open-ended, limited purpose trust established under the laws of the Province of British Columbia pursuant to a Declaration of Trust dated September 30, 2002. Each unitholder participates pro rata in distributions of net earnings and, in the event of termination of the Fund, participates pro rata in the net assets remaining after satisfaction of all liabilities. The Fund owns 100% of the common shares of Tree Island Industries Ltd. ("TIL").

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400 requires management to assess and disclose an entity's ability to continue as a going concern. The Fund has forecast its financial results and cash flows for 2009. The forecasts are based on management's best estimates of operating conditions in the context of the poor current economic climate especially in the US, today's capital market conditions and the depressed state of the residential and commercial construction markets in both Canada and the United States.

As at December 31, 2008, the Fund had breached its debt services coverage ratio on its Canadian and US revolving credit facilities and on March 27, 2009, the Fund and its lender amended the US and Canadian credit agreements and the Fund was granted waivers for the debt services coverage ratio covenant breach as well as other subsequent breaches that occurred on both revolving credit facilities. The term of the revolving credit facilities was also changed to March 27, 2010, the covenant that required the Fund to maintain a debt service coverage ratio of not less than 2.5 to 1 was removed and the new credit facilities now contain a financial covenant that requires the Fund to maintain a minimum cumulative 12-month EBITDA through February 2010.

Based on April 2009 preliminary financial results the Fund anticipates that it will not be able to meet the minimum cumulative EBITDA covenant. A violation of the covenant could cause the Fund's indebtedness to become immediately due and payable, and the Fund may not be able to access funds under its revolving credit facility. In the event of such a circumstance, the Fund anticipates it would need to raise additional capital in the form of equity or debt to supplement or replace its existing credit facilities in order to have sufficient liquidity to meet its obligations over the next twelve months. Given the current credit market, there is uncertainty as to whether sufficient capital would be made available either from the Fund's current lenders or other parties. Due to these circumstances, there is substantial doubt upon the Fund's ability to continue as a going concern. The accompanying consolidated interim financial statements have been prepared assuming the Fund will be able to maintain sufficient capital or obtain new sources of capital to continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated interim financial statements do not include any adjustments relating to the amounts and classifications of recorded asset and liabilities that might be necessary should the Fund be unable to continue as a going concern.

3. ADOPTION OF NEW ACCOUNTING POLICIES AND RECENT ACCOUNTING PRONOUNCEMENTS

New Accounting Policies

Effective January 1, 2009 the Fund adopted the following new recommendations from the CICA.

Section 3064 "Goodwill and Intangible Assets"

Effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008, the new CICA Handbook Section 3064 replaces Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets including internally generated intangible assets. The adoption of Section 3064 did not impact the Fund's consolidated financial statements.

Recent Accounting Pronouncements

Section 1582 “Business Combinations”

This section applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. The new CICA Handbook Section 1582 will replace Section 1581 “Business Combinations” establishing standards for the accounting for a business combination that will more closely resemble those under International Financial Reporting Standards. Earlier adoption of this section is permitted. The section is not expected to have a material impact on the Fund’s consolidated financial statements.

Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”

Effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, the new CICA Handbooks Section 1601 and Section 1602 will replace Section 1600 “Consolidated Financial Statements”. These sections establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption of this section is permitted as of the beginning of a fiscal year. Management has not fully determined the impact of adopting this standard.

International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board (AcSB) will require all public companies to adopt IFRS, replacing Canadian GAAP, for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Fund will be required to prepare comparative financial information using IFRS for the year ended December 31, 2010. The Fund expects the transition to IFRS to impact financial reporting, business processes and information systems.

A high-level diagnostic has been completed assessing the areas likely to have an impact of IFRS financial statements. The Fund is developing an IFRS project charter identifying a steering committee and several specific work groups and work streams. The steering committee will be made up of members of senior management and charged with monitoring the progress and making critical decisions related to the transition to IFRS. The Fund will be establishing a team to perform the detailed assessment of the differences between the Fund’s current accounting standards and IFRS. Training and additional resources will be utilized to ensure timely conversion to IFRS.

Management has not fully determined the impact of adopting IFRS on its financial statements; however, it should be noted that the current financial statement may be significantly different if presented in accordance with IFRS.

4. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Fund's financial instruments consist primarily of cash, accounts receivable, amounts payable under the revolving lines of credit, accounts payable, interest payable and non-financial derivatives that do not meet the expected purchase, sale or usage requirements exception.

The carrying values of cash, accounts receivable, amounts payable under the revolving lines of credit, accounts payable and interest payable approximate their fair values due to the immediate or short-term maturity of these financial instruments.

Certain of the Fund's natural gas forward contracts entered into in fiscal 2008 do not meet the expected purchase, sale or usage requirements exception and as such are carried on the consolidated balance sheet at fair value. The fair value of these derivatives was calculated using estimated forward prices for the relevant period. The Fund has classified these derivatives as held-for-trading. An unrealized loss of \$269 (2008 - unrealized loss of \$243) has been recorded in accrued liabilities in the consolidated financial statements.

The Fund has classified its cash as held-for-trading. Accounts receivable are classified as loans and receivables. Revolving credit, accounts payable, accrued liabilities, and interest payable are classified as other liabilities, all of which are measured at amortized cost.

Carrying value and fair value of financial assets and liabilities are summarized as follows:

	Carrying Value	Fair Value
	\$'000	\$'000
Held-for-trading		
Cash	\$ 5,378	\$ 5,378
Unrealized loss on natural gas forwards	(269)	(269)
	<u>\$ 5,109</u>	<u>\$ 5,109</u>
Loans and receivables	\$ 26,885	\$ 26,885

Under Section 3855, certain of the Fund's non-financial contracts for forward purchases of zinc and certain of its natural gas contracts meet the definition of a derivative but qualify for an expected usage exemption as they are settled through physical delivery for use in the normal course of business. These contracts have not been recognized in the consolidated financial statements. See Note 12 for further information on these contracts.

Risk exposure and management

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

Credit Risk

The Fund is exposed to credit losses in the event of non-payment of accounts receivable of its subsidiaries' 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. The Fund establishes guidelines for customer credit limits and should thresholds in these areas be reached, appropriate precautions are taken to improve collectibility. The Fund maintains provisions for potential credit losses (allowance for doubtful accounts) and any such losses to-date have been within management's expectations. The trade accounts receivable are aged as follows:

	March 31	December 31
	2009	2008
Up to date	\$ 18,818	\$ 15,707
Under 30 days past due	4,444	5,552
30-60 days past due	1,651	1,825
61-90 days past due	510	2,995
Over 91 days past due	<u>2,676</u>	<u>1,006</u>
	28,099	27,085
Allowance for doubtful accounts	<u>(1,214)</u>	<u>(1,991)</u>
	<u>\$ 26,885</u>	<u>\$ 25,094</u>

The maximum credit risk that the Fund is exposed to by way of its accounts receivable is equal to the carrying amount of \$26,885 at March 31, 2009. The Fund has concentrations of credit risk relating to the concentration of revenue derived from the Western United States as well as revenue derived from the residential and commercial construction markets.

At the end of each reporting period a review of the provision for bad and doubtful debts is performed. It is an assessment of the potential amount of trade accounts receivable which will be paid by customers after the balance sheet date. The assessment is made by reference to age, status and risk of each receivable, current economic conditions and historical information. The following table represents a summary of the movement of the allowance for doubtful accounts.

Balance as at January 1, 2009	\$ 1,991
Additions during the period	-
Use during the period	<u>777</u>
Balance as at March 31, 2009	<u>\$ 1,214</u>

Liquidity risk

Liquidity arises from the Fund's financial obligations and in the management of its assets, liabilities and capital structure. The Fund regularly manages this risk by evaluating its 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 lease obligations, credit capacity and expected future debt and equity capital market conditions.

The Fund's liquidity requirements are met through a variety of sources including: cash balances on hand, cash generated from operations, existing credit facilities, leases and debt and equity capital markets. The Fund monitors and manages its liquidity risk within the constraints of its available credit facilities.

As disclosed in Note 2, based on April 2009 preliminary financial results the Fund anticipates that it will not be able to meet its covenant under the existing credit facilities. A violation of the covenant could cause the Fund's indebtedness to become immediately due and payable, and the Fund may not be able to access funds under its revolving credit facility. In the event of such a circumstance, the Fund anticipates it would need to raise additional capital in the form of equity or debt to supplement or replace its existing credit facilities in order to have sufficient liquidity to meet its obligations over the next twelve months. Given the current credit market, there is uncertainty as to whether sufficient capital would be made available either from the Fund's current lenders or other parties. These revolving credit facilities are further described in Note 7.

The table below summarizes the future undiscounted cash flow requirements for financial liabilities at March 31, 2009:

\$'000	On Demand	2009	2010	2011	2012	2013	Thereafter	Total
Revolving credit facilities	\$ 50,333	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,333
Natural Gas Forwards	-	870	-	-	-	-	-	\$ 870
Accounts payable and interest payable	-	76,882	-	-	-	-	-	\$ 76,882
	<u>\$ 50,333</u>	<u>\$ 77,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,085</u>

Market risk

The significant market risk exposures affecting the financial instruments held by the Fund are those related to foreign currency exchange rates, interest rates and commodity prices which are explained as follows:

(i) *Foreign currency exchange rates*

The Fund's U.S. dollar-denominated accounts receivable, accounts payable and accrued liabilities, interest payable and certain of its natural gas forward contracts are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with changes in the U.S./Canadian dollar exchange rate. For each US\$0.01 decrease in the U.S./Canadian dollar exchange rate (i.e. the US dollar strengthening against the Canadian dollar), the net value of the Fund's financial instruments outstanding as of March 31, 2009 would increase by approximately \$633 (holding all variables constant excluding foreign exchange), which would be charged to net income.

The Fund's RMB denominated accounts receivable, accounts payable and accrued liabilities, interest payable and long-term debt are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with changes in the RMB/Canadian dollar exchange rate. For each RMB\$0.01 decrease in the RMB/Canadian dollar exchange rate (i.e. the RMB dollar strengthening against the Canadian dollar), the net value of the Fund's financial instruments outstanding as of March 31, 2009 would increase by approximately \$2 (holding all variables constant excluding foreign exchange), which would be charged to net income.

The Fund does not use derivative instruments to manage the foreign exchange risk.

(ii) *Interest rates*

The Fund is exposed to interest rate risk on its Canadian and U.S. revolving loan facilities which are further discussed in Note 7. A 1% (i.e. 100 basis point) increase in the interest rate would have caused interest expense to increase by approximately \$503 per annum based on the revolver balances as at March 31, 2009 and assuming these balances represent average balances per annum. The Fund does not use derivative instruments to manage the interest rate risk.

(iii) *Commodity Price Risk Management*

The Fund is impacted by fluctuations in the price of natural gas. The Fund has entered into the following forward contracts to address this exposure.

Asset (liability)	Number of contracts	Term to maturity (years)	2009		2008	
			Carrying value	Fair value	Carrying value	Fair value
Natural gas commodity forward contracts	5	1	\$ (269)	\$ (269)	\$ (243)	\$ (243)

The natural gas derivatives fair value reflects only the value of the natural gas derivatives and not the offsetting change in value of the underlying future purchases of natural gas. These fair values reflect the estimated amounts the Fund would receive or pay to terminate the contracts at the stated dates.

5. INVENTORIES

The Fund had the following categories of inventory at March 31:

	March 31 2009	December 31 2008
Raw materials	\$ 27,962	\$ 41,808
Finished and semi finished products	39,899	54,704
Consumable supplies and spare parts	9,163	10,051
	<u>\$ 77,024</u>	<u>\$ 106,563</u>

The Fund has recognized, in income, the following for inventory costs in the period. In the first quarter of 2009, the Fund has recognized a charge of \$2,555 in operating income to write-down inventories to net realizable value of which \$1,033 relates to raw materials and \$1,522 relates to finished and semi-finished products. The write-down is reflective of significant declines in raw material costs and finished goods market prices.

	3 Months Ended March 31, 2009	3 Months Ended March 31, 2008
Opening inventory	106,563	88,499
Raw material purchases	17,168	44,769
Finished goods purchased for resale	2,593	8,171
Conversion costs	12,060	18,250
Inventories, closing	(77,024)	(90,292)
Cost of goods sold	<u>\$ 61,360</u>	<u>\$ 69,397</u>

6. GOODWILL

Annually the Fund evaluates the carrying value of goodwill recognized on the consolidated balance sheet. This test was performed in the fourth quarter of 2008 and based on discounted projected cash flows the fair value of the goodwill was less than the carrying value of \$52.1 million. The decrease in fair value of goodwill is primarily due to the precipitous decrease in the global price of steel and weak market demand.

The measurement of the goodwill impairment charge required a comparison of the fair value of goodwill to its carrying value. The estimate of fair value of goodwill required management to apply judgment in developing appropriate assumptions in selecting the valuation models and assumptions and estimates to be used in such models and value determinations. These judgments affect the determination of fair value and any resulting impairment charges are subject to uncertainties.

Due to the complexity of this exercise, an independent evaluation of the fair value of the assets and liabilities could not be completed prior to the issuance of these consolidated interim financial statements and therefore, management has made its best estimate of the allocation of fair value to each of the assets and liabilities of the Fund. The impairment of goodwill continues to be estimated at \$52.1 million. An independent evaluation of the impairment on goodwill will be performed and any adjustment to the estimated loss based on completion of the independent evaluation will be recognized in the financial statements, likely in the second quarter of 2009. The final impairment charge could differ materially from the estimated impairment recognized in these financial statements.

7. REVOLVING CREDIT

On February 10, 2009, the Fund received a written notice of default from its lenders under the GE credit facilities. The notice of default was the result of non-compliance with its current debt services ratio covenant and triggered the notice of default under the GE credit facilities. In addition subsequent to the notice of default it was determined that the Fund was not in compliance with covenants in respect of distributable cash and inter-company notes.

On March 27, 2009 the Company received a waiver for the financial covenant default as well as the other defaults identified subsequent to the initial default relating to distributable cash and inter-company notes. The amended agreement, among other things, removed a covenant that required the Fund to maintain a debt service coverage ratio of not less than 2.5 to 1 and now contains a financial covenant that requires the Fund to maintain minimum cumulative 12-month EBITDA values through February, 2010. The amendment reduced the Canadian dollar revolving facility from \$44.5 million to \$35 million and reduced the U.S. dollar revolving facility from US\$44 million to US\$35 million, with further reductions to \$30.5 million on August 1, 2009 and to \$28.5 million on November 1, 2009 for both facilities. Pursuant to the amendment, the revised credit facilities will now mature on March 27, 2010.

As disclosed in Note 2, based on April 2009 preliminary financial results the Fund anticipates that it will not be able to meet the minimum cumulative EBITDA covenant. A violation of the covenant could cause the Fund's indebtedness to become immediately due and payable, and the Fund may not be able to access funds under its revolving credit facility.

Under both facilities, the interest rates will be as follows:

- (i) U.S. dollar revolving facility: advances under the facility will bear interest at an index rate plus applicable margin or the 90 day LIBOR, plus applicable margin the choice of which is at the discretion of the Fund.

- (ii) Canadian dollar revolving facility: advances under the facility will bear interest at the Canadian prime rate plus applicable margin or the banker's acceptance rate plus acceptable margin, the choice of which is at the discretion of the Fund.

The amounts available under the Credit Facilities are limited to the amount of the calculated borrowing base. The borrowing base is calculated as 85% of eligible receivables, plus the lesser of (a) 85% of the net orderly liquidation value of inventory and (b) 65% of eligible inventory plus a percentage of fixed assets to a maximum of \$4.5 million for the Canadian Credit Facility and US\$4.0 million for the US Credit Facility. The amount of the fixed assets included in the borrowing base will be progressively reduced until it is entirely eliminated by December 1, 2009. This reduction will be accelerated if certain assets are disposed of prior to December 1, 2009. The Credit Facilities are secured against all of the Company's property and accounts receivable and contain 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 to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

At March 31 the Fund had the following amounts outstanding on its revolving lines of credit:

	March 31 2009	December 31 2008
TIL Cdn \$44,500 revolving credit	\$ -	\$ 19,348
TIL Cdn amended and restated revolving credit facility	11,907	-
TIW US \$44,000 revolving credit facility	-	47,224
TIW US amended and restated revolving credit facility	38,426	-
	<u>50,333</u>	<u>66,572</u>
Deferred financing	(1,684)	(1,363)
	<u>\$ 48,649</u>	<u>\$ 65,209</u>

The TIL and TIW credit facilities are collateralized by security interests in all real and personal property of TIL (for the TIL credit facility) and of TIW (for the TIW credit facility). All existing and after-acquired real and personal property of TIL and of TIW are pledged as collateral against the credit facilities.

8. CAPITAL DISCLOSURES

The capital structure of the Fund consists of its unitholders' equity and short-term borrowing consisting of its revolving credit facilities. The Fund's objectives when managing its capital are:

- (a) To maintain a strong capital base so as to preserve and enhance investor, creditor, and market confidence and to sustain future development of the business;
- (b) To manage capital in a manner that will comply with its external financial covenants and distribution requirements.

The Fund manages its capital structure in accordance with these objectives, as well as considerations given to changes in economic conditions and the risk characteristics of the underlying assets. As well, the Fund's revolving credit facilities have financial tests and other covenants with which the Fund and its subsidiaries must comply as disclosed in Note 7. These financial tests and covenants are monitored on an ongoing basis and compliance is reported to the lenders.

As disclosed in Note 2, based on April 2009 preliminary financial results the Fund anticipates that it will not be able to meet its covenant on the existing credit facilities. A violation of the covenant could cause the Fund's indebtedness to become immediately due and payable, and the Fund may not be able to access funds under its revolving credit facility. In the event of such a circumstance, the Fund anticipates it would need to raise additional capital in the form of equity or debt to supplement or replace its existing credit facilities in order to have sufficient liquidity to meet its obligations over the next twelve months. Given the current credit market, there is uncertainty as to whether sufficient capital would be made available either from the Fund's current lenders or other parties.

The Fund will become subject to Canadian corporate income taxes beginning in 2011. This may result in changes to the capital structure of the Fund or the nature of the Fund itself.

9. LONG-TERM UNIT INCENTIVE PLAN

On May 11, 2007, unitholders approved the Tree Island Wire Income Fund Long-Term Unit Incentive Plan. This plan provides for the allotment of up to 500,000 Phantom Units to designated employees of Tree Island Industries Ltd. (each a "Member") at the discretion of the Board of Trustees. The value of the Phantom Units will appreciate or depreciate with increases or decreases in the market price of the Fund's units. Phantom Units granted are considered to be in respect of future services and are recognized in unit-based compensation costs over the vesting period. Compensation costs is measured based on the market price of the Fund's units on the date of the grant of the Phantom Units.

	Three Months Ended March 31, 2009		Three Months March 31, 2008	
	Vested	Unvested	Vested	Unvested
Balance, beginning of period	90,694	194,584	53,643	91,667
Granted	-	-	-	123,750
Additional earned in respect of distributions	6,051	-	4,962	-
Vested	-	-	-	-
Converted	(20,614)	-	(42,047)	-
Balance, end of period	76,131	194,584	16,558	215,417

Compensation expense related to Phantom Units for the three month period ended March 31, 2009 was \$143 (\$89 for three month period ended March 31, 2008) and is included in selling, general and administrative expense. Non-cash distributions related to Phantom Units for the three month period ended March 31, 2009 was \$12 (\$23 for three month period ended March 31, 2008).

On January 22, 2009, 20,614 Phantom Units were converted to regular units resulting in a reclassification of \$117 from contributed surplus to unitholders' capital.

The Fund's obligation to issue units on the vesting of Phantom Units is an unfunded and unsecured obligation of the Fund.

10. INCOME TAXES

Income tax obligations relating to distributions from the Fund are the obligations of the unitholders and, accordingly, no provision for income taxes on the income of the Fund has been made. A provision for income taxes is recognized for TIL and its wholly-owned subsidiaries, as TIL and its wholly-owned subsidiaries are subject to tax. The provision for the period is divided between current and future taxes as follows:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Current tax (expense) recovery	\$ (21)	\$ 800
Future tax (expense) recovery	2,358	1,277
	<u>\$ 2,337</u>	<u>\$ 2,077</u>

The recovery of income taxes varies from the amount that would be expected if computed by applying the Canadian federal and provincial and US federal and state statutory income tax rates to the income before income taxes as shown in the following table:

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
(Loss) income before provision for income taxes	\$ (19,959)	\$ (1,543)
Income of the Fund subject to tax in the hands of the recipient	<u>(448)</u>	<u>(4,639)</u>
Income (loss) of wholly-owned subsidiary companies before income taxes	(20,407)	(6,182)
Tax Rate	30.0%	31.0%
Expected (expense) recovery of income taxes	\$ 6,122	\$ 1,916
Increased (Reduced) by:		
Revisions of prior period estimates	-	(3)
Items not deductible for tax	(7)	12
Differential tax rates on U.S. and Chinese subsidiaries	538	131
Reduction in statutory future income tax rate	33	73
Future income tax valuation allowance	(4,260)	-
Other	<u>(89)</u>	<u>(52)</u>
Income tax (expense) recovery	<u>\$ 2,337</u>	<u>\$ 2,077</u>

On October 31, 2006, the Canadian federal government announced proposed legislation to tax distributions made by income trusts. This legislation has now received royal assent and as a result income trusts will be subject to tax at corporate rates on the taxable portion of their distributions and unitholders will be taxed as if they have received a dividend equal to the taxable portion of their distributions. There will be a transitional period so that the Fund will not be subject to the tax until 2011. The legislation has had no material effect on the Fund's financial position, result of operations or cash flows.

11. POST-RETIREMENT BENEFITS

The Fund has three defined contribution pension plans. Contributions made by the Fund amounted to \$350 for the three months ended March 31, 2009 (\$421 for the three months ended March 31, 2008). Funding obligations are satisfied upon making contributions.

12. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Litigation and claims

The Fund is party to certain legal actions and claims, none of which individually, or in the aggregate, is expected to have a material adverse effect on the Fund's financial position, results of operations or cash flows.

(b) Commitments

The Fund and its wholly-owned subsidiaries have committed to rod purchases totaling \$4,099 (US\$2,067 and RMB8,100), zinc purchases totaling \$2,013 (US\$1,597) and gas purchases totaling \$925 (US\$734) at March 31, 2009.

The Fund has an exclusive Supply, Production and Distributorship Agreements where the Fund has

committed to pay \$310 (RMB 2,000) for purchase of raw material and processing fee and a refundable deposit of \$108 (RMB 700). The agreement runs over a two year period from April 22, 2008 to April 21, 2010. Of the amount committed, \$95 (RMB517) has been paid in the three months ended March 31, 2009. The Fund and its subsidiaries also have various operating lease agreements with remaining terms of up to ten years with varying renewal options. Annual lease rental payments due under non-cancelable operating leases are as follows:

April - December 2009	\$	3,187
2010		3,204
2011		2,885
2012		1,791
2013		929
Thereafter		2,687
	\$	<u>14,683</u>

13. SEGMENTED INFORMATION

(a) General information

The Fund operates primarily within one industry, the steel wire and fabricated wire products industry with no separately reportable business segments. The products are sold primarily to customers in the United States, Canada and China.

(b) Geographic information

	<u>Three Months Ended March 31, 2009</u>	<u>Three Months Ended March 31, 2008</u>
SALES (i)		
Canada	\$ 18,749	\$ 22,919
United States	30,468	50,099
China	2,403	1,765
Other	1,335	1,638
	<u>\$ 52,955</u>	<u>\$ 76,421</u>
	<u>As at March 31 2009</u>	<u>As at December 31 2008</u>
PROPERTY, PLANT AND EQUIPMENT (ii)		
Canada	\$ 40,903	\$ 42,542
United States	11,565	11,940
China	479	498
	<u>\$ 52,947</u>	<u>\$ 54,980</u>

- (i) Sales are attributed to geographic areas based on the location of customers.
(ii) Property, plant and equipment are attributed to geographic areas based on the location of the subsidiary company owning the assets.

14. RESTRUCTURING COSTS

September 2007 Restructuring

In September 2007 the Fund announced that it would consolidate operations at its US plants and offices in order to realize efficiencies resulting from its acquisition of USA Wire and Baoan International. In November 2007 the Fund announced additional restructuring measures by reducing the number of employees in order to reduce costs. The portion of the costs incurred that related to restructuring an acquired company were allocated to the purchase price of Baoan International.

The following table provides a summary of the costs included in the consolidated statements of operations and cash payments made:

Employee termination benefits	\$	250
Costs of relocation of equipment		890
Lease costs		672
Foreign exchange effect		475
Total costs		<u>2,287</u>

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>Cumulative Total 2007-2009</u>
Opening	296	581	-	-
Expensed (Reversal)	(296)	1,425	1,158	2,287
Paid	-	(1,710)	(577)	(2,287)
	<u>-</u>	<u>296</u>	<u>581</u>	<u>-</u>

January 2009 Restructuring

On January 20, 2009 the Fund announced another restructuring plan including restrictions on salaries across the company, lay-offs of salaried and hourly staff and the closure of two of the four US manufacturing facilities. Located in Fontana, California and Ontario, California, the two facilities will be closed in the second quarter of 2009.

Employee termination benefits	\$	1,005
Costs of relocation of equipment		186
Lease costs		-
Foreign exchange effect		-
Total costs		<u>1,191</u>

		<u>2009</u>
Opening		-
Expensed		1,191
Paid		<u>(350)</u>
		<u>841</u>

15. Subsequent Events

As discussed in Note 2, based on April 2009 preliminary financial results the Fund anticipates that it will not be able to meet its covenant on the existing credit facilities. A violation of the covenant allows the lenders to cause the Fund's indebtedness to become immediately due and payable, and the Fund may not be able to access funds under its revolving credit facility. In the event of such a circumstance, the Fund anticipates it would need to raise additional capital in the form of equity or debt to supplement or replace its existing credit facilities in order to have sufficient liquidity to meet its obligations over the next twelve months.

Given the current credit market, there is uncertainty as to whether sufficient capital would be made available either from the Fund's current lenders or other parties. Due to these circumstances, there is substantial doubt upon the Fund's ability to continue as a going concern.

Although there can be no assurance that the Fund's lender will waive non-compliance with the covenant, discussions with the lender have commenced to address this matter. In addition, management and the Board are reviewing options for raising capital

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