Tree Island Steel Ltd.

Annual Information Form

March 14, 2013

TABLE OF CONTENTS

FORWARD LOOKING STATEMENTS

The information disclosed in this Annual Information Form ("AIF") is stated as at December 31, 2012 or for the year ended December 31, 2012, as applicable, unless otherwise noted. Unless the context indicates otherwise, all references to "Tree Island Steel" or the "Company" relate to Tree Island Steel Ltd. ("TSL"), including its wholly owned subsidiary Tree Island Industries Ltd. ("TIIL"), and, as applicable, its predecessor Tree Island Wire Income Fund (the "Fund").

This AIF includes forward-looking information with respect to Tree Island Steel, including its business, operations and strategies, as well as financial performance and conditions. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions are often used to identify forward looking statements. These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events, and include, but are not limited to, statements regarding: (i) business and economic conditions; (ii) Tree Island Steel's growth, results of operations, performance and business prospects and opportunities; and (iii) Tree Island Steel's ability to execute its strategy. 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*".

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

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

This AIF has been reviewed by the Company's Board of Directors and its Audit Committee, and contains information that is current as of the date of this AIF, 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 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.

NON-IFRS MEASURES

References in this AIF, and any documents incorporated by reference herein, 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 International Financial

Reporting Standards ("IFRS") and does not have a standardized meaning prescribed by IFRS. We believe that EBITDA is an important supplemental measure in evaluating the Company's performance. You are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Our method of calculating EBITDA may differ from methods used by other issuers and, accordingly, our EBITDA may not be comparable to similar measures presented by other issuers.

CORPORATE STRUCTURE

Name and Organization

Tree Island Steel was incorporated under the Canada Business Corporations Act on August 2, 2012 to effect the conversion of the Fund to a corporate structure ("Corporate Conversion") pursuant to a Plan of Arrangement (the "Arrangement"). The Corporate Conversion was completed on October 1, 2012. Tree Island's principal office is located at 3933 Boundary Road, Richmond, British Columbia, Canada.

Intercorporate Relationships

Tree Island Steel holds a 100% ownership interest in TIIL. TIIL is incorporated under the laws of British Columbia and its significant subsidiaries, Tree Island Wire (USA) Holdings Inc. and Tree Island Wire (USA), Inc. ("TIW") are incorporated under the laws of the state of Delaware.

(1) During the fourth quarter of 2011, the Board of Trustees of the Fund approved the wind-down of the non-material operations at the Company's Asian operations, Tree Island International Ltd. and its subsidiaries, as it was determined that the business model was not aligned with the Company's go-forward strategy. The operation has been scaled such that the operations are based out of Beijing, China and with activities involved in the Company's sourcing of goods from Asia.

GENERAL DEVELOPMENT OF OUR BUSINESS AND THREE YEAR HISTORY

Headquartered in Richmond, British Columbia, Tree Island Steel is one of North America's largest producers of steel wire and fabricated wire products. Through is operating facilities in Canada and the United States, Tree Island Steel produces and sources thousands of different products which can be classified into nine broad categories: galvanized wire, bright wire, welded wire concrete reinforcing mesh, bulk nails, collated nails, stucco reinforcing products, fencing products, stainless steel wire, and other fabricated wire products.

The general economic environment and markets within which the Company operates have been challenging and volatile over the past three years. In response to these conditions, management has been focused on improving the Company's financial position, strengthening customer relationships, and executing on targeted growth while continuing to manage the business with tight control of costs and working capital.

The result of these initiatives has been an improvement from an operating loss of $5.6 million in 2010 to an operating income of $0.5 million in 2012, and a resulting EBITDA increase from $50 thousand in 2010 to $3.6 million in 2012. In terms of financial position, the Company's non-current debt has reduced from $35.9 million in 2010 to $29.7 million at the end of 2012.

Developments during 2012 include:

Completion of Corporate Conversion: On October 1, 2012, the Fund converted to a corporate structure. Unitholders of the Fund received common shares of TSL (the "Shares"), on a one-for-one basis. The business of the Fund continues to be conducted by Tree Island Steel and all interests and obligations of the Fund have been assumed by the Company. TSL assumed all the obligations of the 10% second lien convertible debentures issued by the Fund (the "Debentures") and, upon conversion, holders are entitled to receive TSL Shares, rather than Units. Similarly, the warrants issued by the Fund (the "Warrants") are convertible into Shares of TSL.

Completion of Union Negotiations: On September 10, 2012 TIIL and the International Brotherhood of Teamster Local 213 successfully concluded a new three-year collective agreement. The agreement covers hourly employees at TIIL's Richmond, BC manufacturing facility. The new collective agreement is retroactive to July 1, 2012 and introduces, among other improvements, a new wage and benefit structure that will provide a long term foundation for improved labour and productivity costs.

Amendments to Long-Term Debt Agreements: In the second quarter of 2012 the Company completed certain amendments to and a settlement of a portion of its long-term debt with two of its principal trade creditors. The amendments and settlement stem from forbearance and payment agreements dated November 25, 2009 with the trade creditors and their insurers ("Long-Term Debt Agreements" formerly referred as the Forbearance Agreements in previous disclosures), pursuant to which approximately $40.4 million owing under certain purchase contracts was restructured through deferred payment arrangements extending to December 31, 2013. This was part of a larger restructuring referred to as the Recapitalization Transaction which is described below. In the first quarter of 2011, the terms of the Long-Term Debt Agreements were amended whereby the payments due in 2011 were reduced to the same amount as that paid in 2010 and the agreements were extended for one year with reductions in certain of the monthly payments during the period.

On June 11, 2012, the Company announced that with one of the trade creditors, the Company had entered into a Second Amendment to the applicable Long-Term Debt Agreement (the "Amending Agreement"). Under the terms of the Amending Agreement approximately US$15.8 million in principal debt will be repaid monthly over a ten year amortization period. Interest is non-compounding, will be accrued on a declining balance starting in June 2017 and is payable over a four year period beginning June 2024. Additionally, approximately US$16.7 million of principal debt to the other trade creditor was settled with a final payment of US$5.0 million. As a result of the amendment and settlement, the Company has recorded a gain on renegotiation of debt of $17.8 million, net of transaction costs in the 2012 consolidated statement of operations. The agreements and amendments are available on SEDAR at www.sedar.com.

Renewal of Senior Credit Facility: On June 11, 2012, the Company announced that it had renewed its senior banking facility with Wells Fargo Capital Finance Corporation Canada as Agent for the Canadian and U.S. Lenders ("Wells Fargo"). The four year senior secured committed banking facility (the "Senior Credit Facility") has been increased from $35.0 million to $40.0 million and now matures on June 11, 2016. Under the terms of the Senior Credit Facility, up to $40.0 million may be borrowed in Canadian and/or US dollars ("Senior Revolving Facility") of which $5.0 million has been advanced as a term loan ("Senior Term Loan"). Additionally, a $10.0 million Letter of Credit sub-facility will enable documentary letters of credit for raw material purchases. Interest is charged at variable rates based on the Canadian and/or US Prime rate and the Canadian bankers' acceptance rate and/or the Eurodollar rate. The amount advanced under the Senior Revolving Facility at any time is limited to a defined percentage of inventories, accounts receivable and real estate, less certain reserves. The Senior Credit Facility is secured by a first charge over the Company's assets supported by the appropriate guarantees, pledges and assignments, and requires that certain financial and other covenants be met. The Credit Agreement is available on SEDAR at www.sedar.com. See *"Credit Facilities*" section of this AIF.

Continuance of Share/Unit Buy-Back: On September 6, 2012, the normal course issuer bid to re-purchase outstanding Shares was extended to September 6, 2013. Under the renewed normal course issuer bid TSL may purchase up to 1,700,000 Shares.

During the year ended December 31, 2012 TSL, and prior to October 1, 2013 the Fund, purchased 1,050,900 Shares/Units at an average cost of $0.30 per Share/Unit, net of commission, under the normal course issuer bid. These Shares and Units were cancelled at the end of the month of purchase. As at March 14, 2013 TSL had not purchased any additional shares.

Trade Action Reviews: During the first quarter of 2013, as a result of a complaint made by the Company, the Canada Border Services Agency announced that it is initiating investigations into the alleged injurious dumping of certain galvanized steel wire from the People's Republic of China, the State of Israel, and the Kingdom of Spain, and the alleged injurious subsidizing of certain galvanized steel wire from the People's Republic of China. The investigations are in the preliminary stages and the impact on operating results is not determinable at this time.

Developments from 2010 and 2011 include:

- **Completion of Remediation on Surplus Land Sale:** During the third quarter of 2009, TIIL completed the sale of 12.5 acres of surplus lands at the Richmond, BC manufacturing facility for net proceeds of $8.7 million. The available proceeds of $8.7 million from the sale were used to reduce debt under the revolving credit facility. The agreement contained a condition whereby $1.5 million was held in trust to be released upon completion of the agreed upon remediation of the site.

  In 2011, TIIL completed the remediation work based on the planned requirements and submitted the results for approval in 2011. In the first quarter of 2012, the Certificates of Compliance were issued.

- **Amendment of Long-Term Debt:** As noted above, in the first quarter of 2011, the terms of the Long-Term Debt were amended whereby the payments due in 2011 were reduced to the same amount as that paid in 2010 and the agreements were extended for one year with reductions in certain of the monthly payments during the period.

- **Commencement of Unit Buy-Back:** On September 2, 2011, the Fund announced that it had received approval from the Toronto Stock Exchange to commence a normal course issuer bid (the "Bid") for purchase of up to 1,825,000 Units. The Bid commenced on September 7, 2011 and during the year ended December 31, 2011, 110,500 Units were purchased at an average cost of $0.23 per unit, net of commission. These Units were cancelled at the end of the month purchased.

- **Adoption of International Financial Reporting Standards ("IFRS"):** The Company adopted IFRS effective January 1, 2011 and prepared comparative financial information using IFRS for the year ended December 31, 2010. Prior to the adoption of IFRS, the Company prepared its consolidated financial statements under Canadian Generally Accepted Accounting Principles (`GAAP`). While the adoption of IFRS did not change actual cash flows, the adoption resulted in significant changes to the reported financial position and results of operations. Reconciliations between IFRS and Canadian GAAP were prepared for the comparative 2010 periods to reconcile the financial position, unitholders' equity, statement of operations and comprehensive income (loss). Discussion of these reconciliations and a description of the impact of the conversion to IFRS are available in the December 31, 2011 consolidated financial statements (Note 24) filed on www.sedar.com.

- **Senior Credit Facility:** On March 25, 2010, the Company entered into new senior revolving credit facility. The three year, $35 million Senior Credit Facility was led by Wells Fargo and replaced the credit facilities with GE Capital. Under the terms of the Senior Credit Facility, up to $35 million could be borrowed for operating requirements in Canadian and US currency. Interest was charged at variable rates based on the Canadian and/or US prime rate and the Canadian bankers' acceptance and/or Euro dollar rate. The amount advanced under the Senior Credit Facility at any time was limited to a defined percentage of inventories and accounts receivable, less certain reserves. The Senior Credit Facility was secured by a first charge over all assets supported by the appropriate guarantees, pledges and assignments, and required that certain financial and other covenants be met by The Senior Credit Facility was renewed on June 11, 2012 as discussed above.

- **Recapitalization Transaction:** On January 29, 2010, the Fund completed a recapitalization transaction (the "Recapitalization Transaction") by raising an aggregate $19,750,000 through the issuance of Debentures. The Recapitalization Transaction also included the negotiation of the Forbearance Agreements discussed above.

  The $19,750,000 aggregate principal amount of Debentures was raised through (i) a private placement (the "Private Placement") and a rights offering ("Rights Offering"). The Private Placement involved the issuance of an aggregate principal amount of $9,750,000 Debentures and the Warrants to purchase an aggregate of 4,875,000 Units to three parties: The Futura Corporation ("Futura"), Marret Asset Management Inc. ("Marret"), on behalf of certain investment funds managed by Marret, and Arbutus Distributors Ltd. ("Arbutus"). This was followed with a Rights Offering to issue $10,000,000 aggregate principal amount of Debentures to unitholders. The Private Placement was completed on November 26, 2009 and the Rights Offering was completed on January 29, 2010. The net proceeds of the Rights Offering and the Private Placement were applied towards working capital, including the reduction of the amount of indebtedness owing under the revolving credit facilities. Information concerning the Recapitalization Transaction can be found in the final prospectus dated December 17, 2009 and filed on SEDAR at www.sedar.com.

DESCRIPTION OF OUR BUSINESS

Industry Overview

The steel wire and fabricated wire products industry manufactures a broad spectrum of items from wire rod (carbon steel, stainless steel and alloy steel). Steel wire and fabricated wire products are used extensively in many industries, including manufacturing, construction, pulp and paper, mining, agriculture, recycling, oil and gas, transportation, communication, and forestry.

Historically, the wire and wire products industry had been dominated by large integrated steel producers. However, over time, many of these integrated producers have shut down or divested their fabricated wire operations, which has created a large group of independent fabricated wire producers in North America. Most of these independent producers manufacture a limited range of products and their geographic market is restricted by high transportation costs. The industry has experienced a limited amount of consolidation as some companies have sought to broaden their product offering and diversify their geographic markets, but overall the industry remains highly fragmented.

The steel wire industry is very competitive, both domestically and internationally. Customers can source very similar products from a variety of manufacturers and an established brand is one factor that can set manufacturers apart. Both domestic and foreign producers participate in the North American market. Foreign producers tend to have a limited product offering, often focusing on high volume, commodity items, and compete aggressively on price. Domestic producers typically are more dominant in products that require more value-added processing that must conform to building code standards or because of their bulk incur high freight costs. Imports from China have increased significantly in recent years, and include products like bulk and collated nails, stucco and galvanized wire.

Our Business Strategy

Our primary objective is to be a leader in the steel wire industry by providing our customers with high quality products designed for their specific needs, focusing on targeted growth, and maintaining pricing discipline. Following are the key components of this strategy:

- *Be the supplier of choice*: Customers are increasingly seeking higher service levels at competitive prices and the opportunity to source a wider range of products from fewer suppliers. This is accomplished by providing a broad range of high quality products, ongoing product innovation and high levels of customer service.

- *Pricing Discipline:* Our goal is to capitalize on brand strength and high quality products to achieve value-added pricing relative to our competitors. In addition, the Company will adjust the prices of its products, subject to prevailing market conditions, to reflect changes in the cost of key raw materials in order to maintain margins.

- *Targeted Growth*: The strategy involves capitalizing on analyzing and targeting specific markets or product lines for growth. This is accompanied by analysis of profitability by product lines or groups to focus on extracting the highest profit generators in the business and make decisions on addressing less profitable areas.

- *Operational Excellence:* Our objective is to promote safety and quality within our operations and run highly efficient and cost effective facilities. This is done by keeping safety first and maintaining process controls that result in high productivity to deliver the expected quality required by our customers. As a result, costs for defective materials, raw material scrap, downtime, and other operating costs are minimized. Complementing this are processes to tightly control and monitor other costs in the organization.

- *Turnover of Working Capital:* Our objective for managing the investment in working capital is to maximize the turnover of productive current assets, being accounts receivable and inventories. Cash flow is managed to keep utilization of the Senior Revolving Facility as low as practicable to maintain borrowing capacity for when it is needed and to reduce ongoing interest costs. We also work with our key vendors to utilize vendor credit where possible and on advantageous terms.

- *Obtain the best price possible for raw materials:* This strategy involves negotiating with alternate suppliers for raw materials and finding the optimum methods of transporting the raw materials to our facilities so as to obtain the best costs possible.

- *Optimize inventory levels:* Inventories are the Company's largest working capital asset and therefore, optimizing the levels of inventory is important for managing cash flow and to help reduce the impact of raw material price volatility in earnings. Raw materials are purchased with an emphasis on a continuous inflow of inventories to meet production needs and at a cost more closely related to the current market price. Levels of finished goods stocked are regularly monitored and balanced to address seasonality in the business as well as to satisfy the objective of keep inventory levels tight without compromising customer needs.

Our Products

Our product lines include bright and galvanized carbon steel wire, collated and bulk nails, welded wire, stucco reinforcing products, fencing products, stainless steel wire, and other fabricated wire products. We market these products primarily to customers in Canada, the United States, and internationally. The following summarizes our key product lines and the end-use markets we serve with each:

Markets	Products and Specific End Uses	Region
Industrial/Original Equipment Manufacturers ("OEM")	For the vast and diverse industrial wire segment, Tree Island Steel manufactures both high-carbon and low-carbon galvanized steel wire. We also produce clean and bright wire for our industrial customers and original equipment manufacturers that use the wire to create products ranging from retail display racks to mattresses. Galvanized wire is also used to bind pulp bales and recycled products such as cardboard and plastic. The products are sold direct business-to-business channels as well as through distributor channels.	North America and International
Residential Construction	Tree Island Steel's residential products meet the most demanding needs of both the professional construction contractor as well as those suited for the do-it-yourself customer. The products including nails (bulk, collated and packaged nails) stucco reinforcing products are utilized in residential and light commercial construction. The products are sold both to the final retail chain and through distributor channels.	North America and International
Commercial Construction	Structural integrity is of paramount importance in meeting the needs of the heavy construction industry, with applications that include commercial construction, mining, and infrastructure projects and reinforcement. Tree Island Steel has established itself as an industry leader with innovative products such as Structural Welded Wire Reinforcement which is a modern solution with superior reinforcing capabilities. Our products in this area included welded wire concrete reinforcing mesh and other fabricated wire products. The products are sold both direct business-to-business and through distributor channels.	North America and International
Agricultural	Tree Island Steel produces various agricultural products including hi-tensile fencing, barbed wire, galvanized wire, bright wire and other fabricated wire products specifically for farming, ranching, and vineyards. The products are sold both to the final retail chain and through distributor channels.	North America
Specialty	The Specialty products are stainless steel and superalloy wire and bar for numerous industries, including aerospace, automotive, telecommunications, petroleum, fasteners, food service, construction and chemical processing. Tree Island Steel sets the recognized industry standard for quality and service, with leading edge technology and processes that surpass customer expectations and industry specifications. The products are sold through direct business-to-business channels.	North America

The following are the percentage of sales by product group for the years ended December 31, 2012 and 2011:

Product Groups	2012 Percentage of Sales	2011 Percentage of Sales
Galvanized Wire	22.7%	23.9%
Bulk Nails	14.2%	14.4%
Bright Wire	13.1%	11.5%
Welded Wire	11.4%	12.6%
Stucco Reinforcing	7.3%	8.3%
Fencing	7.1%	6.2%
Collated Nails	8.6%	7.7%
Stainless Steel Wire	9.8%	9.8%
Other Fabricated Wire	5.8%	5.6%
Total	**100.0%**	**100.0%**

Premium Brands

We manufacture our premium brand products internally in our North American facilities, targeting them to customers that seek value, reliability, and high performance. Our premium products are manufactured to consistent, high quality standards that meet customers' needs, ASTM standards and applicable codes. These product lines are available in a broad range of products, are shipped with short lead times; and are backed with full technical support and for consistent and reliable service. Our premium brands and the products offered by each are:

Premium Brands	Markets	Products
Tree Island	Canada and USA	Bright and galvanized wire, bulk and packaged and collated nails, welded wire mesh, concrete reinforcing mesh, fencing and stucco reinforcing products.
Halsteel	USA	Collated nails produced in the United States.
K-Lath	USA	Wide range of stucco reinforcing products.
TI Wire	USA	Bright wire, concrete reinforcing products, cold heading wire, and specialty carbon steel alloy wire.
Industrial Alloys	USA	Stainless steel wire and bars.
Tough Strand	Canada and USA	Agricultural fence products including hi-tensile game fence, farm fence, vineyard wire, and barbed wire.

Select Brand

Most of our select brand products are externally manufactured, and are limited to high-volume commodity items. Products within this group meet general industry specifications but are not customized to individual customer requirements. Select brand products allow us to enhance our relationship with those customers that require a diverse product line including competitively priced commodity products. These products typically create complementary pull through for our premium brands.

Direct Ship

As a service to our customers, we use our network of suppliers world-wide to source and direct ship commodity wire products we do not manufacture in our facilities.

Our Markets

We supply a diverse range of steel wire and fabricated steel wire products to customers in five key markets: industrial and OEM, commercial construction, residential construction, agricultural, and specialty applications.

The percentage of sales for the years ended December 31, 2012 and 2011 derived from our key markets are as follows:

Industry Segment	2012 Percentage of Sales	2011 Percentage of Sales
Industrial / OEM	35.2%	35.7%
Residential Construction	30.1%	30.0%
Commercial Construction	16.3%	17.2%
Specialty	8.3%	10.1%
Agriculture	10.1%	7.0%
Total	**100.0%**	**100.0%**

Competition

The steel and fabricated wire products industry in North America is highly fragmented. Our competition comes primarily from companies with a narrower product line focus and as a result, competition profiles are different depending upon product line and geographic market. The level of import competition will also vary depending on the product line and to a lesser degree geographic area.

Galvanized Wire and Bright Wire

Along the West coast of North America there are three firms (a regional operation of Bekaert, Davis Wire Industries Ltd. in British Columbia, and Davis Wire Corp. in California and Washington) that produce bright and galvanized wire and comprise the majority of our domestic competition. Deacero S.A. de C.V. competes with Tree Island in this product group from its Mexican facilities. In eastern Canada competition includes Arcelor Mittal and Sivaco. Imports from China, Australia, Israel, South Africa, Spain, and Mexico largely account for the remainder of our competition in this product line.

Bulk Nails

The principal competition in Canada and the US is imported bulk nails, primarily from Asia and the UAE. In eastern Canada Tree Island faces domestic competition from Duchesne. Tree Island competes against imports by offering a wider selection of nail types with shorter lead-time requirements and better customer service. Lead-times are important to the customer, as working capital constraints require greater inventory turn targets.

There are no other facilities of significant size producing bulk nails in Western Canada or the Western United States. In addition to manufacturing its own bulk nails, Tree Island imports select bulk nails from China to meet customer needs for a low price-point on certain products and in certain geographic areas.

Welded Wire Concrete Reinforcing Mesh

Major applications for this product group include slab-on-grade construction, concrete sewer pipes, precast concrete and mine tunnel protection/stabilization. Product from the Richmond facility faces competition from other domestic producers, including Davis Wire Industries Ltd. in Vancouver, Irving Industries Ltd. in Alberta and Davis Wire Corp. in Washington. Product from the Etiwanda facility competes against domestic producers, including Davis Wire Corp. and Wire Mesh Corp. in California, Nucor in Utah, Oklahoma Steel in Oklahoma and Ivy Steel in Arizona as well as products produced in Mexico by firms such as Deacero S.A. de C.V.

Stucco Reinforcing

The main competitor for this product line is Davis Wire Corp., which produces a wide variety of wire products of which stucco-reinforcing products are a small subset of their product lines. Other competition comes from smaller domestic manufacturers and imports from Asia. Deacero S.A. de C.V., out of Mexico, is an importer of stucco products into the southwest as well.

Fencing

Tree Island's fencing product line is sold almost exclusively in the Canadian market with some export to the United States. The main competitor in Canada is Bekaert which ships from Van Buren, Arkansas. We also import fencing products for direct sale.

Collated Nails

Imports from China and Dubai came to dominate the North American collated nail market; however, it is uncertain how the trade actions discussed above in the "*General Development of Our Business and Three Year History*" section will impact their market share. There is some domestic competition from other producers such as Mid Continent, Senco, Bostitch, and Paslode. Management estimates that Tree Island is one of the larger North American manufacturers of collated nails. As with bulk nails, there is a niche market of customers who prefer a domestic brand and who like to have more flexibility in ordering smaller quantities. Tree Island also imports collated nails from China and other parts of the world to provide customers with a broader range of price and quality levels on certain products.

Stainless Steel Wire

Competition for this product line comes from independent wire drawers and integrated rod and wire producers, both domestic and foreign. Because of the relatively higher price for stainless steel wire products compared to carbon steel wire, the cost of freight is less relevant to customers, enabling us to ship to customers throughout the United States.

Competitive Strengths

Our competitive strengths include the following:

- *Established market position in Western Canada and the Western United States*. Tree Island Steel is a leading steel wire and fabricated wire products producer in Western Canada and the Western United States and one of the largest fabricated wire producers in North America.

- *Strong brand name, diversity of products and reputation for quality and service*. Our brand names are well established and highly regarded within the nail and fabricated wire industry, with brands such as Tree Island, Halsteel, TI Wire, K-Lath, Industrial Alloys and Tough Strand. The strength of its brands, high quality products, and on time deliveries have enabled us to achieve value-added pricing relative to competitors and develop strong relationships with major industry participants such as Boise Cascade, Broadleaf / CanWel Building Materials Group Ltd. ("CanWel"), Home Hardware, Huttig, and Weyerhaeuser. As well, with the wide array of production capabilities, we are able to offer our customers a wide mix of products ensuring that the customer is able to obtain most of their wire product needs.

- *Diversified customer base and product lines*. We serve a wide range of customer markets due to our broad product offering. Key customers are spread across the five major markets and we have a highly diversified customer base, with its largest customer accounting for approximately 4.2% of sales in 2012.

- *Established competitive wire rod supply*. Carbon steel wire rod is the principal raw material and accounts for approximately 54.3% of the cost of goods sold in 2012 and stainless steel raw materials represents 7.6% of total cost of sales in 2012. We negotiate to secure the best possible prices from a number of qualified suppliers either from North America or internationally. The decision on where to buy from depends in part on the cost of freight to deliver the raw materials to our facilities. Our Canadian operations are strategically located on the Fraser River in Richmond, British Columbia, where easy deep-sea access offers freight cost advantages. Our California based plants are also within close proximity to the Port of Long Beach and have good access to rail and highway networks. The sourcing options are constantly evaluated to take advantage of steel and freight markets change.

- *Operational synergies.* We have advantages in our size and breadth of operations and being able to centrally source wire rod requirements for all of its divisions. In addition, benefits are realized through vertical integration between our operations.

Our Customers

Tree Island Steel's customers are diversified by both geographic region and industry. The diversity of markets in which our products are sold reduces exposure to economic activity in any one specific sector or region. The following is the percentage of sales for the years ended December 31, 2012 and 2011 derived from our primary geographic markets:

Province or State	2012 Percentage of Sales	2011 Percentage of Sales
California	36.2%	34.8%
Alberta	14.0%	14.6%
British Columbia	9.5%	10.1%
Washington	8.2%	8.1%
Ontario	5.6%	5.1%
China & Other International	2.9%	4.1%
Quebec	2.5%	3.2%
Arizona	2.5%	2.9%
Texas	2.8%	2.5%
Other	15.8%	14.6%
Total	**100.0%**	**100.0%**

A significant proportion of our products are sold to distributors, including wholesale distributors of building products, baling wire (for the pulp industry, waste baling industry and agricultural industry) and fencing products. In addition, we sell products to major retail chains. The breadth of Tree Island Steel's product offering enables it to benefit from continued consolidation within the building products distribution and "big box" retail channels.

We sell to over 800 customers, and in 2012 the top twenty customers accounted for approximately 38.7% of sales, with the largest customer accounting for 4.2% of sales.

Raw Materials

Carbon Steel Wire Rod

Our major raw material, carbon steel wire rod, comprised 54.3% of the costs of goods sold in 2012, is sourced from the global market and its cost fluctuates with market conditions. We purchase carbon steel wire rod from a number of suppliers and normally have more than a dozen qualified sources at any given time worldwide and as necessary we qualify additional producers of carbon steel wire rod. Over the past three years the Company has sourced carbon steel wire rod from various countries but predominantly from the United States and Mexico.

During 2012, we sourced carbon steel wire rod from nine suppliers, with 45.0% from our largest supplier and 17.6% from the next largest.

We source a portion of our wire rod requirements from international suppliers by chartering ships and unloading cargos at Fraser Surrey Docks which is a short distance from the Richmond facility or at the Port of Long Beach for the Etiwanda facility. This import wire rod is transported by truck from the port to the plant. The wire rod shipments sourced from domestic wire rod mills are trucked to the facilities or transported by rail.

In 2012, similar to 2010, and 2011 purchases of carbon steel wire rod were in smaller quantities than the historical norms. The smaller order sizes coming from these sources, which are located closer to our manufacturing facilities, enables us to hold inventory at a cost more closely related to market price of the finished product and at lower quantities to manage working capital more efficiently.

Stainless Steel

The next largest raw material component is stainless steel wire rod, which accounted for 7.6% of cost of sales in 2012. We purchase stainless steel wire rod from domestic and international suppliers. The cost of stainless steel wire rod is significantly impacted by the cost of the alloys used in the steel to provide its anti-corrosive properties. Nickel, chrome and molybdenum are three of the primary alloys used, with nickel being the most significant of the three. The costs of these alloys fluctuate significantly with market conditions. In 2012 the alloy components decreased causing stainless steel wire rod costs to decrease by 11.3% throughout 2012 when compared to 2011.

Zinc

Zinc, used in the Richmond facility to make galvanized products, is the third largest raw materials cost and in 2012 accounted for approximately 3.0% of the cost of sales.

Zinc requirements are readily sourced from major domestic suppliers and our future ability to purchase zinc is not expected to be constrained by supply. However, if our major supplier is unable to produce, zinc will have to be purchased from sources at further distances resulting in increased transportation cost. As with the other inventories, zinc inventory levels are monitored to manage working capital more efficiently.

Our Operating Facilities

We have four operating facilities of which two are owned (Richmond and Etiwanda) and two are leased (Pomona and Ontario).

Richmond facility

The Richmond facility produces a wide variety of fabricated wire products in its 400,000 square foot plant situated on approximately 36 acres adjacent to the Fraser River in Richmond, British Columbia. Conveniently located on the Fraser River, the plant is able to source wire rod domestically or internationally. The plant contains equipment for the production of fencing products, stucco mesh, welded concrete reinforcing mesh, bulk nails, collated nails, and other fabricated wire products for both for inter-company and external sale. The Richmond plant is certified to the ISO 9001:2008 standard.

Etiwanda facility

The Etiwanda facility operates in a 134,000 square foot plant situated on 16 acres of land located in Etiwanda, California with readily accessible highway transportation. This facility is certified to ISO 9001:2008. Located near the Port of Long Beach, the plant is also able to source wire rod domestically or internationally. The plant contains equipment for the production of welded concrete reinforcing mesh, concrete reinforcing wire, wire for industrial applications and other fabricated wire products for both for inter-company and external sale. In addition, the Etiwanda facility provides the nail wire for the production of collated nails at the Ontario facility.

Pomona facility

The Pomona facility operates from a 108,000 square foot leased facility located on 7 acres of land in Pomona, California. This lease expires on December 1, 2016. The facility is certified to ISO 9001:2008. The plant contains wire processing machinery that produces stainless steel wire products including spring wire, lashing wire and cold-heading wire and galvanized steel wire products including a wide range of stucco reinforcing products sold under the K-Lath brand.

For stainless steel wire products transportation costs are a small portion of the overall cost to the customer, and therefore products can be shipped across greater distances. As a result, this facility services customers throughout the United States. Relative to its competitors, this facility produces a broad range of wire sizes and in particular has the ability to produce fine diameter bars which are offered by very few stainless steel wire producers. Stainless steel wire rod is sourced both domestically and internationally.

Galvanized wire for stucco products is sourced from the Richmond facility and internationally.

Ontario facility

The Ontario facility manufactures a variety of collated nail products under the Halsteel brand and operates from a 60,000 square foot leased production facility in Ontario, California. The lease expires on December 31, 2013. The Ontario facility produces a wide variety of collated nails for use in pneumatic nail guns. These nails are available with a number of coatings including electro galvanized and hot dip galvanized. This plant also produces Tree Island Steel's True Spec System which uses a combination of distinct colors and numbers on the head of the nail to distinguish various types of structural nails used in construction after the nail has been driven. The plant's major raw materials are bright wire which is primarily sourced from the Etiwanda facility and galvanized wire which is primarily sourced from the Richmond facility.

Production Processes

The production process begins with removing scale from the surface of the rod by either acid cleaning or mechanically de-scaling with sanding belts. Once clean, the rod is then reduced down to its final diameter by pulling it through a series of successively smaller holes in carbide dies on a wire drawing machine. During this process, wire speed and temperature are strictly controlled to ensure the final product meets predetermined quality standards. The end of each coil is welded to the start of the next coil to ensure the process is continuous and waste is minimized. The finished drawn wire is wound onto special holders, called carriers. The finished drawn wire is then processed into our product lines as follows:

- *Bright Wire:* Certain bright wire products require no further processing and are ready for sale after being drawn to specification. Bright drawn wire is also used as a feedstock material for our other products.
- *Galvanized Wire*: Galvanized low and high carbon steel wire is produced from bright drawn wire by passing it through a molten zinc bath at controlled speeds. Some of this galvanized wire is sold directly to customers for a variety of uses and the remainder is used internally as a feedstock material for our other products.
- *Concrete Reinforcing Mesh:* Concrete reinforced mesh products are produced in both sheet and coil form from either bright drawn wire or galvanized wire on special purpose welding equipment.
- *Bulk and Collated Nails*: Over 2,000 different types of nails are produced from bright drawn wire on high-speed cold forming machines. A controlled length of wire is fed from a carrier into the machine, held in position until the head is formed, then cut with the correct point and ejected into a chute at a rate of up to 900 nails per minute. The nails are then cleaned and processed into a variety of finishes (bright, phosphate, vinyl coated, electro galvanized, hot galvanized) prior to packaging and placed on pallets on an automated packing line. Plastic strip collated nails and paper tape collated nails are manufactured on special purpose machines using high quality bulk nails.

- *Stucco Mesh:* Woven wire lath and welded wire lath is manufactured from galvanized wire on custom designed high speed machines in both sheet and coil form. The product can made with or without an attached asphalt paper backing. Other custom equipment uses galvanized wire that is welded into lengths of corner reinforcement.

- *Fencing:* Several types of fencing are manufactured from galvanized wire using specialized equipment. These types include high tensile fixed knot fence, low tensile hinge joint fence, barbed wire and electric fence wire.

- *Stainless Steel:* The production process begins with cleaning to remove contaminants from the surface of the rod. Once clean, the rod is then reduced down to its final diameter by pulling it through a series of successively smaller holes in carbide or diamond dies on a wire drawing machine. During this process, speed and temperature are strictly controlled and many of the products require in line annealing in a protective atmosphere to ensure the final product meets predetermined quality standards. The finished drawn wire is wound onto reels or carriers. Stainless steel wire products require no further processing and are ready for sale after being drawn to specification.

All stages of the production process are tracked using bar code technology linked back to a central information system in order to ensure accurate inventory data related to product identification, exact quantity available, and specific location. Finished goods inventory data provides the basis for computerized, customer specific, pick lists that are used by the shipping department to locate a product, remove it by fork lift truck from its location and then stage it for an order prior to loading onto either trucks or rail cars for shipment to the customer. Inventory levels are constantly monitored to ensure an appropriate balance between customer service needs and working capital management. The nature of the equipment used by the plants is such that our preventive maintenance program and replacement of worn components in a timely manner ensures a lengthy life of the equipment. The manufacturing process is under constant scrutiny by a knowledgeable and experienced workforce, which has resulted in continuous improvement and consistent increases in productivity without the need for significant capital expenditures.

Environmental and Occupational Health and Safety Matters

Our operations have been and are subject to extensive federal, provincial, state, municipal and local statutes, regulations and by-laws, permitting and other requirements with respect to workers' health and safety and environmental matters in Canada and the United States.

The operation of certain of our facilities includes the transportation, storage, handling, usage and disposal of various industrial chemicals and metals and their discharges to the land, air, water and sewers. We have a number of permits necessary to carry on our operations and have adopted procedures and practices designed to ensure compliance with such permits and environmental laws. We also have the necessary programs, systems and processes in place to ensure worker health and safety is in accordance with such laws. We have created an environmental, health and safety management system that is designed to identify environment, health and safety ("EHS") issues, mitigate those issues and monitor performance. Programs have been implemented to ensure adherence to our EHS policies. The programs include environmental training for employees, implementation of environmentally sound practices, and a continuing focus on corporate due diligence. Audits are periodically done on the EHS management system. Tree Island Steel's Board of Directors oversees its EHS responsibilities through the EHS, Compensation and Governance Committee.

Expenditures related to compliance with environmental laws and protection initiatives are not material to our consolidated results of operations, cash flow or financial position and, based on current laws, facts and circumstances are not expected to have a material impact in the future. We believe our operations are in compliance with applicable environmental laws, rules regulations and guidelines in all material respects. While management believes that the Company is currently in compliance with all applicable health, safety, and environmental requirements, there can be no assurance that the Company will in the future be in compliance and that any future non-compliance will not result in a material adverse effect on the Company.

Our Employees

As of December 31, 2012, Tree Island Steel had approximately 316 employees of whom approximately 60% are production employees.

Production employees are represented by the following unions:

Operating Unit	No. of Employees	Union Representation	Collective Agreement Expires
Richmond, BC	110	International Brotherhood of Teamsters	June 30, 2015
Etiwanda, CA	35	United Steelworkers of America	September 8, 2013
Pomona, CA	28	United Electrical, Radio and Machine Workers of America	November 9, 2013
Ontario, CA	18	None	n/a
Total	191		

In addition, 39 office employees at the Richmond facility are represented by the Canadian Office and Professional Employees Union. The collective agreement expired on September 30, 2012 and we continue to negotiate with the union on a new agreement.

As mentioned above, during 2012, TIIL and the International Brotherhood of Teamsters entered into a new three year contract expiring on June 30, 2015.

RISKS RELATING TO OUR BUSINESS

An investment in our Shares and Debentures, which are convertible into Shares, are subject to a number of risks. Prior to making an investment in Shares or Debentures, potential investors should carefully consider the risks described herein. Additional risks and uncertainties not presently known to Tree Island Steel, or that Tree Island Steel deems immaterial, may also impair the operations of the Company and the value of its securities. If such risks actually occur, the business, financial condition, liquidity, and results of operations of Tree Island Steel could be materially adversely affected.

Cyclical Nature of Business and Demand for Our Products

The wire products business is cyclical in nature and markets for our principal products are characterized by periods of supply and demand imbalance, which in turn affects product prices. The market for our products is highly competitive and is sensitive to cyclical changes in the global economy, industry capacity and foreign exchange rates, all of which can have a significant influence on selling prices and earnings.

Demand for our products is determined by the level of economic growth and activity in certain markets in the West Coast of North America and the construction industry in particular. The continuing volatility of global economic conditions especially as they apply to North America, availability of credit and the significant declines in the construction industry in recent years has significantly impacted the Company's results from operations and financial condition for fiscal 2010 and 2011 although less so in 2012. We cannot predict the impact of continuing and future economic weakness in our markets, the estimated level of growth or contraction for the economy as a whole or for the economy of any particular region or market that we serve. Adverse changes in our financial condition and results of operations may occur as a result of further declines in economic conditions in our principal markets, contraction of credit availability or other factors affecting economic conditions generally.

Certain market conditions are beyond the Company’s control and as such the our profitability depends on managing our cost structure relative to pricing dynamics in the market, in particular costs of raw materials which represent a significant component of operating costs and can fluctuate based upon factors beyond our control. The Company’s sales and profitability could be materially adversely affected if costs of raw materials rise beyond what can be passed on to our customers in the way of price increases.

Financial Condition of our Customers

Our customers may be adversely affected by the continued weak economic conditions and consequently negatively impacting their financial condition. Our customers may then reduce their volume of sales, reduce their inventory levels resulting in less predictability of our sales to them and an increase in our credit risk for these customers. The combination of these factors may cause significant fluctuations in our sales, profitability and cash flows.

Competition

We face competition from one or more competitors in all geographic areas where our operations are located and from importers. Some of our competitors have greater resources and therefore may be able to sustain larger losses to develop or continue business. Our competitive position is determined in part by our costs in comparison to our competitors. If we are not able to manage the costs of raw material, imported products and conversion costs to be lower than or equal to our competitor’s costs we will not be able to compete on price with competitors. In addition, alternative technologies for the manufacturing of steel wire and fabricated wire products could be developed which could adversely affect the Company. As well, import competition, particularly from manufacturers in Asia, is continuously putting pressure on volumes and pricing in certain product lines. There can be no assurance that we will continue to be competitive in the future.

Liquidity, Leverage and Restrictive Covenants

Deterioration in the Company's consolidated revenues and relationships with suppliers, or the inability to manage costs and inventory would materially adversely affect the Company's financial condition, liquidity and results of operations and the Company may not be able to pay its debts as they become due.

Similarly, the inability of the Company, through its affiliates, to meet its payment and other obligations under the Senior Credit Facility, Debentures, and Long Term Debt Agreements would have a materially adverse effect on the Company's financial condition, liquidity and results of operations. There are no assurances that Tree Island Steel and its subsidiaries will continue to be in compliance with the terms, conditions and covenants of the Senior Credit Facility, the Debentures or the Long-Term Debt Agreements, a breach of which could materially adversely affect Tree Island Steel's financial condition, liquidity and results of operations.

The degree to which Tree Island Steel is leveraged could have important consequences to the holders of the Shares, including: (i) our ability to obtain additional financing for working capital; (ii) a portion of cash flow from operations will be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for distribution to shareholders; (iii) a substantial decrease in net operating cash flows or increase in expenses could make it more difficult to meet debt service requirements; (iv) the leveraged capital structure could place it at a competitive disadvantage by hindering its ability to adjust rapidly to changing market conditions or by making it vulnerable to a downturn in its business or the economy in general; and (v) the Senior Credit Facility, being at variable rates of interest, exposes the Company to the risk of increased interest rates.

Our Senior Credit Facility, Long-Term Debt Agreements and Debentures and associated agreements contain restrictive covenants that limit management's discretion of with respect to certain business matters. These covenants place restrictions on, among other things, the ability to incur additional indebtedness, to create liens or other encumbrances, to pay cash interest on the Debentures in certain circumstances, 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.

In addition, the Senior Revolving Facility contains financial covenants that require the Company to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Senior Revolving Facility could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness and acceleration. If the indebtedness under the Senior Revolving Facility were to be accelerated, there can be no assurance that the Company's assets would be sufficient to repay in full that indebtedness.

The Company's ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness, under the Senior Credit Facility, Debentures and Long-Term Debt Agreements as well as its ability to finance working capital requirements, will depend on its future cash flow, which is subject to the operations of our business, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The occurrence of any of the events described above may affect our ability to operate as a going concern.

Supply of Raw Materials

We rely on key suppliers for its major raw materials: carbon steel wire rod, stainless steel, and zinc. If these suppliers determine that they are not prepared to supply these materials and services because of credit risk or other matter determined by the supplier, we would have to find other sources. This could result in higher costs or more significantly we may be unable to secure alternative sources of raw materials.

As a non-integrated producer of steel wire and fabricated wire products, we must purchase our raw materials and ensure the raw materials are delivered to the facilities timely and in good condition. Our financial results can be significantly impacted if raw material supplies are inadequate to satisfy our production requirements. As well, trade actions by domestic wire rod producers against offshore suppliers can also have a substantial impact on the availability and cost of imported wire rod. The availability of raw materials for our facilities is also dependent on the availability of means to transport the raw materials from the producer to our facilities which includes shipment via charter ships, trucking or rail routes. If we were unable to obtain adequate and timely delivery of our raw material requirements, we may be unable to manufacture sufficient quantities of our products or operate our manufacturing facilities in an efficient manner, which could result in lost sales and higher operating costs.

Volatility in the Costs of Raw Materials

The primary raw material used to manufacture our products is carbon steel wire rod, which we purchase from both domestic and foreign suppliers. Over the last number of years, there has been increased volatility in the raw material costs of rod producers resulting in increased price volatility for wire rod which has continued through 2012. We do not use derivative commodity instruments to hedge our exposure to changes in the price of wire rod.

The cost of stainless steel wire rod, which is our second largest cost for raw material, is significantly impacted by the cost of the alloys used in the steel to provide its anti-corrosive properties. Nickel, chrome and molybdenum are three of the primary alloys used, with nickel being the most significant of the three.

The market price for zinc along with alloys for the stainless steel wire that our operations consume can be affected by numerous factors beyond our control, including levels of supply and demand for a broad range of industrial products, substitution of new or different products in critical applications for these metals, expectations with respect to the rate of inflation, the relative strength of the foreign currencies, interest rates, speculative activities, global or regional political or economic crises and sales of metals by holders in response to such factors. If prices should decline below the cash costs of production for our main suppliers and remain at such levels for any sustained period, the producer could determine that it is not economically feasible to continue commercial production and as a result, curtail or suspend operations. We do not hedge our price exposure on alloys or the underlying base metals. We have not hedged the price exposure on zinc since 2009.

We along with our competitors attempt to pass along increases in raw material costs to customers through increased prices for finished products. However, there can be no assurance that such costs can be passed along, in whole or in part, in the future, which would negatively impact Tree Island Steel's profitability and cash flow. Additionally, should raw material costs decline, financial results may be negatively impacted if the selling prices for products decrease more quickly than we are able to consume or reduce any higher cost raw materials held in inventory.

Significant Exposure to the Western United States Due to Lack of Geographic Diversity

In 2012, 54.0% of our sales were in the western United States with California being the single largest market representing 36.2% of sales. There can be no assurances that continued concentration in markets in the western United States will not have a negative impact on our operating results or that diversification strategies will be successful.

Dependence on Construction Industry

Approximately 30.1% of our net sales in 2012 were directly related to the level of home construction activity and 16.3% of sales were related to the commercial and infrastructure markets, resulting in construction accounting for 46.4% of our sales in 2012 (2011 – 47.2%). Volume and price are affected by numerous factors beyond our control or our customers in the construction industry, including the level of construction activity which is affected by the general level of the economy and conditions in our primary geographical markets.

Transportation Costs

We rely upon third parties for the transportation of our products to customers, as well as for the delivery of raw materials to our production facilities. Raw materials are principally transported by truck, rail and sea-going vessels, all of which are highly regulated. Increases in transportation rates can also materially adversely affect the Company's results from operations.

Foreign Exchange Fluctuations

Tree Island Steel's reporting currency is the Canadian dollar, resulting in various levels of exposure to foreign exchange fluctuations in particular the US/Canadian dollar exchange rate. As well, TIIL has US dollar-denominated cash, accounts receivable, accounts payable and accrued liabilities, revolving credit facility and long-term debt which are exposed to foreign currency exchange rate risk. The Company also has exposure to the US/Canadian dollar exchange rate in its results from operations because of US dollar denominated sales and expenses incurred in the Canadian operation as well as from the translation of the US operations from their functional currency of US dollars to Canadian dollars for reporting purposes. Fluctuations in the Canadian dollar exchange rate against the US dollar can have a material effect on the Company's business, results of operations and financial performance. In the past three years, the Company has not used derivative instruments to hedge its foreign currency exposure.

Labour Relations

Most of our operations are unionized. Strikes or lockouts could restrict our ability to operate and to service our customers. In addition, any work stoppage or labour disruption at key customers or transportation providers could impede our ability to supply products, to receive critical equipment and supplies for our operations or to collect payment from customers encountering labour disruptions. Work stoppages or other labour disruptions could increase our costs or impede our ability to operate one or more of our operations. Additionally, the union contracts at the Etiwanda and Pomona facilities expire in 2013. There are no assurances that we will be able to obtain agreement with the respective unions.

Trade Actions

As discussed above, during the first quarter of 2013, as a result of a complaint made by the Company, the Canada Border Services Agency announced that it is initiating investigations into the alleged injurious dumping of certain galvanized steel wire from the People's Republic of China, the State of Israel, and the Kingdom of Spain, and the alleged injurious subsidizing of certain galvanized steel wire from the People's Republic of China. The investigations are in the preliminary stages and the impact on operating results is not determinable at this time.

Generally, our access to markets in which we operate may be subject to ongoing interruptions and trade barriers due to policies and tariffs of individual countries and the actions of interest groups to restrict the import of certain commodities. There can be no assurance that our access to these markets will not be restricted in the future.

Dependence on Key Personnel and Skilled Workers

Our success will be substantially dependent on the continued services of senior management of the Company. The loss of the services of one or more members of senior management could adversely affect our financial results. In addition, our continued growth depends on our ability to attract and retain skilled managers and employees and the ability of its personnel to manage our growth.

Our operations also require employees and contractors with a high degree of specialized technical, management and professional skills such as engineers, trades people and equipment operators. In the future, if we are not able to retain or recruit new skilled workers, a decrease in productivity or an increase in costs may result which could have a negative effect on the Company's business operations and financial performance.

Reliance on Key Customers

We have many customers, some more significant than others, although none comprise more than 10% of total revenues. A loss or failure of one or more key customers could have an adverse effect on our business, results of operations and financial performance.

Environmental Matters

Our operations are subject to numerous environmental laws as well as guidelines and policies. These laws, guidelines and policies govern, among other things, unlawful discharges to land, air, water and sewers; waste collection, storage, transportation and disposal; hazardous waste; dangerous goods and hazardous materials and the collection, storage, transportation and disposal of such substances; the clean-up of unlawful discharges; land use planning; municipal zoning; and employee health and safety. In addition, we may become subject to remediation or other administrative orders, or amendments to its operating permits, and it may be involved from time to time in administrative and judicial proceedings or inquiries relating to environmental matters. Future orders, proceedings or inquiries regarding environmental matters could have a material adverse effect on our business, financial condition and results of operations.

Environmental laws and land use laws and regulations throughout Canada and the United States are constantly changing. New regulations or the increased enforcement of existing laws could have a material adverse effect on our business and financial condition. In addition, compliance with regulatory requirements is expensive, at times requiring the replacement, enhancement or modification of equipment, facilities or operations. It cannot be assured that we will be able to maintain our profitability by offsetting any increased costs of complying with future regulatory requirements.

The Company could be subject to liability for any environmental damage at facilities that it owns or operates, including damage to neighboring landowners or residents, particularly as a result of the contamination of soil, groundwater or surface water and especially drinking water. The costs of such liabilities can be substantial. The Company's potential liability may include damages resulting from conditions existing before it purchased or operated these facilities. The Company may also be subject to liability for any off-site environmental contamination caused by pollutants or hazardous substances that it or its predecessors arranged to transport, treat or dispose of at other locations.

In addition, the Company may be held legally responsible for liabilities as a successor owner of businesses that it acquires or has acquired. These businesses may have liabilities that we fail or are unable to discover, including liabilities arising from non-compliance with environmental laws by prior owners. Because of the limited availability of insurance coverage for environmental liability, any substantial liability for environmental damage could materially adversely affect our operations and financial condition.

Intellectual Property Risks

We believe that our trademarks and trade names are generally sufficient to permit Tree Island Steel to carry on business as presently conducted and planned. We cannot, however, know whether we will be able to secure protection for Tree Island Steel's intellectual property in the future, or if that protection will be adequate for future operations. Further, the Company may face the risk of ineffective protection of intellectual property rights in foreign jurisdictions. We also cannot be certain that our activities do not infringe on the proprietary rights of others. If the Company is compelled to prosecute infringing parties, defend its intellectual property, or defend itself from intellectual property claims made by others, we may face significant expenses and liability.

Energy Costs

Our manufacturing facilities consume electricity and natural gas. Material increases in energy costs could adversely affect our results of operations and financial performance. As well future taxes on or regulation on these energy sources could add to our costs and negatively impact results of operations and financial performance.

Uninsured Loss

Our operations are subject to customary risks of loss or damage in any manufacturing business. We maintain insurance policies with insurers in such amounts and with such coverages and deductibles as management believes are reasonable and prudent. Certain of our manufacturing facilities are located in seismically active areas and as a result we maintain limited insurance coverage for losses arising from seismic damage due to the cost and limited scope of available coverage. There can be no assurance that insurance maintained will be adequate to protect Tree Island Steel from all material expenses related to potential future claims for personal or property damage.

Product Liability

The Company is subject to potential product liabilities connected with its operations, including liability and expenses associated with product defects. There are no assurances that we will always be adequately insured against all such potential liabilities.

Credit Risk

We are exposed to credit losses in the event of non-payment of accounts receivable of our 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. We establish guidelines for customer credit limits and should thresholds in these areas be reached, appropriate precautions are taken to improve collectability and/or reduce credit risk exposure. We maintain provisions for potential credit losses (allowance for doubtful accounts) and any such losses to-date have been within management's expectations.

Operating Risk

Interruptions in our production capabilities will increase our production costs and reduce our profitability. Our operating facilities may experience material shutdowns or periods of reduced production because of equipment failures and this risk may be increased by the age of certain of our facilities. In addition to equipment failures, our facilities are also subject to the risk of loss due to unanticipated events such as major information system failures, fires, explosions, earthquakes, adverse weather conditions or other catastrophic events. Material shutdowns or reductions in operations could have a material adverse effect on our business, results of operations and financial performance. Remediation of an interruption in production capability or failure of information systems could require us to make large capital expenditures. Further, longer-term business disruptions could result in a loss of customers. All of these factors could have a material adverse effect on our business, results of operations and financial performance.

Management of Growth

In order to manage our current operations and any future growth effectively, we will need to continue to implement and improve our operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that we will be able to do this successfully to achieve increased levels of revenue commensurate with increased levels of operating expenses associated with growth, and failure to do so could have a negative effect on our business, financial condition and results of operations.

Acquisition and Integration Strategies

As part of its business strategy, Tree Island Steel may pursue strategic acquisitions. There can be no assurance that we will find additional attractive acquisition candidates or succeed at effectively maintaining the integration of any businesses acquired in the future.

Acquisitions involve a number of risks, including: (a) the possibility that Tree Island Steel, as a successor owner, may be legally and financially responsible for liabilities of prior owners; (b) the possibility that the Company may pay more than the acquired company or assets are worth; (c) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; (d) the difficulty of integrating the operations and personnel of an acquired business; (e) the challenge of implementing standard controls, procedures and policies throughout an acquired business; (f) the inability to integrate, train, retain and motivate key personnel of an acquired business; and (g) the potential disruption of Tree Island Steel's ongoing business and the distraction of management from its day-to-day operations. These risks and difficulties, if they materialize, could disrupt the Company's ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have an adverse effect on our business, results of operations and financial performance.

RISK INHERENT IN AN INVESTMENT OF SHARES AND DEBENTURES

Investment Eligibility and Foreign Property

There can be no assurance that the Shares and the Debentures will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income trusts and registered education savings plans. The Income Tax Act (Canada) (the “Tax Act”) imposes penalties for the acquisition or holding of non-qualified or ineligible investments.

Book-Entry Only System

Registration of interests in and transfers of the Shares and Debentures are made through a book-based system (the "Book-Entry Only System") administered by The Canadian Depository for Securities Limited ("CDS"). Shares and Debentures must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service (a "CDS Participant"). All rights of Shareholders and Debentureholders must be exercised through, and all payments or other property to which such Shareholder or Debentureholders is entitled are made or delivered by, CDS or the CDS Participant through which the Shareholder holds such Shares or Debentureholders holds such Debentures. Upon purchase of any Shares or Debentures, the Shareholders or Debentureholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Shares or Debentures are purchased. The ability of a beneficial owner of Shares or Debentures to pledge such Shares or Debentures or otherwise take action with respect to such Shareholder's or Debentureholder’s interest in such Shares or Debentures (other than through a CDS Participant) may be limited due to the lack of a physical certificate representing the Shareholder's or Debentureholder’s interest. Tree Island has the option to terminate registration of the Shares or Debentures through the Book-Entry Only System, in which case certificates for the Shares or Debentures in fully registered form would be issued to beneficial owners of such Shares or Debentures or their nominees.

Risks Related to Ownership of Common Shares

The following is a list of certain risk factors relating to the activities of the Company and the ownership of the Shares:

- the uncertainty of future dividend payments by Company and the level thereof as the Company’s dividend policy and the funds available for the payment of dividends from time to time will be dependent upon, among other things, operating cash flow generated by TIIL, financial requirements for operations and the execution of the Company’s growth strategy and the satisfaction of solvency tests imposed by the *Canada Business Corporations Act* for the declaration and payment of dividends;

- the Company may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of Tree Island Steel which may be dilutive; and,

- Futura, Marret and Arbutus own (after giving effect to the dilutive impact of conversion of all of the Debentures and the Private Placement Debentures and exercise of all of the Warrants) 16,543,400, 6,132,500 and 9,464,800 shares of Tree Island respectively, representing approximately 25.3%, 9.4%, and 14.5%, respectively, of the outstanding Shares on a fully-diluted basis and are each in a position to materially impact control of Tree Island. If the insiders were to act together, they may be in a position to either pass or block votes of holders of Debentures and Shares. Investors should be aware that votes in respect of the Debentures and Shares may be controlled by a small group of insiders.

Risks Related to the Debentures

Subordination

In respect of the payment of principal and interest, the Debentures will (a) rank paripassu in right of payment, without discrimination, preference or priority, with all other debentures issued pursuant to the Trust Indenture (including pursuant to the Private Placement), and (b) be subordinate in right of payment to all Senior Indebtedness (as defined in the Debenture Indenture).

In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to Tree Island Steel, its property or its assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of Tree Island Steel, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of Tree Island Steel, holders of senior indebtedness must receive payment in full before holders of Debentures are entitled to any payment. Following payment in full to holders of Senior Credit Facility, the Debentures will rank pari passu on the distribution of any remaining assets in satisfaction of any obligations owing on the Debentures.

In addition, the senior lenders' first priority security interest on the assets of Tree Island Steel's material subsidiaries could mean that such assets will not be available to satisfy any obligations owing on the Debentures. As a result, in the event of a liquidation of Tree Island Steel and/or its material subsidiaries, it is possible that the holders of Debentures would not recover the full or any amount of their investment.

In the event of a bankruptcy, liquidation or reorganization and in certain other events, Tree Island Steel's assets will be available to pay obligations on the Debentures only after all liabilities and Tree Island Steel's secured or senior indebtedness, have been repaid in full. After satisfying these obligations, Tree Island Steel may not have sufficient assets remaining to pay amounts due on any or all of the Debentures then outstanding. Tree Island Steel's incurrence of additional debt and other liabilities could adversely affect the Company's ability to pay its obligations under the Debentures.

Additionally, pursuant to the Intercreditor Agreement dated June 11, 2012, the first $10.0 million of any net proceeds that are received by the Debenture Trustee, by way of realization of security upon the dissolution, liquidation or winding up of Tree Island, will be divisible and payable 50% thereof to the Debenture holders and 50% thereof to the counterparty of the Long-Term Debt Agreements. Net proceeds in excess of $10.0 million will first be payable to the Debenture Holders as settlement of the Debentures and secondly to the counterparties of the Long-Term Debt Agreements as settlement of the obligations outstanding. The proceeds sharing agreement was extinguished with the renegotiations and replaced by the Intercreditor Agreement

Payment of Principal and Interest on the Debentures

Our ability to pay principal and interest on the Debentures, when due, will depend on our ability to improve our financial condition over the long-term. In the event that the financial condition of the Company deteriorates, we may not be able to pay principal and interest on the Debentures.

Additionally, the Subordination and Intercreditor Agreement, between the Debenture Trustee and the Company's senior lender, also provides that, if as a result of any accounting adjustments based on the annual audit of the Company, either agent of the senior lenders determines, in its reasonable judgment, that a prior cash interest payment made in respect of the Debentures would have been prohibited under the terms of the Subordination and Intercreditor Agreement had such adjusted figures been in effect on the date of such interest payment, then holders of Debentures who received such payment must, within five days of receipt by the Debenture Trustee of notice of such determination, return the full amount of the interest payment to the Debenture Trustee. In such event, the returned payment may be paid by the Company to holders of Debentures on any subsequent regularly scheduled quarterly interest payment date, provided that it is not prohibited from making such payment under the Subordination and Intercreditor Agreement.

Restriction on Cash Interest Payments on the Debentures

Under the terms of the Subordination and Intercreditor Agreement, the Company is prohibited from making cash interest payments on the Debentures if: (i) an event of default exists under the debt documents related to its Senior Revolving Facility; (ii) the aggregate borrowing availability under the Senior Revolving Facility, after giving effect to a contemplated cash interest, does not exceed the minimum availability on the date of such interest payment or on an average daily basis for the 30 calendar day period immediately preceding such interest; or (iii) Tree Island Steel has failed to deliver certain monthly compliance certificates under the Senior Revolving Facility.

Redemption Prior to Maturity

After November 26, 2012 and on or prior to the Maturity Date, the Debentures may be redeemed in cash, in whole or in part, from time to time at the option of Tree Island Steel on at least 30 days prior written notice, at a price equal to the principal amount plus all accrued and unpaid interest, provided that the weighted average trading price for the Shares on the TSX for the 30 consecutive trading days ending on the date that is no more than 10 business days prior to the date on which notice of redemption is given is greater than 150% of the Conversion Price. Holders of Debentures should assume that we will exercise this redemption option if the Company is able to refinance at a lower interest rate or it is otherwise in the interests of Tree Island Steel to redeem the Debentures.

Inability of Tree Island Steel to Purchase Debentures on Change of Control

The holders of the Debentures have the right to require the Company to repurchase their Debentures, in whole or in part, at a price equal to 110% of the principal amount of the Debentures, together with any accrued and unpaid interest, upon the occurrence of a Change of Control. It is possible that following a Change of Control, Tree Island Steel will not have sufficient funds to make the required repurchase of Debentures or that restrictions contained in other indebtedness will restrict those purchases.

Effect of Market Interest Rates on Price of Debentures

Prevailing interest rates will affect the market value of the Debentures. The price or market value of the Debentures could decline as prevailing interest rates or interest rates on comparable securities rise.

DIRECTORS AND OFFICERS

The name and municipality of residence of each of the directors of Tree Island Steel and directors and executive officers of the Company (along with their respective positions and offices held with the Company and their respective principal occupation) as of the date of this AIF is set out below. Directors serve until the next Annual Meeting of the Shareholders or until they sooner cease to hold office.

The following biographical information concerning the directors has been provided by them.

Directors

Name and Residence	***Principal Occupation***	***Director Since***	***Shares and Debentures Held as of March 14, 2013***[(3)]
Amar S. Doman British Columbia, Canada	President and Chief Executive Officer, The Futura Corporation (an asset management and investment firm)	January 30, 2009	4,668,400[(4)] $5 million
Michael A. Fitch, Q.C.[(1)(2)] British Columbia, Canada	Corporate Director	May 11, 2007	40,542
Theodore A. Leja [(2)] Washington, USA	Retired President and Chief Executive Officer, Tree Island Industries Ltd.	November 12, 2002	69,593
Sam Fleiser[(1)(2)] Ontario, Canada	President, Alignvest Private Debt Ltd. (an alternative investment management firm)	June 24, 2009	96,000 $50,000
Harry Rosenfeld[(1)] British Columbia, Canada	Executive Vice President, The Futura Corporation (an asset management and investment firm)	January 30, 2009	Note [(5)]
Dale MacLean British Columbia, Canada	President and Chief Executive Officer, Tree Island Industries Ltd.	July 18, 2011	Note [(6)]

(1) TSL is required to have an Audit Committee. The members of this committee are Mr. Fleiser (chair), Mr. Fitch and Mr. Rosenfeld.
(2) The Directors have established an EHS, Compensation and Governance Committee whose members are Mr. Fitch (chair), Mr. Fleiser and Mr. Leja.

(3) Represents the number of Shares beneficially owned, directly or indirectly, or over which control and direction is exercised by such individual. The directors and the officers of TSL as a group beneficially own, directly or indirectly, or exercise control or direction over 20% of the issued and outstanding Shares.
(4) Mr. Doman is the sole shareholder of The Futura Corporation ("Futura"), which owns 4,668,400 Shares, or 19.7%. Futura also owns $5 million of Debentures and 1,875,000 Warrants – see "General Development of the Business – Recapitalization Transaction"
(5) Mr. Rosenfeld is an Executive Vice President of Futura which owns 4,668,400 Shares.
(6) See table below for Mr. MacLean's ownership of Shares and Debentures.

Name and Residence	***Office Held***	***Shares and Debentures Held as of March 14, 2013***(1)
Dale MacLean British Columbia, Canada	President and Chief Executive Officer	152,500 $120,000
Nancy Davies British Columbia, Canada	Vice President, Finance and Chief Financial Officer	10,000 $10,000
Remy Stachowiak British Columbia, Canada	Vice President, Sales and Marketing	Nil
James Miller British Columbia, Canada	Vice President, Corporate Development and Procurement	Nil
Stephen Ogden, British Columbia, Canada	Vice President, Operations	28,837

(1) Represents the number of Shares beneficially owned, directly or indirectly, or over which control and direction is exercised by such individual.

Except as described below, each of the individuals named above has been engaged for more than five years in his or her present principal occupation or organization in which he or she currently holds his or her principal occupation**.**

Michael A. Fitch – Mr. Fitch was a senior partner with the law firm of Fasken Martineau DuMoulin, LLP until his retirement from the practice of law January 2007. His areas of expertise include corporate restructuring and corporate board governance.

Theodore A. Leja – Mr. Leja joined Tree Island as President and Chief Operating Officer in 1992. He was President and Chief Executive Officer of Tree Island from 1997 to October 2006. He became President and Chief Executive Officer again on July 6, 2009 after the departure of the Company's previous President and Chief Executive Officer. He retired from that position on July 18, 2011 when Mr. MacLean joined the Company as President and Chief Executive Officer.

Sam Fleiser – In February 2013, Mr. Fleiser became President of Alignvest Private Debt Ltd., a joint venture with Alignvest Capital Management, providing an asset based finance solution for middle-market Canadian companies who are unable to access all, or a portion of their working capital requirements from traditional capital sources. Between January 2012 and February 2013, Mr. Fleiser was the President of Tradecap Inc. Prior to this, Mr. Fleiser was President of Callidus Capital Corporation, a privately-held financing company.

Dale MacLean – Prior to joining Tree Island in July 2011, Mr. MacLean served as Executive Vice President and General Manager of Taymor Industries, a leading supplier of decorative and builders' hardware to the North American building products market. Mr. MacLean's career also includes over two decades with CN Rail and BC Rail where he held progressively senior positions in sales, marketing, customer service, and operations management. Prior to joining Taymor, he held responsibility for BC Rail's $325 million Forest Products, Bulk and Intermodal commercial portfolios as Vice President Marketing and Sales. Mr. MacLean has served as Chairman of the Board for the Prince Rupert Port Authority, completing his third term in July 2012. Mr. MacLean was Executive Vice President and General Manager of Taymor Industries Ltd. from 2002 to July 2011. He is an honors graduate of Seneca College and holds a Masters of Business Administration degree from the University of Western Ontario.

Nancy Davies – Ms. Davies is a Chartered Accountant and joined Tree Island in October 2008 and became VP Finance and Chief Financial Officer in April 2011. Prior to joining Tree Island, she was Vice President Internal Audit at CHC Helicopter Corporation and held previous positions at Placer Dome Inc. and Ernst & Young. She has over 22 years of experience in finance, accounting and audit.

Stephen Ogden - Stephen Ogden came to Tree Island in 1996 from Weiser Lock International, a division of Masco Industries, where he was Vice President of Engineering. He has over 45 years of operations, manufacturing, tooling, and engineering experience. Mr. Ogden is a member of both the Institute of Mechanical and Production Engineers and the Society of Manufacturing Engineers. He received his MBA from Simon Fraser University in 1991.

Remy Stachowiak – Mr. Stachowiak was appointed Vice President Sales and Marketing of Tree Island in January 2013. Prior to joining Tree Island Mr. Stachowiak served as President and Chief Operating Officer of STT Stanco from April 2009 to October 2012 and Senior Vice President of STT Stanco from November 2008 to April 2009. He has a Masters of Engineering in Mechanical Engineering from McMaster University and a Bachelor of Applied Science in Mechanical Engineering (with Honors) from the University of British Columbia.

James Miller – Mr. Miller was appointed Vice President Corporate Development and Procurement of Tree Island in January 2013 where he is responsible for harnessing and leading key corporate strategic planning and procurement initiatives, inventory management processes, major supplier contract management, and the China operations for Tree Island Steel Ltd. James previously served as Director of Strategic Business Investments with VanCity Group, Canada's largest credit union. He has a Master of Business Administration from the Queen's School of Business and is a graduate of Simon Fraser University.

Tree Island Steel is not required to have an executive committee. The directors have appointed Mr. Doman to serve as Chairman of the Board of Directors.

To the knowledge of management of Tree Island Steel, none of the individuals named above is at the date hereof or has been within the past ten years: (i) a director, chief executive officer or chief financial officer of any company that, while such individual was acting in such capacity, was the subject of an event that resulted in, after such individual ceased to act in such capacity, an order within the meaning of Form 51-102F5 of National Instrument 51-102 - Continuous Disclosure Obligations; (ii) a director or executive officer of any company that, while such individual was acting in such capacity or within a year of such individual ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (iii) been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold any of his or her assets.

In March 2002, Mr. Fleiser was appointed as Chief Restructuring Officer and Interim President for AIM Global Technologies whose shares had been suspended from the American Stock Exchange and the Toronto Stock Exchange prior to his appointment. In October 2002, a receiver was appointed and the assets of AIM Global Technologies were sold under a court-supervised process. Mr. Fleiser resigned upon completion of this process. From 1996 to 2002 Mr. Fleiser specialized in assisting distressed businesses who were facing serious financial or management crisis and was often retained as Chief Restructuring Officer or Interim Chief Executive Officer. Many of these engagements involved receivership or a bankruptcy proceeding as part of the restructuring process.

To the knowledge of management of Tree Island Steel, none of the individuals named above has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for such individual as director of Tree Island Steel.

The directors and the officers as a group beneficially own, directly or indirectly, or exercise control or direction over 20% of the issued and outstanding Shares.

Audit Committee

The Board has established an Audit Committee, which is presently comprised of Mr. Fleiser (chair), Mr. Rosenfeld and Mr. Fitch. Each member of the Audit Committee is independent, other than Mr. Rosenfeld, and financially literate as such term is defined in National Instrument 52-110 —Audit Committees (“NI 52-110). The terms of reference of the Audit Committee (the "Audit Committee Terms of Reference") requires at least one member of the Audit Committee to have accounting or related financial expertise.

Mr. Rosenfeld is not independent as defined in NI 52-110. See below under “Exemptions” - Relevant Education and Experience.

Each member of the Audit Committee has acquired significant financial experience and exposure to accounting and financial issues.

Sam Fleiser- Sam Fleiser is the President of Alignvest Private Debt Ltd., a joint venture with Alignvest Capital Management, providing an asset based finance solution for middle-market Canadian companies who are unable to access all, or a portion of their working capital requirements from traditional capital sources. Between January 2012 and February 2013, he was the President of Tradecap Inc., a privately held finance company and prior to January 2, 2012 was President of Callidus Capital Corporation, a privately held finance company that provided financing to distressed or under-performing companies. Mr. Fleiser has more than 20 years of experience in managing, building and restructuring numerous businesses in a wide variety of industries. Prior to forming Callidus in 2003, Mr. Fleiser specialized in assisting distressed businesses facing serious financial or management crisis. Mr. Fleiser is a director of the Leukemia & Lymphoma Society of Canada and is an active member of the Turnaround Management Association (TMA), Association for Corporate Growth (ACG) and the Commercial Finance Association (CFA).

Harry Rosenfeld - Harry Rosenfeld is Executive Vice President of The Futura Corporation. He joined The Futura Corporation in 2004. From 1997 to 2004, Mr. Rosenfeld was employed by Congress Financial Corporation of Canada, where as Senior Vice President and Portfolio Manager he directed the Credit and Administration functions for one of the largest asset based lenders in Canada. A former Vice President with Bank of New York Financial Corporation, Mr. Rosenfeld has over 25 years of financing, mergers and acquisition and banking experience. Mr. Rosenfeld is a former Treasurer and Director of the CFA (Commercial Finance Association) and has been a guest speaker at various financing and industry seminars. Mr. Rosenfeld holds a B.A. from the University of Waterloo.

Michael Fitch – Michael Fitch is a retired senior partner of Fasken Martineau DuMoulin, LLP, one of Canada’s larger national law firms, where he was a nationally recognized practitioner in the insolvency and corporate restructuring area. Mr. Fitch also acted as the managing partner of his law firm from 1993 to 2000. He has over thirty years experience in providing restructuring advice to businesses and their boards of directors in various industries facing financial distress and in advising lending institutions and accounting firms in the insolvency context. Currently he is a corporate director for both public and private corporations. Mr. Fitch is a charter member and fellow of the Insolvency Institute of Canada, an international fellow of the American College of Bankruptcy, and an emeritus member of the International Institute of Insolvency. He was continuously listed as one of the leading 500 lawyers in Canada by Lexpert since its first publication in 2000 until his retirement. He was appointed Queen’s Counsel in 1998.

Audit Committee Mandate

The Audit Committee is responsible for assisting the board of directors in their oversight responsibilities by:

- Reviewing the financial information provided to the shareholders and others;
- Identifying and monitoring the management of the principal risks that could impact the financial reports of Tree Island Steel;
- Reviewing the systems of corporate controls that management and the Board have established; and
- Monitoring auditor independence and the audit process.

The Terms of Reference of the Audit Committee are attached as Schedule A to this AIF.

Pre-Approval Policies and Procedures

The Audit Committee has established a policy of pre-approving all non-audit services to be provided by Tree Island Steel's external auditors and does so in accordance with the requirements of the Audit Committee Terms of Reference. The Audit Committee has delegated authority to the chair of the Audit Committee to pre-approve non-audit services. Any such pre-approval is presented to the full Audit Committee at its first scheduled meeting following such pre-approval. The Audit Committee shall not engage the external auditors to perform those specific non-audit services proscribed by law or regulation. The Audit Committee meets at least four times per year.

Exemptions

Other than as discussed below, during the financial year ended December 31, 2012, Tree Island Steel did not rely on the exemptions set out in sections 2.4, 3.2, 3.4, 3.5, Part 8, subsection 3.3(2) or section 3.6 of MI 52-110, nor did Tree Island rely on section 3.8 of NI 52-110. Mr. Rosenfeld is an executive officer of Futura, which is an affiliated entity within the meaning of NI 52-110 and is therefore not independent. Tree Island Steel has relied on the exemption in section 3.2 of NI 52-110 in this regard.

Audit Committee Oversight

During the financial year ended December 31, 2012 there was no recommendation of the Audit Committee to nominate or compensate the external auditor of Tree Island Steel that was not adopted by the directors of the Company.

External Auditor Service Fees (by category)

As at December 31, 2012, the independent auditors of Tree Island Steel were Ernst & Young LLP. The report of the auditors on the financial statements for the fiscal year ended December 31, 2012 has been filed on www.sedar.com with the securities regulators. The following table sets forth, by category, the fees billed by the auditors, for the periods ended December 31, 2012 and December 31, 2011:

	Audit Fees(1)	Audited-Related Fees (2)	Tax Fees (3)	All Other Fees
2012	$430,194	$798	$275,396	$0
2011	$289,226	$795	$122,228	$3,000

(1) "Audit Fees" represent the fees for the audit of Tree Island Steel's consolidated financial statements for the years ended December 31, 2012 and 2011 and for the review of Tree Island Steel's interim consolidated financial statements for the second quarter of 2012.
(2) "Audit Related Fees" relate to subscription fees for access to technical databases.
(3) "Tax Fees" represent the fees for tax services consisting of tax compliance and tax planning and advice.

DESCRIPTION OF TREE ISLAND STEEL LTD.

TSL was incorporated on August 21, 2012 to effect the conversion of the Fund to a corporate structure, the Corporate Conversion, pursuant to a Plan of Arrangement. The Corporate Conversion was completed on October 1, 2012.

Shares of TSL

The authorized capital of TSL consists of an unlimited number of common shares. Holders of Shares are entitled to one vote per Share at meetings of shareholders of TSL, to receive dividends if, as and when declared by the board of directors and to receive pro rata the remaining property and assets of TSL upon its dissolution or winding-up, subject to the rights of Shares having priority over the shares. Holders of Shares may make use of the various shareholder remedies available pursuant to the Canada Business Corporations Act.

At March 14, 2013, 23,651,150 Shares were issued and outstanding.

Debentures

The following is a description of the material attributes of the Debentures and the Private Placement Debentures. The terms and conditions of the Debentures and the Private Placement Debentures are identical. In the summary below, unless otherwise noted, references to Debentures also include the Private Placement Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Trust Indenture (as defined below). The Trust Indenture is available for inspection at the offices of the Debenture Trustee (as defined below) and is available electronically at www.sedar.com.

General

The Debentures were created and issued pursuant to the Indenture. An unlimited amount of Debentures are authorized. The Debentures bear interest at an annual rate of 10% payable monthly in arrears. The Debentures are direct obligations of TSL and are secured by a second priority lien on all of the present and after-acquired personal property of TSL and its material subsidiaries. The Debentures are fully and unconditionally guaranteed by each of TIIL, Tree Island Wire (USA) Holdings, Inc. and TIW (collectively, the "Guarantors"). In the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings including Tree Island Steel and certain of its affiliates as set out in the Subordination and Intercreditor Agreement, holders of senior indebtedness will receive payment in full before the holders of Debentures and Private Placement Debentures are entitled to receive any payment or distribution of any kind or character.

The maturity date of the Debentures is November 26, 2014 (the “Maturity Date”).

The Debentures are subordinated to Senior Credit Facility of the Company as set forth in the Indenture and the Subordination and Intercreditor Agreement. The Indenture does not restrict the Company from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness. The Indenture provides for customary events of default.

Conversion Privilege

The principal amount outstanding under each Debenture is convertible into freely tradeable Shares, at the option of the holder, at any time prior to 4:00 p.m. (Vancouver time) on the Maturity Date or, if the Debentures are called for redemption, 4:00 p.m. (Vancouver time) on the last business day immediately preceding the date specified by Tree Island Steel for the redemption of the Debentures. The Conversion Price of the Debentures is $0.50 per Share (being a rate of 200 Units per $100 principal amount of Debentures), subject to adjustment in certain events as provided in the Trust Indenture.

Redemption

The Debentures were not redeemable until November 26, 2012. After this date and on or prior to the Maturity Date, the Debentures may be redeemed in cash, in whole or in part, from time to time at the option of Tree Island Steel on at least 30 days prior written notice, at a price equal to the principal amount plus all accrued and unpaid interest, provided that: (a) the weighted average trading price for the Shares on the TSX for the 30 consecutive trading days ending on a date that is no more than 10 business days prior to the date on which notice of redemption is given is at least 150% of the Conversion Price; and (b) no event of default under the Trust Indenture has occurred and is continuing. If Tree Island Steel elects to redeem only a portion of the outstanding Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable.

Payment upon Redemption or Maturity

On redemption or maturity, TSL is required to repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate redemption price of the outstanding Debentures which are to be redeemed or the principal amount of the Debentures which have matured, in each case together with the accrued and unpaid interest and deferred interest thereon.

Change of Control

Upon the occurrence of a change of control of TSL involving the acquisition of beneficial ownership, voting control or direction over more than 50% of the aggregate voting rights attached to the then outstanding Shares or of assets representing more than 50% of the consolidated book value of TSL's assets, or a merger, amalgamation, arrangement or similar transaction in which the holders of the Shares immediately prior to the occurrence of such event hold less than 50% of the voting rights in the resulting entity (a "Change of Control"), TSL will be required to make an offer in writing (the "Offer") to purchase all of the Debentures then outstanding at a price equal to 110% of the principal amount thereof plus all accrued and unpaid interest, if any, to such date (the "Offer Price").

Offers for Debentures

The Trust Indenture contains provisions to the effect that if an offer is made for the Debentures which is a take-over bid for the Debentures within the meaning of applicable securities laws and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the remaining Debentures on the terms offered by the offeror.

Warrants

The following is a description of the material attributes of the Warrants. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Warrant certificates.

Each Warrant entitles the holder to purchase, for a period of five years from the closing of the Private Placement, one Share at a price (the "Exercise Price") equal to $0.57. The Exercise Price is subject to adjustment in certain circumstances, including if TSL subsequently issues Shares in certain non-public offerings at a price that is less than 90% of the then current market price of the Shares. The Warrants expire at 5:00 p.m., Pacific time, on November 26, 2014.

Dividends

The dividend policy of Tree Island Steel is subject to the discretion of its board of directors who will take into account the Company's current and anticipated business needs and financial condition at the time a dividend is being considered. The amounts and time of any future dividends may vary depending on, among other things, its earnings, financing requirements, the satisfaction of solvency tests imposed by the Canada Business Corporations act for the declaration of dividends and other relevant factors. See: "*Risk Factors*".

Historic Distribution Policy

No dividends have been declared or paid on the Shares since incorporation on August 2, 2012.

The significant decline in the market price of steel in the fourth quarter of 2008 resulted in the Fund recording a $20.4 million inventory write down. This write down together with weaker market demand and pricing resulting from the global economic down turn offset the positive operating results achieved through the first three quarters of 2008, and necessitated a reduction in distributions in November 2008 to $0.50 per unit followed by a suspension of cash distributions beginning in January 2009. No distributions have been paid since January 1, 2009.

SHARE AND LOAN CAPITAL OF TIIL

TSL is the holder of all of the outstanding TIIL voting Common Shares and there are no non-voting Common Shares issued and outstanding. TSL also holds all of the Notes of the Company (as further described below).

TIIL is authorized to issue 200,000,000 Common Shares without par value, of which 100,000,000 are designated non-voting Common Shares and 100,000,000 are designated voting Common Shares.

Holders of Common Shares are entitled to receive dividends rateably as and when declared by the directors of the Company. The rights of the voting Common Shares and the non-voting Common Shares are identical in all respects, with the exception that the holders of non-voting Common Shares are not entitled to vote at meetings of holders of the Common Shares. Upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company, the holders of Common Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities and subject to the prior rights of the preferred shares (if any) of the Company.

Notes and Secondary Notes

The following is a summary of the material attributes and characteristics of the Notes and Secondary Notes ("Notes") issued at the initial public offereing in 2002, pursuant to the Note Indenture between TIIL and Computershare Trust Company of Canada, dated November 12, 2002 and is qualified entirely by the provisions of the Note Indenture – see "Material Contracts". All of the Notes are held by Tree Island and there are no secondary notes outstanding. The Notes will mature on November 12, 2032 subject to prepayment from time to time as considered advisable by the directors of Tree Island, with the consent of Tree Island and holders of Notes by extraordinary resolution. The holders of the Notes have the right to vote at meetings of noteholders. At such meetings, each noteholder present in person or by proxy has one vote on a vote conducted by show of hands. The holders of the Notes have certain powers exercisable by extraordinary resolution, including the power to approve any rights of the holders of the Notes and the power to waive and direct the Note Trustee to waive any default or event of default.

Prior to September 5, 2008 the Notes bore interest at 13.75% per annum, calculated and paid monthly on the last business day of each month. At Tree Island's annual meeting of Unitholders held on June 24, 2008, Unitholders approved a special resolution authorizing the Trustees to cause Tree Island, as sole holder of the Notes, to authorize an amendment of the Note Indenture to change the interest rate from a fixed rate of 13.75% per annum to a rate per annum determined by the Trustees from time to time. Effective September 5, 2008, in recognition of the challenges facing TIIL's business, the interest rate was reset at 11.5% per annum plus the aggregate of the amount distributed to Unitholders in respect of the calendar year ending December 31, 2008 and an amount equal to Tree Island's tax deductible, cash expenses for the calendar year ending December 31, 2008 less the aggregate of the interest accrued at the fixed interest rates on the Notes for the period from January 1, 2008 to December 31, 2008. In recognition of the continuing difficult market conditions facing the Company the interest rate was reduced to 5% per annum for the period from November 13, 2008 to January 15, 2009 and was further reduced to 0.1% per annum for the remainder of 2009. The rate reverted back to 13.75% per annum at January 1, 2010 however the Trustees determined that, with the continuing challenges in TIIL's business, it was in the best interests of Fund, as the sole noteholder at the time, to approve a reduction in the 2010 Base Interest Rate for an effective interest rate of 1.06342% per annum. The Trustees determined that, with the continuing challenges in the Company's business, it was in the best interests of the Company to approve the interest rate for 2011 and 2012 at 0.5% per annum. The directors of TSL, as successor noteholder to the Fund, approved the interest rate for 2013 at 0.75% per annum. On maturity, TIIL will repay the indebtedness represented by the Notes by paying to the Note Trustee, on behalf of the holders, an amount equal to the principal amount of the outstanding Notes, together with accrued and unpaid interest thereon.

The Notes are unsecured debt obligations of TIIL and are subordinate in right of payment to other direct unsecured indebtedness of TIIL and all secured debt of TIIL. The Notes are subject to customary events of default.

The Note Indenture provides that the Note Trustee shall not take steps or actions with respect to an event of default without the prior consent of TSL, so long as TSL holds, directly or indirectly, at least 25% of the aggregate principal amount of the outstanding Notes.

CREDIT FACILITIES

On June 11, 2012, the Company renewed its senior banking facility with Wells Fargo. The four year Senior Credit Facility has been increased from $35.0 million to $40.0 million and now matures on June 11, 2016. Under the terms of the Senior Credit Facility, up to $40.0 million may be borrowed for the Company's financing requirements in Canadian and/or US dollars under the Senior Revolving Facility of which $5 million has been advanced as a Senior Term Loan. Additionally, a $10.0 million Letter of Credit sub-facility will enable us to open documentary letters of credit for raw material purchases. Interest is charged at variable rates based on the Canadian and/or US Prime rate and the Canadian B.A. rate and/or the Eurodollar rate.

The amount available under the Senior Revolving Facility is limited to the amount of the calculated borrowing base less a minimum availability. 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.

The Senior Credit Facility has financial tests and other covenants with which the Company and its subsidiaries must comply. Quarterly, the Company is required to meet a rolling 4 quarters defined fixed charge coverage ratio of 1:1 if the availability on the Senior Revolving Facility falls below the minimum availability. 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, 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. As at December 31, 2012, the Company was in compliance with all of its financial covenants on the Senior Credit Facility.

MARKET FOR SECURITIES

The Shares are listed for trading on the TSX under the symbol "TSL". The Debentures are listed for trading on the TSX under the symbol TSL.DB. Prior to the Corporate Conversion, the Units and Debentures were listed for trading on the TSX under the symbols "TIL" and "TIL.DB" respectively and were delisted following the completion of the Plan of Arrangement. The following tables set forth certain trading information on the TSX for the most recently completed financial year for the Shares, Units and Debentures:

Shares / Units			
Month	Share / Unit Price		Volume of Shares / Units Traded
	Low	High	
January 2012	0.17	0.36	941,600
February 2012	0.25	0.32	516,000
March 2012	0.28	0.33	322,300
April 2012	0.28	0.32	403,200
May 2012	0.23	0.31	203,400
June 2012	0.22	0.29	238,900
July 2012	0.27	0.40	336,600
August 2012	0.34	0.57	717,800
September 2012	0.50	0.57	394,300
October 2012	0.47	0.55	261,500
November 2012	0.50	0.57	681,400
December 2012	0.57	0.93	1,177,200

Debentures			
Month	Debenture Price		Volume of Debentures Traded
	Low	High	
January 2012	79.00	90.00	65,500
February 2012	88.00	99.95	227,300
March 2012	85.00	90.00	55,000
April 2012	80.00	89.00	384,700
May 2012	80.00	85.00	132,000
June 2012	84.50	88.00	135,100
July 2012	84.00	98.00	584,200
August 2012	90.00	105.00	1,319,900
September 2012	102.00	106.00	460,900
October 2012	104.00	106.00	213,700
November 2012	104.00	107.00	180,600
December 2012	114.80	170.00	520,400

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

From time to time the Company is involved in ordinary routine litigation common to companies engaged in our line of business. Currently, the Company is not involved in any material pending legal proceedings or regulatory actions. To the knowledge of our management, no legal proceedings or regulatory actions of a material nature involving us have been threatened by any third party**.**

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Investment Agreement

In conjunction with the Recapitalization Transaction, Futura, Marret, on behalf of certain investment funds managed by Marret, and Arbutus, (collectively the "Investors") and the Company entered into an investment agreement dated August 13, 2009, as amended (the "Investment Agreement"). The Investment Agreement governed the terms of the Private Placement, pursuant to which the Investors each purchased Debentures and received Warrants. Amar S. Doman, Chairman of the Board of Tree Island Steel, is also President and Chief Executive Officer of Futura and Harry Rosenfeld, a director of Tree Island Steel, is also Executive Vice President of Futura.

Investors' Rights Agreement

As part of the Private Placement, an investors' rights agreement was entered into (the "Investors' Rights Agreement") dated November 26, 2009 with the Investors pursuant to which the Company provided additional covenants in favour of each Investor, including the right to each nominate one (or, in the case of Futura, two) of Tree Island Steel's directors provided that it continues to hold at least 10% of the outstanding Shares of Tree Island Steel(after giving effect to the conversion of all Debentures held by such Investor). The Investors' Rights Agreement also provides that for so long as each Investor holds at least 10% of the outstanding Shares, after giving effect to the conversion of all Debentures held by such Investor, the Investor will have a pre-emptive right to acquire up to that number of Shares, securities convertible into Shares or other equity securities of the Company as will enable the Investor, on completion of such offering of securities, to maintain its then current proportionate interest in Tree Island Steel after giving effect to the conversion of all Debentures held by such Investor, at the same percentage as that which existed immediately prior to the completion of such issuance.

The Investors' Rights Agreement also provides that, subject to certain restrictions with respect to black-out periods, so long as an Investor holds at least 10% of the outstanding Shares, after giving effect to the conversion of all Debentures held by such Investor, such Investor shall have the right to request in writing that Tree Island Steel file a prospectus with its principal regulator to qualify the distribution by such Investor of Shares it intends to dispose of in Canada. Within three business days after the receipt of such written request, Tree Island Steel shall: (i) give written notice thereof to the other Investors; and (ii) subject to certain provisions relating to underwritten offerings, offer such other Investors the opportunity to include in such prospectus offering all of the Shares held by such other Investors.

Transactions with Associated Companies

Tree Island Steel sells products to Canwel, a subsidiary of a company of which Mr. Doman is Chairman and CEO which sales, net of rebates, amounted to approximately $3,869,000 (2011 - $4,507,000) during the year and trade accounts receivable owing from CanWel is approximately $86,000 (2011 - $140,000). Outstanding trade accounts receivable from CanWel at period end are unsecured, interest free and settlement occurs in cash.

MATERIAL CONTRACTS

The following are the contracts, other than contracts entered into the ordinary course of business of Tree Island Steel, that are material to Tree Island Steel and/or is operating subsidiaries and that were entered after January 1, 2002 and which are still in effect:

(1) The Note Indenture of TIIL dated November 12, 2002– see "*Share and Loan Capital of TIIL*";

(2) Indemnity Agreements entered into by Tree Island Steel and TIIL in favour of each of the Directors;

(3) The Investment Agreement dated August 13, 2009, as amended, among The Futura Corporation , Marret Asset Management Inc. on behalf of certain investment funds managed by Marret, Arbutus Distributors Ltd. and the Company – see "*Interests of Management and Others in Material Transactions"*;

(4) The Investors' Rights Agreement dated November 26, 2009, among the Company, The Futura Corporation, Marret Asset Management Inc. and Arbutus Distributors Ltd. – see "*Interests of Management and Others in Material Transactions"*;

(5) The Trust Indenture dated as of November 26, 2009 between the Company and the Valiant Trust Company– see "*General Development of the Business and Three Year History - Recapitalization Transaction"*;

(6) The Subordination and Intercreditor Agreement dated March 26, 2010 among Tree Island, certain of its affiliates, its senior lenders and the Debenture Trustee – see "*Risks inherent in an investment of Shares and Debentures - Risks related to debentures – Payment of principal and interest on the Debentures"*;

(7) First Supplemental Trust Indenture, dated October 29, 2010, between the Company and Valiant Trust Company – see "*General Development of the Business and Three Year History – Recapitalization Transaction"*;

(8) Credit Agreement, dated June 11, 2012 among TIIL., as Canadian Borrower, TIW, as U.S. Borrower, Tree Island Wire Holdings (USA), Inc., Tree Island Wire, Wells Fargo Capital Finance Corporation Canada, as Agent for the lenders, the other credit parties signatory thereto and the lenders signatory thereto – see "*Credit Facilities"*

(9) Guarantee, dated March 25, 2010 between Tree Island and Wachovia Capital Finance Corporation (Canada) – see "*General Development of the Business and Three Year History – Recapitalization Transaction"*.

(10) Amending Agreements dated June 11, 2012 with Coutinho & Ferrostaal GmbH and Coutinho & Ferrostaal Ltd. – see "*General Development of the Business and Three Year History – Amendments to Long-Term Debt Agreements"*;

(11) The Intercreditor Agreement dated June 11, 2012 with Coutinho & Ferrostaal GmbH and Coutinho & Ferrostaal Ltd. – see "*Risks inherent in an investment of Shares and Debentures - Risks related to debentures - Subordination"*

Copies of these agreements are available at www.sedar.com.

TRANSFER AGENT AND REGISTRAR

Shares - Computershare Trust Company of Canada; Vancouver and Toronto

Debentures – Valiant Trust Company, Vancouver and Edmonton

EXPERTS

As at December 31, 2012, the independent auditors of Tree Island Steel were Ernst & Young LLP. The report of the auditors on the financial statements for the fiscal year ended December 31, 2012 has been filed on www.sedar.com with the securities regulators. Ernst & Young LLP are independent of Tree Island Steel in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information, including principal holders of our securities and executive compensation, is contained in Tree Island Steel's most recent Information Circular filed with the provincial securities commission which can be found at www.sedar.com.

Financial information concerning Tree Island Steel is contained in the Company's comparative consolidated financial statements and related management's discussion and analysis for the year ended December 31, 2012, which are incorporated herein by reference, and can be found at www.sedar.com.

The Company will provide to any person or company, upon request to the Chief Financial Officer of Tree Island, one copy of the following documents:

1. the AIF, together with any document, or the pertinent pages of any document, incorporated therein by reference, filed with the applicable securities regulatory authorities;

2. the annual comparative consolidated financial statements of Tree Island Steel filed with the applicable securities regulatory authorities for the Company's most recently completed fiscal period in respect of which such financial statements have been issued, together with the report of the auditors thereon, related management's discussion and analysis and any interim financial statements of Tree Island Steel filed with the applicable securities regulatory authorities subsequent to the filing of the annual financial statements; and

3. the Information Circular of Tree Island Steel filed with the applicable securities regulatory authorities in respect of the most recent meeting of Shareholders of Tree Island Steel which involved the appointment of directors.

4. the Information Circular of Tree Island Wire Income Fund filed with the applicable securities regulatory authorities in respect of the Plan of Arrangement which related to the Corporate Conversion.

Copies of the above documents will be provided, upon request to the Chief Financial Officer of Tree Island, free of charge to Shareholders of Tree Island Steel. Tree Island Steel may require the payment of a reasonable charge by any person or company who is not a Shareholder of Tree Island Steel and who requests a copy of such document. These documents are also available electronically on SEDAR at www.sedar.com.

SCHEDULE A

TREE ISLAND STEEL LTD.

AUDIT COMMITTEE

TERMS OF REFERENCE

ESTABLISHMENT OF THE COMMITTEE

1. Purpose

The purpose of the Audit Committee is to assist the Board of Directors of Tree Island Steel Ltd. (the "Company") in fulfilling its oversight responsibilities by reviewing the financial information provided to the shareholders and others, identifying and monitoring the management of the principal risks that could impact the financial reports of the Company, reviewing the systems of corporate controls that management and the Board have established and monitoring auditor independence and the audit process. The Committee also provides an avenue of communication among the independent auditors, management and the Board. The Company and Tree Island Industries Ltd., with its subsidiaries, may be referred to collectively as "Tree Island".

The Committee's principal responsibility is one of oversight. Tree Island's management is responsible for preparing the Company's financial statements and other disclosure documentation required by applicable securities laws, rules and regulations and the requirements of any applicable stock exchange ("Securities Laws"), and the Company's independent auditors are responsible for auditing and/or reviewing those financial statements. In carrying out these oversight responsibilities, the Committee is not required to provide any expert or special assurance as to the Company's financial statements or any professional certification as to the external auditors' work.

Nothing in these terms of reference is intended or may be construed to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. Although the designation of a Committee member as being financially literate or having accounting or related financial expertise for disclosure purposes is based on that individual's education and experience, which that individual will bring to bear in carrying out his or her duties on the Committee, such designation does not impose any duties, obligations or liability greater than the duties, obligations and liability imposed on such person as a member of the Committee and the Board in the absence of such designation.

While the Committee has the responsibilities set forth in these terms of reference, it is not the duty of the Committee to prepare financial statements, plan or conduct audits, manage the Company's exposure to risk, certify or guarantee the internal or external audit of the Company or to determine that the financial statements and disclosures are complete and accurate and are in accordance with applicable generally accepted accounting principles ("GAAP") and other rules and regulations. These are the responsibilities of management and the independent auditors, as applicable. The Committee, its Chairperson and Committee members are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities and processes of the Company, and are specifically not accountable or responsible for the day to day operation or performance of such activities.

2. Composition of Committee

The Committee shall consist of as many members as the Board shall determine, but in any event not fewer than three directors, provided that each member of the Committee shall be determined by the Board to be independent as defined by applicable Securities Laws, or otherwise within an exemption from the independence requirements under applicable Securities Laws. All Committee members shall be financially literate. For this purpose, financial literacy shall mean the ability of a member to read and understand a set of financial statements that present a breadth and level of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. At least one member should have accounting or related financial expertise.

3. Appointment of Committee Members

The members of the Committee shall be appointed by the Board annually at the time of each annual meeting of shareholders, and shall hold office until the next annual meeting, or until they are removed by the Board or until they cease to be directors of the Company.

4. Vacancies

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board.

5. Committee Chair

The Board shall appoint a Chair for the Committee. The Chair may be removed and replaced by the Board.

6. Absence of Chair

If the Chair is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside at the meeting.

7. Secretary of Committee

The Committee shall appoint a Secretary who need not be a director of the Company.

8. Regular Meetings

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least four times per year.

9. Special Meetings

The Chair, any two members of the Committee, or the President and Chief Executive Officer may call a special meeting of the Committee.

10. Quorum

A majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

11. Notice of Meetings

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

12. Agenda

The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

13. Delegation

The Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it considers appropriate.

14. Access

In discharging its responsibilities, the Committee shall have full access to all books, records, facilities and personnel of Tree Island.

15. Attendance of Officers at a Meeting

At the invitation of the Chair, one or more officers or employees of the Tree Island may, and if required by the Committee shall, attend a meeting of the Committee.

16. Procedure, Records and Reporting

The Committee shall fix its own procedure at meetings, keep records of its proceedings and report to the Board when the Committee may deem appropriate (but not later than the next meeting of the Board).

17. Outside Consultants or Advisors

The Committee, when it considers it necessary or advisable, may retain, at the Company's expense, outside consultants or advisors to assist or advise the Committee independently on any matter within its mandate. The Committee shall have the sole authority to retain and terminate any such consultants or advisors or any search firm to be used to identify candidates for the Board, including sole authority to approve the fees and other retention terms for such persons.

ROLES AND RESPONSIBILITIES

1. Overall Duties and Responsibilities

The overall duties and responsibilities of the Committee shall be as follows:

a) to assist the Board in the discharge of its responsibilities relating to the quality, acceptability and integrity of Tree Island's accounting principles, reporting practices and internal controls;

b) to assist the Board in the discharge of its responsibilities relating to compliance with disclosure requirements under applicable Securities Laws, including approval of the Company's annual and quarterly financial statements together with the Management's Discussion and Analysis;

c) to establish and maintain a direct line of communication with the Company's independent auditors and assess their performance;

d) to ensure that the management has designed, implemented and is maintaining an effective system of internal controls; and

e) to report regularly to the Board on the fulfillment of its duties and responsibilities.

2. Independent Auditors

The duties and responsibilities of the Committee as they relate to the independent auditors shall be as follows:

a) to recommend to the Board a firm of independent auditors to be engaged by the Company and, if there is a plan to change the independent auditors, review all issues related to the change and the steps planned for an orderly transition;

b) to review, at least annually, with the independent auditors their independence from management, including a review of all other significant relationships the auditors may have with Tree Island and to satisfy itself of the auditors' independence, the experience and the qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditor.

c) to review and approve the fee, scope, staffing and timing of the audit and other related services rendered by the independent auditors and ensure the rotation of the lead audit partner as required by applicable Securities Laws;

d) to be responsible for overseeing the work of the independent auditors and reviewing the audit plan prior to the commencement of the audit;

e) to review the engagement reports of the independent auditors on unaudited financial statements of the Company, if any, and to review with the independent auditors, upon completion of their audit:

   i) contents of their report;

   ii) scope and quality of the audit work performed;

   iii) adequacy of Tree Island's financial and auditing personnel;

   iv) co-operation received from Tree Island's personnel during the audit;

   v) internal resources used;

   vi) significant transactions outside of the normal business of Tree Island;

   vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles and management systems;

   viii) the quality, acceptability and integrity of Tree Island's accounting policies and principles;

   ix) the non-audit services provided by the independent auditors;

   x) the effect of accounting initiatives as well as off-balance sheet structures on the Company's financial statements;

f) to implement structures and procedures to ensure that the Committee meets with the independent auditors on a regular basis in the absence of management in order to review any difficulties encountered by the independent auditors in carrying out the audit and to resolve disagreements between the independent auditors and management; and

g) to pre-approve the retention of the independent auditor for any non-audit service and the fee for such service.

and report to the Board in respect of the foregoing.

The Committee may satisfy the pre-approval requirement in subsection 2(g) if:

i) the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by the Company to its independent auditors during the fiscal year in which the services are provided;

ii) the services were not recognized by the Company at the time of the engagement to be non-audit services; and

iii) the services are promptly brought to the attention of the Committee and are approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.

The Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2(g) provided that the pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the full Committee at its first scheduled meeting following such pre-approval.

3. <u>Internal Control Procedures</u>

The duties and responsibilities of the Committee as they relate to the internal control procedures are to:

a) review the adequacy, appropriateness and effectiveness of Tree Island's policies and business practices which impact on the integrity, financial and otherwise, of Tree Island, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting, code of conduct and risk management;

b) review reports from management outlining any significant changes in financial risks facing Tree Island and annually, as at the end of the fiscal year, in consultation with management and the independent auditors, evaluate the internal controls and procedures for financial reporting, discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures and review significant findings prepared by the independent auditors together with management's responses;

c) review compliance under the Code of Business Ethics;

d) review the Company's disclosure controls and procedures, and management's evaluation thereof, to ensure that financial information is recorded, processed, summarized and reported within the time periods required by law;

e) review disclosures made to the Committee by the Chief Executive Officer and the Chief Financial Officer during their certification process for any statutory documents about any significant deficiencies in the design or operation of internal controls or material weakness therein and any fraud involving management or other employees who have a significant role in internal controls;

f) review any issues between management and the independent auditors that could affect the financial reporting or internal controls;

g) periodically review Tree Island's accounting and auditing policies, practices and procedures and the extent to which recommendations made by the independent auditors have been implemented; and

h) ratify membership of the Disclosure Committee, as required.

4. Public Filings, Policies and Procedures

The Committee is charged with the responsibility to:

a) review and approve for recommendation to the Board:

   i) the annual report to shareholders, including the annual audited financial statements, with the report of the independent auditors, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting principles and estimates;

   ii) the interim report to shareholders, including the unaudited financial statements, the Management's Discussion and Analysis and the impact of unusual items and changes in accounting principles and estimates;

   iii) earnings press releases;

   iv) the annual information form;

   v) prospectuses; and

   vi) other public reports and public filings requiring approval by the Board;

and report to the Board with respect thereto;

b) ensure adequate procedures are in place for the review of disclosure of financial information extracted or derived from the Company's financial statements, other than the disclosure described in subsection 4(a) above, and periodically assess those procedures;

c) review with management, the independent auditors and if necessary with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material affect upon the financial position or operating results of the Company and the manner in which such matters have been disclosed in the consolidated financial statements;

d) review with management and with the independent auditors any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;

e) review with management and with the independent auditors (i) all critical accounting policies and practices to be used by the Company in preparing its financial statements, (ii) all material alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the independent auditor, and (iii) other material communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;

f) review general accounting trends and issues of auditing policy, standards and practices which affect or may affect Tree Island;

g) review the appointments of the Chief Financial Officer and any key financial executives involved in the financial reporting process;

h) establish procedures for:

i) the receipt, retention and treatment of complaints received by Tree Island regarding accounting, internal controls, or auditing matters; and

ii) the confidential, anonymous submission by employees of Tree Island of concerns regarding questionable accounting or auditing matters.

i) review and approve Tree Island's hiring policies regarding employees and former employees of the present and former independent auditors; and

j) review and approve related party transactions.

TERMS OF REFERENCE AND CALENDAR

The Committee shall review and assess the adequacy of its terms of reference and calendar at least annually and submit any changes to the Board for approval.

Approved September 13, 2012