



WIRE & WIRE PRODUCTS

ESTABLISHED IN 1964



Q3 2015 Quarterly Results

Since 1964, Tree Island Steel Ltd. has been making products from steel wire for a diverse range of customers for industrial, construction, agricultural, and specialty applications.

Our products include galvanized wire, bright wire, a broad array of fasteners, including packaged, collated and bulk nails, stucco reinforcing products, concrete reinforcing mesh, fencing, and other fabricated wire products. We market these products under the Tree Island, Halsteel, True Spec, K-Lath, Industrial Alloys, TI Wire, and Tough Strand brand names. We also operate a China-based company that assists with international sourcing of products.

Listed on the Toronto Stock Exchange (“TSX”), our shares trade under the symbol TSL.

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MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2015 and 2014

The following is a discussion of the financial condition and results of operations of Tree Island Steel Ltd. ("Tree Island Steel" or the "Company") and its wholly owned operating subsidiary Tree Island Industries Limited ("TII") (together with Tree Island Steel, referred to as "Tree Island"). This discussion is current to November 5, 2015 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months and nine months ended September 30, 2015. Tree Island Steel's unaudited interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and are reported in Canadian dollars. Additional information relating to Tree Island Steel, including the audited consolidated financial statements and Annual Information Form ("AIF") for the year ended December 31, 2014, can be found at www.sedar.com or on Tree Island Steel's website at www.treeisland.com.

1 FORWARD LOOKING STATEMENTS AND RISK

This management's discussion and analysis ("MD&A") includes forward-looking information with respect to Tree Island Steel, including our business, operations and strategies, as well as financial performance and conditions. The use of forward-looking words such as, "may," "will," "expect" or similar variations generally identify such statements. Any statements that are not statements of historical fact should be considered to be forward-looking statements. Although we believe that the forward-looking statements are reasonable, they involve risks and uncertainties, including the risks and uncertainties discussed under the heading "Risks Relating to the Company's Business" in the Company's AIF for the year ended December 31, 2014.

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, volume and price pressure from import competition, deterioration in the Company's liquidity, 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, leverage and restrictive covenants, labour relations, trade actions, dependence on key personnel and skilled workers, reliance on key customers, intellectual property risks, energy costs, un-insured loss, credit risk, operating risk, management of growth, changes in tax, environmental and other legislation, and other risks and uncertainties set forth in our publicly filed materials.

This MD&A has been reviewed by the Board of Directors of Tree Island and its Audit Committee, and contains information that is current as of the date of this MD&A, unless otherwise noted. Events occurring after that date could render the information contained herein inaccurate or misleading in a material respect. Readers are cautioned not to place undue reliance on this forward-looking information and management of Tree Island undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise except as required by applicable securities law.

2 NON-IFRS MEASURES

References in this MD&A to “EBITDA” are to operating income and adding back depreciation and foreign exchange gains or losses and references to “Adjusted Net Income (Loss)” are to net income (loss) per IFRS adjusted for certain non-cash items including non-cash financing expenses, changes in fair value of financial instruments, gain (loss) on renegotiated debt (if any), and deferred income expense (recovery). EBITDA is a measure used by many investors to compare companies on the basis of ability to generate cash flows from operations. Adjusted Net Income (Loss) is a measure for investors to understand the impact of significant non-cash items that affect our results from operations. Neither EBITDA nor Adjusted Net Income (Loss) are earnings measures recognized by IFRS and do not have a standardized meaning prescribed by IFRS. We believe that EBITDA and Adjusted Net Income (Loss) are important supplemental measure for evaluating our performance. You are cautioned that EBITDA and Adjusted Net Income (Loss) should not be construed as alternatives 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 and Adjusted Net Income (Loss) may differ from methods used by other issuers and, accordingly, our EBITDA or Adjusted Net Income (Loss) may not be comparable to similar measures presented by other issuers.

3 TREE ISLAND STEEL LTD.

Prior to October 1, 2012, the operations of the Company were wholly owned by Tree Island Wire Income Fund (the “Fund”). Tree Island Steel was incorporated under the laws of Canada on August 2, 2012 upon corporate conversion and on October 1, 2012, the Fund was converted, on a tax deferred basis, from an open-ended limited purpose trust to an incorporated corporation (the “Corporate Conversion”) pursuant to a plan of arrangement (the “Arrangement”) under the Canada Business Corporations Act. Under the Arrangement, unitholders of the Fund received common shares (“Shares”) of the Company, on a one-for-one basis. The business of the Fund continues to be conducted by the Company, through TII, and all obligations of the Fund have been assumed by Tree Island Steel. The trustees of the Fund became the directors of Tree Island Steel and the officers and management of the Fund became officers and management of Tree Island Steel.

In connection with the Arrangement, the Company assumed all of the covenants and obligations of the Fund relating to the 10% Second Lien Convertible Debentures (the “Debentures”) and the share purchase warrants (the “Warrants”). The Debentures became convertible subordinated debentures of the Company and holders were entitled to receive Shares, rather than Units, at the same conversion price at which the Units were previously issuable upon conversion thereof, subject to adjustment in certain events as provided for in the Debenture Indenture. The Warrants were convertible into Shares at the same price at which the Warrants were convertible into units of the Fund, subject to adjustment as provided for in the Warrant Certificates governing the Warrants.

All outstanding Debentures were converted to Shares or redeemed prior to March 4, 2014 and all outstanding Warrants were either exercised or expired prior to December 31, 2014.

There were 31,132,173 Shares outstanding as of September 30, 2015 and as of November 5, 2015 there were 31,120,373 Shares outstanding.

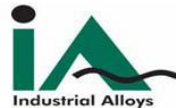
3.1 ORGANIZATIONAL STRUCTURE

Our corporate structure has the following primary entities: TII which is our Canadian operating company as well as the ultimate parent company to our operations in the United States which are managed through our US operating subsidiary, Tree Island Wire (USA) Inc. (“TIW”), and a China based sourcing operation.

3.2 PRODUCTS

Tree Island is a manufacturer and supplier of premium quality wire products for a broad range of applications. Our goal is to match the appropriate wire product, level of quality and price point with our customers’ needs. We achieve this by manufacturing most of our products at our own manufacturing facilities, while outsourcing others from qualified manufacturers. We market these products to customers in Canada, the United States and internationally.

Our manufactured products offer: consistent, high quality that meet or exceed customers’ needs, ASTM standards and applicable codes; broad range of applications; short lead times; technical support and excellent customer service. We market our products under the following brands:



The products we source from other suppliers are generally limited to commodity items, or items we do not produce. Products within this group meet general industry specifications, but are not customized to individual customer requirements. Outsourced products allow us to enhance our relationship with those customers that require competitively priced commodity products. These products typically create complementary pull through for our manufactured products. As a service to our customers, we also use our network of suppliers world-wide to source commodity wire products and direct ship to our customers.

3.3 MARKETS

The following summarizes the markets, key product groups, the specific end-use markets, and regions we serve with of our products:

Markets	Brand	Key Product Groups	Specific End-Use Markets	Regions
Industrial	Tree Island, TI Wire	Bright/galvanized/annealed low and high carbon wire	Wire fabricating, industrial applications, OEM manufacturing	North America and International
Residential Construction	Tree Island, Halsteel, K-Lath, True Spec	Collated, bulk and packaged nails Stucco reinforcing mesh	Construction and renovation for new and existing homes	North America and International

Markets	Brand	Key Product Groups	Specific End-Use Markets	Regions
Commercial Construction	Tree Island, TI Wire	Welded wire reinforcement mesh Concrete reinforcing products	Commercial construction, mining, infrastructure projects	North America and International
Agricultural	Tree Island, Tough Strand	Game fence and farm fence Vineyard wire and barbed wire	Agriculture, farming	North America
Specialty Applications	Industrial Alloys	Stainless spring wire Cold heading wire Shaped wire Specialty alloy bar and wire	Consumer products, industrial applications, telecommunications, aerospace, automotive, oil and gas	North America and International

3.4 SEASONALITY

Our operations are impacted by the seasonal nature of the various industries we serve, primarily the construction and agriculture industries. Accordingly, revenues, sales volumes and operating results for interim quarters are not necessarily indicative of the results that may be expected for the full fiscal year and fourth quarter results are traditionally lower than other quarters due to the onset of winter and the corresponding reduction in construction and agricultural activities.

4 Q3 2015 BUSINESS OVERVIEW AND DEVELOPMENT

4.1 BUSINESS OVERVIEW

We are leveraging our various strengths, which include our customer centric focus, providing quality products and customer service excellence, and targeting specific markets to drive our growth. We are also benefitting from robust demand in various US end markets, including the improving residential construction market in the US. These factors contributed to the strong volume and revenue growth for the quarter, which increased by 6,875 tons and \$13.4 million to 43,366 tons and \$61.4 million, respectively.

Gross profit margin for the quarter was 16.0% compared to 10.9% last year. This translated into a gross profit of \$9.8 million for the quarter, an increase of \$4.6 million, or 88.2%, over the same period last year. In line with the growth in gross profit is the growth in EBITDA, which increased by \$3.8 million, or 157.8%, over the same period last year to \$6.2 million.

4.2 Labour Relations

On July 20, 2015, Tree Island Steel announced that the Company and the International Brotherhood of Teamster Local 213 successfully concluded a new five-year collective agreement. The agreement covers hourly employees at the Company's Richmond, BC manufacturing facility. The new collective agreement is retroactive to July 1, 2015 and sets out an important foundation for continued sales growth, increased stability for customers and further investments into the Richmond operations.

4.3 DIVIDEND POLICY

In Q3 2015, the Company's board of directors (the "Board") approved a dividend policy of \$0.01 per common share per quarter. The Company's dividend policy will be reviewed quarterly and is based on a number of factors including current operations, operating costs, financial tests and other covenants under the Company's credit facilities, available investment opportunities, the supply and cost of raw materials, foreign exchange rates, the Company's hedging program and the satisfaction of applicable corporate liquidity and solvency tests for the declaration and payment of dividends.

The Company declared its first quarterly dividend of \$0.01 per common share that was paid on October 15, 2015 to shareholders of record on September 30, 2015.

5 EVENTS SUBSEQUENT TO Q3 2015

5.1 LABOUR RELATIONS

Tree Island and the Canadian Office and Professional Employees Union Local 378 successfully concluded a new collective agreement. The agreement covers salary employees at Tree Island's Richmond, BC administration office, and foremen, supervisors and quality control employees at the Richmond, BC manufacturing facility. The new five year collective agreement expires September 30, 2020.

6 RESULTS FROM OPERATIONS

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Sales volume - Tons ¹	43,366	36,491	123,262	108,025
Revenue	61,408	47,975	176,992	141,679
Cost of sales	(50,828)	(42,061)	(148,548)	(124,431)
Depreciation	(767)	(699)	(2,253)	(2,096)
Gross profit	9,813	5,215	26,191	15,152
Selling, general and administrative expenses	(4,537)	(3,548)	(12,923)	(10,802)
Operating income	5,276	1,667	13,268	4,350
Foreign exchange gain (loss)	152	37	914	353
Gain (loss) on sale of property, plant and equipment	-	-	(6)	(10)
Changes in financial liabilities recognized at fair value	96	154	(187)	(112)
Financing expenses	(690)	(913)	(2,390)	(2,983)
Income before income taxes	4,834	945	11,599	1,598
Income tax (expense) recovery	1,610	(555)	(974)	(676)
Net income	6,444	390	10,625	922
Operating Income	5,276	1,667	13,268	4,350
Add back depreciation	767	699	2,253	2,096
Foreign exchange gain (loss)	152	37	914	353
EBITDA ²	6,195	2,403	16,435	6,799
Net Income	6,444	390	10,625	922
Non-cash financing expenses	302	262	883	787
Changes in FV of financial instruments	(96)	(154)	187	112
Deferred tax	187	449	5	550
Adjusted net income ²	6,837	947	11,700	2,371
Net income per share - basic (\$/share)	0.21	0.01	0.34	0.03
Net income per share - diluted (\$/share)	0.21	0.01	0.34	0.03
Gross profit per ton (\$/ton)	226	143	212	140
EBITDA per ton (\$/ton)	143	66	133	63
Financial Position as at:	September 30, 2015	December 31, 2014		
Total Assets	127,948	112,106		
Total non-current financial liabilities	15,838	13,073		

¹ Sales volumes excludes tons which were processed as part of tolling arrangements

² See definition of EBITDA and Adjusted Net Income in Section 2 NON-IFRS MEASURES

7 COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

<i>(\$'000 unless otherwise stated)</i>	<u>Q3 2015</u>	<u>Q3 2014</u>	<u>Variance Fav/(Unfav)</u>	
SALES	61,408	47,975	13,433	28.0%

Revenue by Market Segment

(\$'000 unless otherwise stated)

	<u>Three Months Ended September 30, 2015</u>				<u>Three Months Ended September 30, 2014</u>			
	<u>Revenue</u>	<u>% of Revenue</u>	<u>Tons</u>	<u>% of Volume</u>	<u>Revenue</u>	<u>% of Revenue</u>	<u>Tons</u>	<u>% of Volume</u>
Industrial	23,727	38.6%	20,302	46.8%	18,956	39.5%	17,119	46.9%
Residential	19,189	31.2%	10,958	25.3%	13,967	29.1%	9,416	25.8%
Commercial	9,312	15.2%	7,472	17.2%	7,433	15.5%	6,733	18.5%
Agricultural	5,276	8.6%	3,851	8.9%	3,041	6.3%	2,230	6.1%
Specialty	3,904	6.4%	783	1.8%	4,578	9.5%	993	2.7%
Total revenue	<u>61,408</u>	<u>100.0%</u>	<u>43,366</u>	<u>100.0%</u>	<u>47,975</u>	<u>100.0%</u>	<u>36,491</u>	<u>100.0%</u>

Revenues for the quarter benefited from the increase in volume with strong growth from four of our major market segments. This is a result of the strong end market demand for certain products, our increased focus on others or a combination of both. The result is an increase in volume of 6,875 tons (+18.8%) and an increase in revenues of \$13.4 million (+28.0%) over the same period last year.

The Canadian market provided solid, stable business and we capitalized on opportunities to further develop our customer relationships. Meanwhile, the US market continues to be the engine for our growth, now and into the future. The more robust US market along with the stronger US dollar resulted in the proportion of revenues generated in the US increasing over the prior year.

The Industrial segment continues to be the largest part of the business by volume and by revenues. Year-over-year growth for the segment was 3,183 tons (+18.6%) and \$4.8 million (+25.2%). Our ability to expand our relationships with existing customers is a large reason for the growth and fulfilling demand expanded on from prior months.

Volume and revenue growth of the Residential segment was supported by the strength of the housing market in the United States. Volume for the Residential segment increased by 1,542 tons (16.4%) and \$5.2 million (+37.4%) over the same period last year.

The Commercial segment exhibited strong year-over-year growth, with volumes increasing by 739 tons (+11.0%) and revenues by \$1.9 million (+\$25.3%) over the prior year as we increase our focus on this segment.

Our expanding focus on the Agricultural segment, along with robust demand, has translated into a 1,621 tons (+72.7%) increase in volumes and \$2.2 million (+73.5%) increase in revenues.

Revenue by Location

(\$'000 unless otherwise stated)

	Three Months Ended September 30,					
	2015		2014		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	42,689	69.5%	31,113	64.9%	11,576	37.2%
Canada	17,461	28.5%	15,826	32.9%	1,635	10.3%
International	1,258	2.0%	1,036	2.2%	222	21.4%
Total	61,408	100.0%	47,975	100.0%	13,433	28.0%
Average C\$/US\$	1.3085		1.0893			

(\$'000 unless otherwise stated)	Q3 2015	Q3 2014	Variance Fav/(Unfav)	
COST OF SALES	51,595	42,760	(8,835)	(20.7%)

The increase in volume increased cost of goods sold by \$8.1 million and the combination of the strength of the US dollar along with lower raw material costs, production efficiencies, improved operating leverage and the product mix accounted for the remaining \$0.7 million more in cost of goods sold.

(\$'000 unless otherwise stated)	Q3 2015	Q3 2014	Variance Fav/(Unfav)	
GROSS PROFIT	9,813	5,215	4,598	88.2%

Gross Profit

(\$'000 unless otherwise stated)

	Three Months Ended September 30,					
	2015		2014		Variance Fav / (Unfav)	
	Gross Profit	% of Total	Gross Profit	% of Total	Amount	%
US\$ GP after FX translation	7,181	73.2%	2,962	56.8%	4,219	142.4%
C\$ gross profit	2,632	26.8%	2,253	43.2%	379	16.8%
Total gross profit	9,813	100.0%	5,215	100.0%	4,598	88.2%
Average C\$/US\$	1.3085		1.0893			

Gross profit as a percentage of revenues increased from 10.9% last year to 16.0% this year. The increase in profitability is attributable to the combination of our pricing initiatives, product mix, the productivity of the additional staff hired and trained in 2014 and overall operating leverage resulting from the increase in volume.

(\$'000 unless otherwise stated)	Q3 2015	Q3 2014	Variance Fav/(Unfav)	
SG&A EXPENSES	4,537	3,548	(989)	(27.9%)

The increase in SG&A expenses is a combination of the impact of the strength of the US currency on our US\$ denominated costs, the additional selling expenses incurred to generate the additional sales volume, compensation related items and additional general and administrative costs related to the growth in the business.

<i>(\$'000 unless otherwise stated)</i>	Q3 2015	Q3 2014	Variance Fav/(Unfav)	
EBITDA	6,195	2,403	3,792	157.8%

EBITDA earned for the quarter is inclusive of a \$0.2 million foreign exchange gain. The increase in EBITDA is attributable to the increase in sales volume, our pricing initiatives, product mix, production efficiencies and overall operating leverage.

<i>(\$'000 unless otherwise stated)</i>	Q3 2015	Q3 2014	Variance Fav/(Unfav)	
FINANCING EXPENSES	690	913	223	24.4%

Financing expenses during the quarter were \$0.2 million less than the same period last year. Our financing costs decreased due to lower interest rates.

Financing Expense

(\$'000 unless otherwise stated)

	Three Months Ended September 30,			
	<u>2015</u>	<u>2014</u>	<u>Variance Fav / (Unfav)</u>	
			<u>Amount</u>	<u>%</u>
Non-cash financing expenses	302	262	(40)	(15.3%)
Interest on senior credit facility	231	200	(31)	(15.5%)
Other interest and financing costs	145	441	296	67.1%
Deferred financing costs	12	10	(2)	(20.0%)
Total financing expenses	690	913	223	24.4%

<i>(\$'000 unless otherwise stated)</i>	Q3 2015	Q3 2014	Variance Fav/(Unfav)	
FOREIGN EXCHANGE GAIN (LOSS)	152	37	115	310.8%

Our Canadian operation, whose functional currency is Canadian dollar, has a portion of its assets, liabilities, sales and expenses denominated in currencies other than the Canadian dollar, in particular the US dollar. With raw material costs being denominated in US dollar, having a significant portion of our sales also being denominated in US dollar creates a natural partial hedge. Foreign currency forward contracts are used to manage a portion of the remaining currency risk. Foreign exchange gains and losses are unpredictable in nature and therefore can vary significantly over time. As at September 30, 2015, the Company had no outstanding US dollar currency forward contracts.

<i>(\$'000 unless otherwise stated)</i>	Q3 2015	Q3 2014	Variance Fav/(Unfav)	
INCOME TAX RECOVERY (EXPENSE)	1,610	(555)	2,165	390.1%

The income tax expense for Q3 2015 relates to an adjustment of taxes payable, primarily from the Canadian operations. The income tax recovery (expense) is based on the Canadian statutory tax rate of 26.0% (the same as 2014) applied to the income of the Canadian subsidiary before taxes, with adjustments for permanent differences between accounting and taxable income offset by deductions from our US operations. In Q3 2015, we made an adjustment to the income tax expense to reflect credits from prior years.

<i>(\$'000 unless otherwise stated)</i>	Q3 2015	Q3 2014	Variance Fav/(Unfav)	
NET INCOME	6,444	390	6,054	1,552.3%

The increase in net income over the prior year is attributable to the better operating income for the period and inclusive of the income tax recovery.

<i>(\$'000 unless otherwise stated)</i>	<u>Q3 2015</u>	<u>Q3 2014</u>	<u>Variance Fav/(Unfav)</u>	
ADJUSTED NET INCOME	6,837	947	5,890	622.0%

Adjusted net income takes into account non-cash financing expenses, changes in fair value of financial instruments and deferred tax. The increase in adjusted net income over last year is a result of the better operating performance.

8 COMPARISON OF RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

<i>(\$'000 unless otherwise stated)</i>	<u>YTD 2015</u>	<u>YTD 2014</u>	<u>Variance Fav/(Unfav)</u>	
SALES	176,992	141,679	35,313	24.9%

Revenue by Market Segment

(\$'000 unless otherwise stated)

	Nine Months Ended September 30, 2015				Nine Months Ended September 30, 2014			
	<u>Revenue</u>	<u>% of Revenue</u>	<u>Tons</u>	<u>% of Volume</u>	<u>Revenue</u>	<u>% of Revenue</u>	<u>Tons</u>	<u>% of Volume</u>
Industrial	64,134	36.2%	53,834	43.7%	54,842	38.7%	49,219	45.6%
Residential	56,377	31.9%	32,945	26.7%	40,087	28.3%	26,945	24.9%
Commercial	24,534	13.9%	20,339	16.5%	21,327	15.1%	19,032	17.6%
Agricultural	18,278	10.3%	13,370	10.8%	12,919	9.1%	10,036	9.3%
Specialty	13,669	7.7%	2,774	2.3%	12,504	8.8%	2,793	2.6%
Total revenue	<u>176,992</u>	<u>100.0%</u>	<u>123,262</u>	<u>100.0%</u>	<u>141,679</u>	<u>100.0%</u>	<u>108,025</u>	<u>100.0%</u>

Volume for the first nine months of 2015 increased by 15,237 tons (+14.1%) and revenues increased by \$35.3 million (+24.9%). Our strategy to increase our focus in the US market, robust demand in certain end markets and some key sales initiatives we implemented are contributing to the increase in sales volume, while the increase in revenues is due to the combination of the increase in sales volume and the strength of the US dollar.

The volume for Industrial products grew by 4,615 tons (+9.4%) and revenues by \$9.3 million (+16.9%), largely as a result of our strategy to expand our relationships with existing customers.

Supported by a strengthening residential housing market in the US, the sales volume of Residential products grew by 6,000 tons (+22.3%) and revenues grew by \$16.3 million (+40.6%).

The increase in our focus on Commercial products and our ability to identify opportunities, and capitalize on them, has enabled us to increase volumes by 1,307 tons (+6.9%) and revenues by \$3.2 million (15.0%).

The benefits of our increase in focus on Agricultural products are reflected in the 3,334 tons (+33.2%) increase in volume and \$5.4 million (+41.5%) increase in revenues.

The growth in sales volume to the US market along with the strength of the US currency resulted in the increase in the contribution of revenues derived from the US market as a percentage of total revenues as shown in the table below.

Revenue by Location

(\$'000 unless otherwise stated)

	Nine Months Ended September 30 ,					
	2015		2014		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	121,650	68.7%	90,777	64.1%	30,873	34.0%
Canada	51,736	29.3%	47,522	33.5%	4,214	8.9%
International	3,606	2.0%	3,380	2.4%	226	6.7%
Total	176,992	100.0%	141,679	100.0%	35,313	24.9%
Average C\$/US\$	1.2602		1.0941			

(\$'000 unless otherwise stated)

	YTD 2015	YTD 2014	Variance Fav/(Unfav)	
COST OF SALES	150,801	126,527	(24,274)	(19.2%)

Cost of sales as a percentage of total revenues decreased from 89.3% in 2014 to 85.2% this year as a result of lower raw material costs, production efficiencies and operating leverage gained as a result of the increase in volume.

Of the total variance in costs of sales, \$17.9 million is due to the increase in volume and \$6.4 million is due to the combination of the strength of the US currency offset by lower raw material costs, better production efficiencies, improved operating leverage and product mix.

(\$'000 unless otherwise stated)

	YTD 2015	YTD 2014	Variance Fav/(Unfav)	
GROSS PROFIT	26,191	15,152	11,039	72.9%

Gross Profit

(\$'000 unless otherwise stated)

	Nine Months Ended September 30 ,					
	2015		2014		Variance Fav / (Unfav)	
	Gross Profit	% of Total	Gross Profit	% of Total	Amount	%
US\$ GP after FX translation	18,629	71.1%	8,827	58.3%	9,801	111.0%
C\$ gross profit	7,562	28.9%	6,325	41.7%	1,238	19.6%
Total gross profit	26,191	100.0%	15,152	100.0%	11,039	72.9%
Average C\$/US\$	1.2602		1.0941			

Gross profit margin for the nine months was 14.8% compared to 10.7% the year prior. The increase in the gross profit margin is largely attributable to lower raw material costs, better production efficiencies and improved operating leverage. The absolute increase in gross profit is due to the previous mentioned factors as well as the increase in volume and the strength of the US currency.

<i>(\$'000 unless otherwise stated)</i>	<u>YTD 2015</u>	<u>YTD 2014</u>	<u>Variance Fav/(Unfav)</u>	
SG&A EXPENSES	12,923	10,802	(2,121)	(19.6%)

The increase in SG&A expenses is a combination of the strength of the impact of the US currency on our US\$ denominated costs, the additional selling expenses incurred from growing sales volume and the additional general and administrative costs related to the growing business.

<i>(\$'000 unless otherwise stated)</i>	<u>YTD 2015</u>	<u>YTD 2014</u>	<u>Variance Fav/(Unfav)</u>	
EBITDA	16,435	6,799	9,636	141.7%

EBITDA for the first nine months is inclusive of a foreign exchange gain of \$0.9 million. The increase in EBITDA is attributable to the increase in sales volume, our pricing initiatives, product mix, production efficiencies and improved operating leverage.

<i>(\$'000 unless otherwise stated)</i>	<u>YTD 2015</u>	<u>YTD 2014</u>	<u>Variance Fav/(Unfav)</u>	
FINANCING EXPENSES	2,390	2,983	593	17.3%

Financing Expense

(\$'000 unless otherwise stated)

	Nine Months Ended September 30,			
	<u>2015</u>	<u>2014</u>	<u>Variance Fav / (Unfav)</u>	
			<u>Amount</u>	<u>%</u>
Non-cash financing expenses	883	787	(96)	(12.2%)
Cash on Convertible Debentures	-	534	534	100.0%
Interest on senior credit facility	761	597	(164)	(27.5%)
Other interest and financing costs	717	886	169	19.1%
Deferred financing costs	29	179	150	83.8%
Total financing expenses	<u>2,390</u>	<u>2,983</u>	<u>593</u>	<u>19.9%</u>

The savings in financing costs over last year stem from the conversion of the Debentures that occurred in Q1 of 2014 and from the one-time write-off of the deferred financing fees in association with the renewal of the Senior Credit Facility in April 2014. These savings were partially offset by the increase in the interest costs associated with the Senior Credit Facility required to support the additional working capital resulting from the growth in the business.

<i>(\$'000 unless otherwise stated)</i>	<u>YTD 2015</u>	<u>YTD 2014</u>	<u>Variance Fav/(Unfav)</u>	
FOREIGN EXCHANGE GAIN	914	353	561	158.9%

Our Canadian operation, whose functional currency is Canadian dollar, has a portion of its assets, liabilities, sales and expenses denominated in currencies other than the Canadian dollar, in particular the US dollar. With raw material costs being denominated in US dollar, having a significant portion of our sales also being denominated in US dollar creates a natural partial hedge. Foreign currency forward contracts are used to manage a portion of the remaining currency risk. Foreign exchange gains and losses are unpredictable in nature and therefore can vary significantly over time.

<i>(\$'000 unless otherwise stated)</i>	<u>YTD 2015</u>	<u>YTD 2014</u>	<u>Variance Fav/(Unfav)</u>	
INCOME TAX EXPENSE	(974)	(676)	(298)	(44.1%)

The income tax expense for the first nine months of 2015 relates to an adjustment of taxes payable, primarily from the Canadian operations. The income tax recovery (expense) is based on the Canadian statutory tax rate of 26.0% (the same as 2014) applied to the income of the Canadian subsidiary before taxes, with adjustments for permanent differences between accounting and taxable income offset by deductions from our US operations. In Q3 2015, we made an adjustment to the income tax expense to reflect credits from prior years.

<i>(\$'000 unless otherwise stated)</i>	<u>YTD 2015</u>	<u>YTD 2014</u>	<u>Variance Fav/(Unfav)</u>	
NET INCOME	10,625	922	9,703	1,052.4%

The increase in net income over the prior year is attributable to the better operating income for the period.

<i>(\$'000 unless otherwise stated)</i>	<u>YTD 2015</u>	<u>YTD 2014</u>	<u>Variance Fav/(Unfav)</u>	
ADJUSTED NET INCOME	11,700	2,371	9,329	393.5%

Adjusted net income takes into account non-cash financing expenses, changes in fair value of financial instruments and deferred tax. The increase in adjusted net income over last year is a result of the better operating performance.

9 FINANCIAL CONDITION AND LIQUIDITY

9.1 WORKING CAPITAL

A summary of the composition of our working capital as at September 30, 2015 compared to 2014 is provided below:

Working Capital

(\$'000 unless otherwise stated)

	<u>As at September 30,</u>	
	<u>2015</u>	<u>2014</u>
Cash	1,346	1,751
Accounts receivable	30,952	23,159
Inventories	58,447	49,949
Other current assets	5,232	4,122
Total current assets	<u>95,977</u>	<u>78,981</u>
Senior credit facility	(31,672)	(31,020)
Accounts payable and accrued liabilities	(20,399)	(14,938)
Dividends payable	(311)	-
Other current liabilities	(911)	(457)
Current portion of long term debt	(2,879)	(1,938)
Total current liabilities	<u>(56,172)</u>	<u>(48,353)</u>
Net working capital	<u>39,805</u>	<u>30,628</u>

Our business requires an ongoing investment in working capital, comprised primarily of accounts receivable and inventories, financed primarily by credit in the form of our Senior Credit Facility and accounts payable and accrued liabilities. Our largest investment in working capital is in our inventories. We rely on credit from our key suppliers to finance the purchase of the raw materials needed for our operations.

Our investment in working capital fluctuates from quarter-to-quarter based on factors such as seasonal sales demand, strategic purchasing decisions taken by management, and the timing of collections from customers and payments made to our suppliers. The construction and agricultural markets are seasonal in nature. As a result, sales and working capital requirements may be higher in the first three quarters when demand is historically highest.

Accounts receivable as at September 30, 2015 was higher than at the same period last year, reflecting the increase in revenues. Inventories levels were also higher at September 30, 2015 when compared to the same period in 2014 as a result of the higher raw materials and finished goods costs due to the strength of the US dollar, and an increase in raw material on hand to ensure raw material inventory levels were sufficient to meet production volume. The increases in the Senior Credit Facility and in accounts payable and accrued liabilities were used to fund our increased production volumes.

Our objective for managing the investment in working capital is to maximize the turnover of productive current assets, being accounts receivable and inventories. We manage our cash to keep utilization of our Senior Credit 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 use vendor credit when available on advantageous terms.

We manage our inventories with an emphasis on a continuous inflow of raw materials to meet our production needs balanced with strategic purchases. We have also established processes to regularly adjust the levels of finished goods stocked in our warehouses so that we can both satisfy customer needs, growth requirements and meet our objective of minimizing inventories on hand.

We manage our accounts receivable and the related credit risk by focusing on well-established customers with favourable credit profiles. 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 have established guidelines for customer credit limits and when thresholds in these areas are reached, appropriate precautions are taken to improve collectability. We maintain provisions for potential credit losses (allowance for doubtful accounts) and such losses to date have been within our expectations.

9.2 CASH FLOW

For the three months ended September 30, 2015, net cash provided by operating activities was a result of the strength of operating results, which was partially offset by the higher working capital requirements in the quarter relative to the previous quarter. On a year-to-date basis, the net cash used in operating activities is reflective of the cyclical nature of our business and the significant working capital needs in the first half of the year.

Cash flow used for investing activities in Q3 and the year thus far was for investments in new equipment.

During Q2, the Company was advanced \$3.2 million for a second term loan from Wells Fargo to finance capital expenditures in the period.

In Q3, the net amount repaid on the Senior Revolving Facility was due to the strength of the operating results partially offset by the higher working capital requirements in the quarter relative to the previous quarter. The net amount advanced on the Senior Revolving Facility on the year-to-date basis reflects the working capital needs in the first nine months of the year.

The following is a summary of our cash flow for the three and nine months ended September 30, 2015 and 2014:

Cash Flow

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Cash provided by (used in) operating activities	8,832	2,827	17,145	7,256
Working capital adjustments	1,026	(5,116)	(12,499)	(15,833)
Net cash provided by (used in) operating activities	9,858	(2,289)	4,646	(8,577)
Net cash provided by (used in) investing activities	(1,055)	(199)	(2,993)	(583)
Advance on (repayment of) senior term loans	(268)	(104)	2,659	(339)
Repayment of long-term debt	(556)	(497)	(1,697)	(1,439)
Conversion of warrants	-	-	-	115
Interest paid	(381)	(624)	(1,528)	(1,983)
Redemption of debentures	-	-	-	(175)
Advance on (repayment of) senior revolving facility	(8,697)	3,211	(2,082)	13,453
Repurchase of shares	(30)	-	(30)	-
Net cash provided by (used in) financing activities	(9,932)	1,986	(2,678)	9,632
Exchange rate changes on foreign cash balances	32	11	62	12
Increase (decrease) in cash balances	(1,097)	(491)	(963)	484

9.3 SENIOR CREDIT FACILITY

On April 21, 2014, the Company renewed its senior banking facility with Wells Fargo. The five year senior secured committed banking facility increased from \$40.0 million to \$60.0 million and matures in April of 2019. Under the terms of the Senior Credit Facility, up to \$60.0 million may be borrowed for Tree Island's financing requirements in Canadian and/or US dollars of which \$6.7 million of the total amount advanced as a term loan remains outstanding. Interest is charged at variable rates based on the Canadian and/or US Prime rate and the Canadian Banker's Acceptance rate and/or the Eurodollar rate. The amount advanced under the Senior Credit Facility at any time is limited to a defined percentage of inventories, accounts receivable, machinery and equipment, and real estate, less certain reserves. The Senior Credit Facility is secured by a first charge over Tree Island's assets supported by the appropriate guarantees, pledges and assignments, and requires that certain covenants be met by Tree Island.

The Senior Credit Facility has defined covenants, primarily a quarterly test whereby the Company is required to meet a defined fixed charge coverage ratio if the availability on the Senior Credit Facility falls below a certain threshold ("Availability Test"). In addition, there are other restrictive covenants that limit the discretion of management with respect to certain business matters.

As at September 30, 2015 the availability was in excess of the Availability Test and the Company was in compliance with its covenants on the Senior Credit Facility.

9.4 LONG TERM DEBT AGREEMENTS

Tree Island entered into a Second Amendment to the long-term debt agreement ("Agreement") on June 11, 2012. Under the terms of this Agreement, the total principal debt amount of approximately US\$15.8 million is to 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 (see Note 10 in the interim financial statements).

10 CAPITAL EXPENDITURES AND CAPACITY

For the nine months ended September 30, 2015 we made capital expenditures of \$3.0 million. These expenditures are primarily for new equipment in both our Canadian and US facilities and are either already commissioned or expected to start-up in Q4 2015.

11 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of September 30, 2015, we were committed to the contracts, operating leases and debt repayments (including scheduled interest payments on interest bearing debt) set out below, which will be financed through working capital and our Senior Credit Facility.

The wire rod and zinc purchases are for raw materials to be used in the day-to-day operations of our manufacturing facilities, are in the normal course of our business activities and are expected to be delivered by the end of this year. The finished goods purchases are also in the normal course of our business activity and are expected to be delivered before the end of 2015.

We have leases for facilities and equipment that are considered to be operating leases for accounting purposes and as such are not recorded on the consolidated statement of financial position.

Contractual Obligations and Commitments

(\$'000 unless otherwise stated)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Thereafter</u>	<u>Total</u>
Wire rod purchases	24,064	-	-	-	-	-	24,064
Zinc	1,739	-	-	-	-	-	1,739
Finished goods	2,225	-	-	-	-	-	2,225
Operating leases	541	1,933	228	100	52	31	2,885
Total commitments	<u>28,569</u>	<u>1,933</u>	<u>228</u>	<u>100</u>	<u>52</u>	<u>31</u>	<u>30,913</u>
Senior revolving facility	31,672	-	-	-	-	-	31,672
AP and accrued liabilities	20,399	-	-	-	-	-	20,399
Dividends	311	-	-	-	-	-	311
Finance lease	2	9	9	9	7	-	36
Senior term loans	103	413	413	413	413	1,788	3,543
Long-term debt	442	1,862	1,929	1,929	2,538	10,708	19,408
Total financial liabilities	<u>52,929</u>	<u>2,284</u>	<u>2,351</u>	<u>2,351</u>	<u>2,958</u>	<u>12,496</u>	<u>75,369</u>
Total obligations and commitments	<u>81,498</u>	<u>4,217</u>	<u>2,579</u>	<u>2,451</u>	<u>3,010</u>	<u>12,527</u>	<u>106,282</u>

The Company enters into US dollar currency forward contracts for periods consistent with a portion of US dollar currency transaction exposures, generally from one to three months. These are not designated as cash flow, fair

value or net investment hedges. As of September 30, 2015, the Company had no outstanding US dollar currency forward contracts.

From time to time, the Company enters into forward contracts to purchase a portion of the zinc used in its production process. These are not designated as cash flow, fair value or net investment hedges. As at September 30, 2015, the fair value of zinc forward contracts was a notional amount of \$1.7 million and the mark to market liability on those contracts was \$0.3 million.

12 SUMMARY OF QUARTERLY FINANCIAL RESULTS

The table below provides selected quarterly financial information for the eight most recent fiscal quarters to September 30, 2015. Sales volume in the last quarter of the year has traditionally been the lowest due to the seasonality of our business and the markets we sell to. Quarter-over-quarter results may also be impacted by unusual or infrequently occurring items.

Summary of Quarterly Financial Results

(\$'000 unless otherwise stated)

	Sep 30, <u>2015</u>	Jun 30, <u>2015</u>	Mar 31, <u>2015</u>	Dec 31, <u>2014</u>	Sep 30, <u>2014</u>	Jun 30, <u>2014</u>	Mar 31, <u>2014</u>	Dec 31, <u>2013</u>
Sales volume - tons	43,366	38,880	41,016	31,910	36,491	36,398	35,136	27,296
Revenue	61,408	56,541	59,043	42,265	47,975	47,782	45,922	35,748
Gross profit	9,813	8,144	8,234	4,172	5,215	4,624	5,313	3,767
Foreign exchange gain (loss)	152	(130)	892	(84)	37	(208)	524	5
EBITDA	6,195	4,732	5,508	1,201	2,403	1,737	2,659	1,003
Net income (loss)	6,444	2,064	2,117	56	390	171	361	(665)
Net income (loss) per unit - basic	0.21	0.07	0.07	0.00	0.01	0.01	0.01	(0.03)
Gross profit per ton	226	209	201	131	143	127	151	138
EBITDA per ton	143	122	134	38	66	48	76	37

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

Q2 2014: Increases in volumes in the first and second quarter of 2014 required investment of additional labour staffing, training, and increasing maintenance programs to support the higher throughput in the facilities. The growth in volumes and operating leverage contributed positively to our gross profit but gross profit was impacted by approximately \$0.7 million for the added costs of this growth related investment.

13 ACCOUNTING POLICIES AND STATEMENTS

Certain of our accounting policies involve critical accounting estimates that require us to make subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under differing conditions or using different assumptions. We evaluate these estimates and assumptions regularly.

Our significant accounting policies are described in Note 3 of the December 31, 2014 audited consolidated financial statements, the Annual Information Form for the year ended December 31, 2014 and Note 3 to the September 30, 2015 unaudited consolidated financial statements.

13.1 CRITICAL ACCOUNTING ESTIMATES

The areas that we consider to have critical accounting estimates are: going concern, financial instruments valued at fair value through profit and loss, inventory valuation, allowance for doubtful accounts, property, plant and equipment, and income taxes. These critical estimates and the judgments involved are discussed further in the audited consolidated financial statements for December 31, 2014 (Note 4).

14 RELATED PARTY TRANSACTIONS

14.1 TRANSACTIONS WITH ASSOCIATED COMPANIES

The Futura Corporation (“Futura”) is considered to be a related party to the Company because of its share ownership interest and the fact that Mr. Doman, the sole shareholder and president of Futura, and Mr. Rosenfeld, the Executive Vice President of Futura, sit on the Board of Directors.

Based on Tree Island Steel’s outstanding Shares as at November 5, 2015, Futura owns 27.4% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of CanWel Building Materials Group Ltd. (“CanWel”). For the three and nine months ended September 30, 2015, Tree Island sold, net of rebates, approximately \$0.8 million and \$2.5 million respectively (\$0.7 million and \$2.4 million respectively in 2014) of goods to CanWel and trade accounts receivable owing from CanWel as at September 30, 2015 is approximately \$0.1 million (approximately \$0.2 million in 2014). Outstanding trade accounts receivable from CanWel at period end are unsecured, interest free and settlement occurs in cash.

14.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three and nine months ended September 30, 2015 was approximately \$0.5 million and \$1.5 million respectively (approximately \$0.4 million and \$1.7 million respectively in 2014) which includes wages, salaries, share-based compensation (if any) and social security contributions, paid annual and sick leave, vehicle costs and bonuses. It also includes directors’ fees paid to members of the Board.

15 RISKS AND UNCERTAINTIES

Investment in Tree Island Steel is subject to a number of risks. Our income is dependent upon the wire products business, which is susceptible to a number of risks. A detailed discussion of our significant business risks is provided in the 2014 Annual Information Form under the heading “Risk Factors” which can be found at www.sedar.com.

16 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for designing disclosure controls and procedures that (a) provide reasonable assurance that material information required to be disclosed by us is accumulated and communicated to management to allow timely decisions regarding required disclosure; and (b) ensure that information required to be disclosed by us is recorded, processed, summarized, and reported within the time periods specified in applicable securities legislation.

Our management is responsible for designing, establishing, and maintaining an adequate system of internal control over financial reporting. Our internal control system was designed based on the 2013 Internal Control – Integrated Framework (“2013 COSO Framework”) published by the Committee of Sponsoring Organizations of the Treadway Commission to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS.

Our Chief Executive Officer and Chief Financial Officer certified the appropriateness of the financial disclosures in the interim financial report together with the other financial information included in the interim filings for the period ended September 30, 2015. These executives also certified that they are responsible for the design of disclosure controls and procedures and internal control over financial reporting. There have been no changes in internal control over financial reporting during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company’s Board of Directors and Audit Committee reviewed and approved the September 30, 2015 unaudited interim condensed consolidated financial statements and this MD&A prior to its release.

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015 and 2014

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

Tree Island Steel Ltd.’s independent auditor, Ernst & Young LLP, has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

November 5, 2015

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015 and 2014

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(\$'000 unless otherwise stated)

	As at September 30, 2015	December 31, 2014
Cash	1,346	2,309
Accounts receivable <i>(Note 5)</i>	30,952	20,092
Inventories <i>(Note 6)</i>	58,447	55,950
Prepaid expenses	5,232	3,914
Current assets	<u>95,977</u>	<u>82,265</u>
Property, plant and equipment <i>(Note 7)</i>	31,803	29,723
Other non-current assets	168	118
Total assets	<u><u>127,948</u></u>	<u><u>112,106</u></u>
Senior revolving facility <i>(Note 8.1)</i>	31,672	30,553
Accounts payable and accrued liabilities	20,399	18,758
Income taxes payable	707	81
Other current liabilities	204	154
Dividends payable	311	-
Current portion of long-term borrowing <i>(Notes 8.2, 10)</i>	2,879	1,976
Current liabilities	<u>56,172</u>	<u>51,522</u>
Senior term loans <i>(Note 8.2)</i>	5,614	3,437
Long-term debt <i>(Note 10)</i>	10,195	9,611
Other non-current liabilities	291	450
Deferred income taxes	2,993	2,988
Total liabilities	<u>75,265</u>	<u>68,008</u>
Shareholders' equity	<u>52,683</u>	<u>44,098</u>
Total liabilities and shareholders' equity	<u><u>127,948</u></u>	<u><u>112,106</u></u>

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Approved on behalf of Tree Island Steel Ltd.

[Signed]
 "Amar S. Doman"
 Chairman of the Board of Directors

[Signed]
 "Dale R. Maclean"
 Director, President and Chief Executive Officer

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015 and 2014

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Sales	61,408	47,975	176,992	141,679
Cost of sales <i>(Note 6)</i>	(50,828)	(42,061)	(148,548)	(124,431)
Depreciation	(767)	(699)	(2,253)	(2,096)
Gross profit	9,813	5,215	26,191	15,152
Selling, general and administrative expenses	(4,537)	(3,548)	(12,923)	(10,802)
Operating income	5,276	1,667	13,268	4,350
Foreign exchange gain (loss)	152	37	914	353
Gain (loss) on sale of property, plant and equipment	-	-	(6)	(10)
Changes in financial liabilities at fair value	96	154	(187)	(112)
Financing expenses <i>(Note 11)</i>	(690)	(913)	(2,390)	(2,983)
Income before income taxes	4,834	945	11,599	1,598
Income tax recovery (expense) <i>(Note 14)</i>	1,610	(555)	(974)	(676)
Net income	<u>6,444</u>	<u>390</u>	<u>10,625</u>	<u>922</u>
Net income per share <i>(Note 17)</i>				
Basic	0.21	0.01	0.34	0.03
Diluted	0.21	0.01	0.34	0.03
Weighted average number of shares <i>(Note 17)</i>				
Basic	31,139,944	30,343,825	31,141,694	30,343,823
Diluted	31,139,944	31,357,736	31,141,694	31,382,726

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net income for the year	6,444	390	10,625	922
Unrealized income (loss) on FX translation	(1,270)	(349)	(2,010)	(121)
Comprehensive income	<u>5,174</u>	<u>41</u>	<u>8,615</u>	<u>801</u>

See accompanying Notes to the Interim Unaudited Consolidated Financial Statements

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015 and 2014

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(\$'000 unless otherwise stated)

	Shareholders' Capital	Convertible Instruments ³	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as at December 31, 2014	230,674	-	(186,445)	(131)	44,098
Net income	-	-	2,117	-	2,117
Other comprehensive income (loss)	-	-	-	(868)	(868)
Balance as at March 31, 2015	230,674	-	(184,328)	(999)	45,347
Net income	-	-	2,064	-	2,064
Other comprehensive income	-	-	-	128	128
Balance as at June 30, 2015	230,674	-	(182,264)	(871)	47,539
Repurchase of shares	(30)	-	-	-	(30)
Net income	-	-	6,444	-	6,444
Other comprehensive income	-	-	-	(1,270)	(1,270)
Balance as at September 30, 2015	230,644	-	(175,820)	(2,141)	52,683
Balance as at December 31, 2013	214,307	606	(187,423)	290	27,780
Conversion of debentures (<i>Note 9</i>)	15,340	(585)	-	-	14,755
Conversion of warrants	115	-	-	-	115
Net income	-	-	361	-	361
Other comprehensive income	-	-	-	39	39
Balance as at March 31, 2014	229,762	21	(187,062)	329	43,050
Net income	-	-	171	-	171
Other comprehensive income	-	-	-	189	189
Balance as at June 30, 2014	229,762	21	(186,891)	518	43,410
Conversion of debentures (<i>Note 9</i>)	(22)	-	-	-	(22)
Net income	-	-	390	-	390
Other comprehensive income	-	-	-	(347)	(347)
Balance as at September 30, 2014	229,740	21	(186,501)	171	43,431

See accompanying Notes to the Interim Unaudited Consolidated Financial Statements

³ *Relates to the equity components of convertible debentures and warrants.*

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2015 and 2014

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(\$'000 unless otherwise stated)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	6,444	390	10,625	922
Depreciation	767	699	2,253	2,096
Changes in financial liabilities recognized at fair value	(96)	(154)	187	112
Loss (gain) on sale of property, plant and equipment	-	-	6	10
Amortization and write-off of deferred financing	12	10	29	179
Net financing costs	678	903	2,361	2,804
Deferred income tax expense (recovery)	187	449	5	550
Exchange revaluation of foreign denominated debt	840	530	1,679	583
Working capital adjustments				
Accounts receivable	(255)	1,337	(10,859)	(5,889)
Inventories	6	(7,589)	(2,498)	(13,887)
Accounts payable and accrued liabilities	3,202	1,624	922	6,908
Prepaid expenses	(643)	355	(1,318)	(2,392)
Income and other taxes	(1,796)	107	970	126
Other	512	(950)	284	(699)
Net cash provided by (used in) operating activities	9,858	(2,289)	4,646	(8,577)
Purchase of property, plant and equipment	(1,055)	(199)	(2,993)	(583)
Net cash used in investing activities	(1,055)	(199)	(2,993)	(583)
Term loans - advance (repayment)	(268)	(104)	2,659	(339)
Repayment of long-term debt	(556)	(497)	(1,697)	(1,439)
Conversion of warrants	-	-	-	115
Interest paid	(381)	(624)	(1,528)	(1,983)
Redemption of debentures (Note 9)	-	-	-	(175)
Advance on (repayment of) senior revolving facility	(8,697)	3,211	(2,082)	13,453
Repurchase of common shares	(30)	-	(30)	-
Net cash provided by (used in) financing activities	(9,932)	1,986	(2,678)	9,632
Effect of exchange rate change on cash	32	11	62	12
Increase (decrease) in cash	(1,097)	(491)	(963)	484
Cash - beginning of period	2,443	2,242	2,309	1,267
Cash - end of period	1,346	1,751	1,346	1,751

See accompanying Notes to the Interim Unaudited Consolidated Financial Statements

1 NATURE OF BUSINESS

These consolidated financial statements of Tree Island Steel Ltd. ("Tree Island Steel" or the "Company") for the quarter ended September 30, 2015 were authorized for issue in accordance with a resolution of the Board of Directors on November 5, 2015.

Tree Island Steel is a corporation established under the laws of Canada on August 2, 2012 as a result of the corporate conversion noted below, and is headquartered at 3933 Boundary Road, Richmond, British Columbia, Canada. Tree Island Steel's shares ("Shares") are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol TSL. Tree Island Steel is the successor to Tree Island Wire Income Fund ("Fund").

Tree Island Steel owns 100% of the Shares of Tree Island Industries Ltd. ("TII") (collectively "Tree Island"). TII supplies a diverse range of steel wire and fabricated steel wire products to customers in Canada, the United States, and internationally.

On October 1, 2012, pursuant to an information circular dated August 15, 2012, the Fund was converted, on a tax deferred basis, from an open-ended limited purpose trust to an incorporated corporation (the "Corporate Conversion") pursuant to a plan of arrangement (the "Arrangement") under the Canada Business Corporations Act. Pursuant to the Corporate Conversion, Tree Island Steel acquired all of the outstanding units of the Fund ("Units"), in exchange for shares ("Shares"), on the basis of one Share for each Unit. The 10% Second Lien Convertible Debentures (the "Debentures") became debentures of Tree Island Steel. The Debentures were convertible, but into Shares of Tree Island Steel at the same price at which the Debentures were convertible into units of the Fund, subject to adjustment as provided for in the trust indenture governing the Debentures. The share purchase warrants became warrants of Tree Island Steel (the "Warrants") and continue to be convertible, but into Shares of Tree Island Steel at the same price at which the Warrants were convertible into Units of the Fund, subject to adjustment as provided for in the Warrant Certificates governing the Warrants. As a result of the Corporate Conversion, Tree Island Steel became the sole holder of the outstanding Units. On October 1, 2012, the Fund was dissolved and all of its assets were transferred to, and all of its liabilities were assumed by, Tree Island Steel on that date. The exchange of the Units of the Fund to Tree Island Steel was recorded at the carrying values of the Fund's assets and liabilities on October 1, 2012.

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements as at and for the three month and nine months ended September 30, 2015 have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". They should be read in conjunction with the annual consolidated financial statements and the notes thereto for the year ended December 31, 2014 and do not include all information required for the full annual financial statements. Certain comparative information has been reclassified to conform to the presentation adopted during the period.

3 SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The accounting policies, methods of application and critical judgements and estimates used in the preparation of these consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements as at December 31, 2014.

4 FUTURE IFRS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Unless otherwise indicated below, Tree Island is in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption of these new standards, interpretations, or amendments. At this time, Tree Island does not plan to early adopt any of these new standards, interpretations, or amendments.

IFRS 9 Financial Instruments

The IASB issued IFRS 9 as a first step in the process to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets, and could affect Tree Island's accounting for its financial assets. The standard is required to be adopted for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

5 ACCOUNTS RECEIVABLE

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

(\$'000 unless otherwise stated)

	As at September 30, 2015	As at December 31, 2014
Current	28,595	18,379
30 - 60 days past due	1,183	1,090
61 - 90 days past due	443	356
Over 91 days past due	879	421
Total accounts receivable	31,100	20,246
Allowance for doubtful accounts	(148)	(154)
Net accounts receivable	30,952	20,092

Accounts receivable are non-interest bearing and are generally due on 30-day to 90-day terms. These terms are consistent for related party receivables as disclosed in Note 13. The maximum credit risk that Tree Island was exposed to by way of its accounts receivable is equal to the net amount of \$31.0 million as at September 30, 2015 (\$20.1 million as at December 31, 2014).

At the end of each reporting period a review of the provision for bad and doubtful accounts is performed. It is an assessment of the potential amount of trade accounts receivable that will be paid by customers after the consolidated statements of financial position date. The assessment is made by reference to age, status and risk of each receivable, current economic conditions and historical information. The trade accounts receivable balance is

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reduced through the use of the allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of operations. Reversals to the allowance for doubtful accounts occur when previously allowed for trade accounts receivable are collected. Individual trade accounts receivable, together with any associated allowance previously recognized, are written off when there is no realistic prospect of future recovery.

The following table represents a summary of the movement of the allowance for doubtful accounts:

(\$'000 unless otherwise stated)

	As at September 30, 2015	As at December 31, 2014
Opening balance - January 1	154	189
Additions during the period	69	153
Reversals during the period	(26)	(23)
Payments	(19)	-
Write-offs during the period	(34)	(165)
Foreign exchange revaluation	4	-
Closing balance - September 30	<u>148</u>	<u>154</u>

See Note 15.3 on credit risk of trade receivables to understand how credit quality of accounts receivable that are neither past due nor impaired are managed and measured.

6 INVENTORIES

Tree Island had the following categories of inventory:

(\$'000 unless otherwise stated)

	As at September 30, 2015	As at December 31, 2014
Raw materials	21,378	20,000
Finished and semi-finished products	23,301	26,368
Consumable supplies and spare parts	13,768	9,582
Total inventory	<u>58,447</u>	<u>55,950</u>

At each period end, the ending inventories on hand are reviewed to determine if a write down to net realizable value is required. Based on this review, it was determined that no write downs were necessary in three and nine month periods ended September 30, 2015 and 2014. The reserves for slow moving inventory as at September 30, 2015 were \$2.2 million (\$2.0 million at September 30, 2014).

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For the three and nine month periods ended September 30, 2015 and 2014, Tree Island recognized, in income, inventory costs for the following:

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Opening inventory	58,453	41,659	55,950	35,307
Raw material purchases	32,426	36,914	99,902	101,008
Finished goods purchased for resale	2,346	1,036	6,547	3,049
Conversion costs	16,050	12,401	44,596	35,016
Closing inventory	(58,447)	(49,949)	(58,447)	(49,949)
Cost of sales	50,828	42,061	148,548	124,431

7 PROPERTY, PLANT AND EQUIPMENT

The net book value of the Company's property, plant and equipment is detailed below:

(\$'000 unless otherwise stated)

	Land & Improvement	Building & Improvement	Machinery & Equipment	Capital in Progress	Total
Cost					
As at December 31, 2013	9,201	39,376	17,517	243	66,337
Additions	-	248	788	579	1,615
Disposals	-	-	(31)	-	(31)
Foreign exchange translation	135	511	563	69	1,278
As at December 31, 2014	9,336	40,135	18,837	891	69,199
Additions	-	391	1,926	822	3,139
Disposals	-	-	(11)	-	(11)
Foreign exchange translation	251	975	1,094	67	2,387
As at September 30, 2015	9,587	41,501	21,846	1,780	74,714
Depreciation and impairment					
As at December 31, 2013	-	28,236	7,847	-	36,083
Depreciation for the period	-	1,325	1,497	-	2,822
Disposals	-	-	(22)	-	(22)
Foreign exchange translation	-	369	224	-	593
As at December 31, 2014	-	29,930	9,546	-	39,476
Depreciation for the period	-	1,019	1,232	-	2,251
Disposals	-	-	(5)	-	(5)
Foreign exchange translation	-	721	468	-	1,189
As at September 30, 2015	-	31,670	11,241	-	42,911
Net book value as at					
December 31, 2014	9,336	10,205	9,291	891	29,723
September 30, 2015	9,587	9,831	10,605	1,780	31,803

The carrying value of machinery and equipment held under finance lease as at September 30, 2015 was approximately \$30k (\$73k in 2014) (Note 18.3). The leased asset is pledged as security for the related finance lease.

NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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The carrying value of long-lived assets is reviewed each reporting period. For the purposes of testing for impairment, or the reversal of impairment, Tree Island Steel's assets are grouped and tested at the CGU level. Tree Island considers both qualitative and quantitative factors when determining whether an asset may be impaired, or when a reversal of impairment is required. Where the carrying value of the assets is not expected to be recoverable from future cash flows, they are written down to their recoverable amount. Tree Island has noted no indicators of impairment for this reporting period.

8 SENIOR CREDIT FACILITY

On April 21, 2014 the Company renewed its senior banking facility with Wells Fargo Capital Finance Corporation Canada ("Wells Fargo"). The five year senior secured committed banking facility (the "Senior Credit Facility") was increased from \$40 million to \$60 million and matures in April of 2019. Under the terms of the Senior Credit Facility, up to \$60 million may be borrowed for Tree Island's financing requirements in Canadian and/or US dollars of which \$4.1 million was advanced as a term loan. 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 advanced under the Senior Credit Facility at any time is limited to a defined percentage of inventories, accounts receivable, machinery and equipment, and real estate, less certain reserves. The Senior Credit Facility is secured by a first charge over Tree Island's assets supported by the appropriate guarantees, pledges and assignments, and requires that certain covenants be met by Tree Island.

8.1 Senior Credit Facility

The Senior Credit Facility includes a \$10.0 million Letter of Credit sub-facility which enables TII and TIW to open documentary and standby letters of credit for raw material purchases. There was a \$37k Letter of Credit outstanding as at September 30, 2015.

The amount available under the revolving portion of the Senior Credit Facility is limited to the amount of the calculated borrowing base, less issued Letters of Credit, and less principal due under the Senior Term Loan (Note 8.2). The borrowing base is calculated as 90% of eligible receivables, plus the lesser of (a) 90% of the net orderly liquidation value of inventory and (b) 70% of eligible inventory.

The following amounts are outstanding under the revolving portion of the Senior Credit Facility:

(\$'000 unless otherwise stated)

	As at September 30, 2015	As at December 31, 2014
Revolving portion of the senior credit facility ⁴	31,672	30,553
Deferred financing costs ⁵	(168)	(118)
Total	<u>31,504</u>	<u>30,435</u>

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 Credit Facility falls below a required 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

⁴ The revolving portion of the Senior Credit Facility denominated in US dollars was \$36.0 million (\$32.2 million in 2014) offset by the Canadian dollar portion of the facility which is in a debit position.

⁵ Deferred financing costs are included in other non-current assets on the statement of consolidated financial position.

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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 September 30, 2015, the Company was in compliance with all of its financial covenants on the Senior Credit Facility.

8.2 Senior Term Loans

On June 11, 2012, the Fund, through its subsidiaries, entered into a term loan with Wells Fargo Capital Finance Corporation (the "Senior Term Loan"). The Senior Term Loan was renewed on April 21, 2014 and matures in April of 2019 and is repayable through monthly principal instalments of \$34,375 plus interest at variable rates based on the Canadian prime rate and the Canadian Bankers Acceptance rate. The proceeds of the Senior Term Loan were used to partially settle long-term debt (Note 10).

On April 30, 2015, the Company obtained a second term loan from Wells Fargo in the amount of \$3.2 million for the purchase of capital equipment. The term loan is part of the existing \$60 million Senior Credit Facility and will be amortized over five years with interest 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 funds were advanced on April 30, 2015. Payment of the principal and interest payments began June 1, 2015.

The following amounts are outstanding under the Senior Term Loans:

(\$'000 unless otherwise stated)

	As at September 30, 2015	As at December 31, 2014
Senior term loans - beginning of period	3,850	4,292
Advances	3,187	-
Foreign exchange revaluation	155	-
Payments	(529)	(442)
Senior term loans - end of period	6,663	3,850
Less: current portion	(1,049)	(413)
Total	<u>5,614</u>	<u>3,437</u>

9 DEBENTURES

On January 27, 2014, the Company announced that it would redeem all of its Debentures by March 4, 2014 (the "Redemption Date"). By the Redemption Date, the Company had redeemed \$0.2 million of Debentures. Between January 27, 2014 and the Redemption Date, a total of \$16.0 million in principal value of Debentures were converted to 31,938,800 pre-consolidation Shares, resulting in an increase to shareholders' capital of \$15.3 million (net of proportionate issuance costs of approximately \$0.6 million) offset by charges of \$14.5 million to Debentures, \$0.2 million to the change of control premium and \$0.6 million to the conversion feature.

10 LONG-TERM DEBT

In June of 2012, the Company entered into long-term debt agreements with a trade creditor. The repayment schedule of the long-term debt extends to June 2028 with principal payments over a 10 year amortization period. The interest is non-compounding interest at 4% and commences accruing June 2017 and will become payable monthly over 4 years commencing June 2024. Principal payments, which started in 2009, are monthly in the amounts of US\$0.10 million in years 1 and 2, US\$.11 million in years 3 and 4, US\$0.12 million in years 5, 6 and 7,

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and US\$0.19 million in years 8, 9 and 10. Present value of the debt was determined using discounted cash flows and a credit adjusted discount rate of 9%. The discount rate, together with the stated interest, comprises the debt discount. Using the effective interest rate method, the debt discount is amortized as accretion and charged to interest expense over the term of the amended long-term debt agreements.

The amounts owing under the long-term debts are denominated in US dollars.

A provision exists for early payment of a portion of the principal outstanding if certain conditions are met. As at September 30, 2015 a provision of \$0.2 million (Note 15.1) has been accrued and is included in other noncurrent liabilities.

The elements of the long-term debt are listed below:

(\$'000 unless otherwise stated)

	As at September 30, 2015	As at December 31, 2014
Beginning of period	11,143	11,070
Payments	(1,697)	(1,954)
Foreign exchange revaluation	1,679	964
Accretion of debt discount	885	1,063
End of period	12,010	11,143
Less: current portion	(1,815)	(1,532)
Net long-term debt	<u>10,195</u>	<u>9,611</u>

11 FINANCING EXPENSES

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Non-cash accretion of debt discount and interest on long term debt and debentures (Note 9)	302	262	883	787
Cash interest on debentures (Note 9)	-	-	-	534
Interest on senior credit facility	231	200	761	597
Other interest and financing costs	145	441	717	886
Amortization of deferred financing costs	12	10	29	179
Total	<u>690</u>	<u>913</u>	<u>2,390</u>	<u>2,983</u>

A one-time write-off of the deferred financing fees in association with the renewal of the Senior Credit Facility was incurred in April 2014.

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12 SHAREHOLDERS' CAPITAL

Tree Island is authorized to issue an unlimited number of Shares. The Shares have no par value. There were no Shares issued and 10,400 Shares were repurchased (totaling \$30k at an average price of \$2.89 per Share) and cancelled in the nine months ended September 30, 2015. Shares issued and outstanding are as follows:

(\$'000 except for Shares)

	Shares	Gross	Issuance Cost ⁶	Net
Shareholders' capital - December 31, 2013	28,546,350	225,707	11,400	214,307
Conversion of convertible debentures	31,938,800	15,320	-	15,320
Conversion of warrants	202,500	115	-	115
Effect of share consolidation	(30,343,827)	-	-	-
Conversion of warrants	798,750	932	-	932
Shareholders' capital - December 31, 2014	31,142,573	242,074	11,400	230,674
Repurchase of common shares	(10,400)	(30)	-	(30)
Shareholders' capital - September 30, 2015	31,132,173	242,044	11,400	230,644

Subsequent to September 30, 2015, a further 20,300 Shares were cancelled prior to November 5, 2015 (the average price paid was \$2.88 per share for a total amount of \$59k). The total number of Shares outstanding as of November 5, 2015 is 31,111,873.

12.1 NORMAL COURSE ISSUER BID

On September 21, 2015, the Company renewed its normal course issuer bid (the "Bid") to purchase up to 800,000 Shares. The expiration date of the normal course issuer bid is September 20, 2016 or at an earlier date should Tree Island complete its purchases. Tree Island has no obligation to purchase any Shares under the Bid.

For the period January 1, 2015 to September 16, 2015 the Company purchased 10,400 Shares under the previous normal course issuer bid that expired on September 16, 2015 and were cancelled prior to September 30, 2015. As at November 5, 2015, a further 26,500 Shares was purchased under the Bid, of which 20,300 Shares were cancelled between October 1, 2015 and November 5, 2015.

13 RELATED PARTY TRANSACTIONS

13.1 TRANSACTIONS WITH ASSOCIATED COMPANIES

The Futura Corporation ("Futura") is considered to be a related party to the Company because of its share ownership interest and the fact that Mr. Doman, the sole shareholder and president of Futura, and Mr. Rosenfeld, the Executive Vice President of Futura, sit on the Board of Directors.

Based on Tree Island Steel's outstanding Shares as at November 5, 2015, Futura owns 27.4% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of CanWel Building Materials Group Ltd. ("CanWel"). For the three and nine ended September 30, 2015, Tree Island sold, net of rebates, approximately \$0.8 million and \$2.5 million respectively (\$0.7 million and \$2.4 million respectively in 2014) of goods to CanWel and trade accounts receivable

⁶ Issuance costs were incurred as a result of the November 2002 Initial Public Offering and October 2004 Secondary Offering.

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owing from CanWel as at September 30, 2015 is approximately \$0.1 million (approximately \$0.2 million in 2014). Outstanding trade accounts receivable from CanWel at period end are unsecured, interest free and settlement occurs in cash.

13.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three and nine months ended September 30, 2015 was approximately \$0.5 million and \$1.5 million respectively (approximately \$0.4 million and \$1.7 million respectively in 2014) which includes wages, salaries, share-based compensation (if any) and social security contributions, paid annual and sick leave, vehicle costs and bonuses. It also includes directors' fees paid to members of the Board.

14 INCOME TAXES

A provision for income taxes is recognized for Tree Island, TII, and its wholly owned subsidiaries.

14.1 INCOME TAX RECOVERY (EXPENSE)

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

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current tax recovery (expense)	1,797	(106)	(969)	(126)
Deferred tax recovery (expense)	(187)	(449)	(5)	(550)
Total recorded in the Statement of Operations	<u>1,610</u>	<u>(555)</u>	<u>(974)</u>	<u>(676)</u>

15 FINANCIAL INSTRUMENTS

15.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

Tree Island records certain of its financial instruments at fair value using various techniques. These include estimates of fair values based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as discounted cash flow analysis and option pricing models, using, to the extent possible, observable market-based inputs.

The fair values of the financial assets and financial liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash, accounts receivable, the revolving portion of the Senior Credit Facility and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term nature of these instruments;
- Fair value on the Company's finance lease, Senior Term Loan, and long-term debt are based on estimated market interest rate on similar borrowings. The fair value of the finance lease and Senior Term Loan approximate fair value as the interest rates approximate market. A 1% change in the market interest rate would change the fair value of long term debt by \$0.6 million;

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- Fair value of the early payment option was estimated using a discounted cash flow analysis and a discount rate of 9%;
- Fair value of the commodity purchase contract embedded derivatives are estimated using observable spot rates for zinc; and
- Fair value of the forward exchange forward contracts are estimated using observable foreign exchange spot and forward rates. The Company does not consider interest rates or the credit quality of counterparties as significant inputs to the valuation.

(\$'000 unless otherwise stated)

	As at September 30, 2015		As at December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash investments	1,346	1,346	2,309	2,309
Accounts receivable	30,952	30,952	20,092	20,092
Foreign exchange forward contracts	-	-	172	172
Total financial assets	32,298	32,298	22,573	22,573
Senior revolving facility	31,672	31,672	30,553	30,553
Accounts payable and accrued liabilities	20,399	20,399	18,758	18,758
Finance lease	30	30	58	58
Senior term loans	6,663	6,663	3,850	3,850
Long-term debt	12,010	12,337	11,143	12,094
Early payment option	191	191	299	299
Commodity purchase contract embedded derivative	326	326	138	138
Total financial liabilities	71,291	71,618	64,799	65,750

15.2 FAIR VALUE HIERARCHY

The financial instruments have been categorized on a fair value hierarchy based on whether the inputs to those valuation techniques are observable (inputs reflect market data obtained from independent sources) or unobservable (inputs reflect the Company's market assumptions).

The three levels of fair value estimation are:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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The following table summarizes the classification of the Company's financial assets and liabilities into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

(\$'000 unless otherwise stated)

	September 30, 2015	Level 2	Level 3
Senior revolving facility	31,672	31,672	-
Finance lease	30	30	-
Senior term loans	6,663	6,663	-
Long-term debt	12,337	-	12,337
Early payment option	191	-	191
Commodity purchase contract embedded derivative	326	326	-

The balance of the early payment option was revised to \$0.2 million (\$0.4 million in 2014) to adjust to the value of the option as at September 30, 2015.

A description of significant observable inputs to valuation of financial instruments measured at fair value and classified as level 2 or 3 in the fair value hierarchy is noted below:

Item	Valuation Technique	Significant Observable Inputs	Sensitivity of the input to fair value
Early payment option	DCF	Increase / decrease in dollar value of purchases that qualify for early payment	A 5% increase (decrease) in the dollar value of purchases that qualify for the early payment option will result in an increase (decrease) in fair value of approximately \$10k
	DCF	Change in discount rate	A 1% increase in the discount rate will result in an increase in fair value of approximately \$34k and a 1% decrease in the discount rate will result in a decrease in fair value of approximately \$37k
Long-term debt	DCF	Change in discount rate	A 1% increase (decrease) in the discount rate will result in a decrease (increase) in fair value of approximately \$547k

15.3 RISK EXPOSURE AND MANAGEMENT

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

15.3.1 CREDIT RISK

Credit risk consists of credit losses arising in the event of non-payment of accounts receivable of customer accounts. However, the credit risk is minimized through selling to well-established customers of high-credit quality. The credit worthiness of customers is assessed using credit scores supplied by a third party and through direct monitoring of their financial well-being on a continual basis. Management establishes guidelines for customer

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credit limits and should thresholds in these areas be reached, appropriate precautions are taken to improve collectability. Provisions for potential credit losses (allowance for doubtful accounts) are maintained and any such losses to date have been within management's expectations.

15.3.2 LIQUIDITY RISK

Liquidity arises from our financial obligations and in the management of our assets, liabilities and capital structure. This risk is managed by regular evaluation of our liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner.

The main factors that affect liquidity include realized sales prices, production levels, cash production costs, working capital requirements, future capital expenditure requirements, scheduled payments on financial liabilities and lease obligations, credit capacity and expected future debt and equity capital market conditions.

The table below summarizes the future undiscounted contractual cash flow requirements for financial liabilities (including scheduled interest payments on interest bearing liabilities) as at September 30, 2015 and December 31, 2014:

(\$'000 unless otherwise stated)

	Carrying Amount	Contractual Cash Flow	Less Than 1 Year	1 – 2 Years	Greater Than 2 Years
Senior revolving facility	31,672	31,672	31,672	-	-
Accounts payable and accrued liabilities	20,399	20,399	20,399	-	-
Finance lease	30	35	2	18	15
Senior term loans	6,663	6,663	309	825	5,529
Long-term debt	12,010	18,615	2,568	3,530	12,517
As at September 30, 2015	<u>70,774</u>	<u>77,384</u>	<u>54,950</u>	<u>4,373</u>	<u>18,061</u>
Senior revolving facility	30,553	30,553	30,553	-	-
Accounts payable and accrued liabilities	18,758	18,758	18,758	-	-
Finance lease	58	64	35	15	14
Senior term loans	3,850	3,850	413	825	2,612
Long-term debt	11,413	18,421	1,528	3,283	13,610
As at December 31, 2014	<u>64,632</u>	<u>71,646</u>	<u>51,287</u>	<u>4,123</u>	<u>16,236</u>

Liquidity requirements are met through a variety of sources including cash balances on hand, cash generated from operations, existing credit facilities, and debt and equity capital markets. Management monitors and manages liquidity risk by preparing annual budgets, monthly projections to the end of the fiscal year and regular monitoring of financial liabilities against the constraints of the available revolving credit facilities.

15.3.3 FOREIGN CURRENCY RISK

The significant market risk exposures affecting the financial instruments are those related to foreign currency exchange rates and interest rates. For the period ending September 30, 2015, a \$0.01 increase (decrease) in the Canadian dollar to US dollar exchange rate will increase (decrease) net comprehensive income by \$0.2 million.

Tree Island's US dollar-denominated cash, accounts receivable, accounts payable and accrued liabilities, Senior Credit Facility and long-term debt are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with changes in the US/Canadian dollar exchange rate. Tree Island's RMB denominated cash, accounts receivable, accounts payable and accrued liabilities, the total amount for which are

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not considered material, are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with changes in the RMB/Canadian dollar exchange rate. The Company enters into US dollar currency forward contracts for periods consistent with a portion of US dollar currency transaction exposures, generally from one to three months. These are not designated as cash flow, fair value or net investment hedges. As of September 30, 2015, the Company had no outstanding US dollar currency forward contracts.

15.3.4 INTEREST RATE RISK

Tree Island is exposed to interest rate risk on its Senior Credit Facility, which is further discussed in Note 8. A one percent increase in the interest rates charged on the Senior Credit Facility would increase financing expenses by \$0.3 million annually. Tree Island does not use derivative instruments to manage the interest rate risk.

15.3.5 RAW MATERIAL PRICE RISK

Tree Island is exposed to changes in the price of the materials used in its production process and, from time to time, enters into forward contracts to purchase a portion of the zinc used. These are not designated as cash flow, fair value or net investment hedges. As at September 30, 2015, the fair value of zinc forward contracts was a notional amount of \$1.7 million and the mark to market liability on those contracts was \$0.3 million.

16 MANAGEMENT OF CAPITAL

The Company's objectives when managing its capital are:

- To maintain a capital base so as to preserve and enhance investor, creditor, and market confidence and to sustain viability and future development of the business; and
- To manage capital in a manner that will comply with the financial covenants on the Senior Credit Facility, term loan and long-term debt agreements as described further in Notes 8.1, 8.2, 9 and 10.

Management manages the capital structure in accordance with these objectives, as well as considerations given to changes in economic conditions and the risk characteristics of the underlying assets, in particular by close monitoring of cash flows and compliance with external debt covenants.

(\$'000 unless otherwise stated)

	As at September 30, 2015	As at December 31, 2014
Total shareholders' equity	52,683	44,098
Senior revolving facility	31,672	30,553
Senior term loans	6,663	3,850
Long-term debt	12,010	11,143
Total capital	<u>103,028</u>	<u>89,644</u>

17 NET INCOME PER SHARE

Basic earnings per Share amounts are calculated by dividing net income for the year by the weighted average number of Shares outstanding during the year.

Diluted earnings per Share amounts are calculated by dividing the net income for the year (after adjusting for interest and accretion, net of tax) by the weighted average number of Shares outstanding during the year plus the

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weighted average number of Shares that would be issued on conversion of all the dilutive potential units into Shares. As at September 30, 2015 the Company does not have any instruments issued that could be dilutive.

As a result of the Share Consolidation in 2014, all Shares and per Share amounts have been restated to retroactively reflect the Share Consolidation.

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

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Net income for the year	6,444	390	10,625	922
Weighted average number of shares outstanding:				
Basic	31,139,944	30,343,825	31,141,694	30,343,823
Dilutive effect of warrants	-	1,013,911	-	1,038,903
Diluted	<u>31,139,944</u>	<u>31,357,736</u>	<u>31,141,694</u>	<u>31,382,726</u>
Net income per share - basic (\$/share)	0.21	0.01	0.34	0.03
Net income per share - diluted (\$/share)	0.21	0.01	0.34	0.03

10,400 Shares were cancelled for the nine months ended September 30, 2015 and a further 20,300 Shares were cancelled up to November 5, 2015 (Note12).

18 PROVISIONS AND COMMITMENTS

18.1 LITIGATION AND CLAIMS

Tree Island is party to certain legal actions and claims, none of which individually, or in the aggregate, is expected to have a material adverse effect on its financial position, statement of operations or cash flows.

18.2 PURCHASE COMMITMENTS

As at September 30, 2015, Tree Island's wholly owned subsidiaries have committed to raw material purchases totalling \$25.8 million (\$43.6 million – September 30, 2014) and imported finished goods purchases totalling \$2.2 million (\$1.5 million – September 30, 2014).

NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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18.3 FINANCE LEASE COMMITMENTS

Tree Island has a finance lease for certain machinery and equipment which bears interest at 7.4% and matures in September 2019. Future minimum lease payments under the finance lease with the present value of the net minimum lease payments are as follows:

(\$'000 unless otherwise stated)

	2015		2014	
	<u>Minimum Payments</u>	<u>Present Value of Payments</u>	<u>Minimum Payments</u>	<u>Present Value of Payments</u>
Less than 1 year	2	2	51	47
1 to 5 years	33	29	30	26
Total minimum lease payments	35	31	81	73
Less amounts representing finance charges	(5)	-	(8)	-
Present value of minimum lease payments	30	31	73	73

19 SEGMENTED INFORMATION

19.1 MARKET SEGMENTS

Revenues for each group for the three and nine months ended September 30, 2015 and 2014 were as follows:

(\$'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Industrial	23,727	18,956	64,134	54,842
Residential	19,189	13,967	56,377	40,087
Commercial	9,312	7,433	24,534	21,327
Agricultural	5,276	3,041	18,278	12,919
Specialty	3,904	4,578	13,669	12,504
Total revenue	61,408	47,975	176,992	141,679

Tree Island operates primarily within one industry, the steel wire products industry, with no separately reportable operating segments. Tree Island groups its products into the following: industrial, residential construction, commercial construction, agricultural and specialty. No one customer is more than 10% of total revenue.

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19.2 GEOGRAPHIC SEGMENTS

The products are sold primarily to customers in the United States and Canada and are attributed to geographic areas based on the location of customers:

(\$'000 unless otherwise stated)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
United States	42,689	31,113	121,650	90,777
Canada	17,461	15,826	51,736	47,522
International	1,258	1,036	3,606	3,380
Total revenue	<u>61,408</u>	<u>47,975</u>	<u>176,992</u>	<u>141,679</u>

Non-current assets for this purpose consist of property, plant and equipment and other non-current assets. These assets are attributed to geographic areas based on the locations of the subsidiary company owning the assets.

(\$'000 unless otherwise stated)

	As at September 30,	December 31,
	<u>2015</u>	<u>2014</u>
United States	9,004	7,766
Canada	22,966	22,073
China	2	2
Total non-current assets	<u>31,971</u>	<u>29,841</u>

SHAREHOLDER INFORMATION

TREE ISLAND STEEL
LTD.

Board of Directors:

Amar S. Doman –
Chairman of the Board

Dale R. MacLean

Peter Bull

Harry Rosenfeld

Michael Fitch

Sam Fleiser

Theodore A. Leja

Leadership Team:

Dale R. MacLean
*President and Chief
Executive Officer*

Nancy Davies
*Chief Financial Officer and
Vice President, Finance*

Stephen Ogden
Vice President, Operations

Remy Stachowiak
*Vice President, Sales and
Marketing*

James Miller
*Vice President, Corporate
Development and
Procurement*

Shares:

Market Information

Tree Island Steel Ltd., is
listed on the Toronto Stock
Exchange trading symbol:
TSL.

Registrar and Transfer Agent

Computershare Investor
Services Inc.

Corporate Head Office:

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Richmond, B.C.
Canada, V6V 1T8

Website:

www.treeisland.com

Investor Relations:

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

Auditors:

Ernst & Young LLP
Vancouver, B.C.

