TREE ISLAND STEEL

WIRE & WIRE PRODUCTS

ESTABLISHED IN 1964

Quarterly Report

June 30, 2026

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

Our products include welded wire mesh, fencing, galvanized wire, bright wire, a broad array of fasteners, stucco reinforcing products, and other fabricated wire products. We market these products under the Tree Island®, Halsteel®, TrueSpec®, K-Lath®, TI Wire®, ToughStrand® and ToughPanel® brand names.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The following is a discussion of the financial condition and results of operations of Tree Island Steel Ltd. ("Tree Island", "Tree Island Steel" or the "Company") and its wholly owned subsidiaries. This discussion is current to August 13, 2026 and should be read in conjunction with the interim unaudited condensed consolidated financial statements as at June 30, 2026 and for the three and six months ended June 30, 2026. Tree Island Steel's interim unaudited condensed consolidated financial statements are prepared in accordance with IFRS Accounting Standards ("IFRS") and are reported in Canadian dollars. Additional information relating to Tree Island Steel, including the audited consolidated financial statements and Annual Information Form ("AIF") for the year ended December 31, 2025, can be found at www.sedarplus.ca or on Tree Island Steel's website at www.treeisland.com.

1 FORWARD LOOKING STATEMENTS AND RISK

This management's discussion and analysis ("MD&A") includes forward-looking information with respect to Tree Island Steel, including our business, operations and strategies, as well as financial performance and conditions. The use of forward-looking words such as,"may," "will," "expect" or similar variations generally identify such statements. Any statements that are not statements of historical fact should be considered to be forward-looking statements. Although we believe that the forward-looking statements are reasonable, they involve risks and uncertainties, including the risks and uncertainties discussed under the heading "Risks Relating to the Company's Business" in the Company's AIF for the year ended December 31, 2025.

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

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

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

2 NON-IFRS MEASURES

References in this MD&A to “Adjusted EBITDA” is defined as operating income adjusted by adding back total depreciation and foreign exchange gains or losses. Adjusted EBITDA is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. We believe that providing an Adjusted EBITDA is an important supplemental measure for evaluating our performance. You are cautioned that our definition of Adjusted EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS, nor should it be used as an indicator of performance, cash flows from operating, investing and financing activities, as a measure of liquidity or cash flows. Our method of calculating Adjusted EBITDA may differ from methods used by other issuers and, accordingly, our definition of Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

3 TREE ISLAND STEEL

Since 1964, Tree Island has been manufacturing products from steel wire for a diverse range of customers and applications. Tree Island Steel, following a conversion from an income trust to a corporate entity, was incorporated under the laws of Canada on August 2, 2012, and the units of the income fund were converted to common shares in Tree Island Steel. There were 25,846,271 Shares outstanding as of June 30, 2026.

3.1 ORGANIZATIONAL STRUCTURE

Our corporate structure has the following primary entities: Tree Island Industries Ltd., (“TI Canada”), 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 U.S. operating subsidiary, Tree Island Wire (“TI USA”). In addition, the land and buildings for our operations in Richmond, BC and Calgary, AB are owned and managed by Tree Island Property Holdings Ltd. ("Tree Island Property Holdings"), a subsidiary of our parent company.

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 with our customers’ needs. We achieve this by manufacturing most of our products at our own manufacturing facilities, while outsourcing others to qualified manufacturers. We market these products to customers in Canada, the United States and internationally.

We market our products under the following brands:

We offer consistent, high quality wire and wire products which meet or exceed customers' needs, ASTM standards and applicable codes, as well as a broad range of applications, technical support and excellent customer service.

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

3.3 MARKETS

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

Markets	Brand	Key Product Groups	Specific End-Use Market	Regions
Industrial	Tree Island® TI Wire®	Bright/galvanized/annealed low and high carbon wire	Wire fabricating, industrial applications, OEM manufacturing	North America and International
Agricultural	Tree Island®, ToughStrand®, ToughPanel®	Game fence and farm fence Vineyard wire and barbed wire Livestock panels	Agriculture, farming	North America
Commercial Construction	Tree Island®	Welded wire mesh Concrete reinforcing products	Commercial construction, mining, infrastructure projects	North America and International
Residential Construction	Tree Island®, Halsteel®, TrueSpec®, K-Lath®,	Collated, bulk and packaged nails Stucco reinforcing mesh Welded wire panels	Construction and renovation for new and existing homes	North America

3.4 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.

4 2026 BUSINESS OVERVIEW AND DEVELOPMENT

4.1 BUSINESS OVERVIEW

For the three-months ended June 30, 2026, revenues, net of freight and distribution costs, increased by $3.5 million, or 8.3% to $45.8 million from $42.3 million in the same period of 2025, The increase was primarily driven by continued growth in Canadian sales, primarily in the agricultural and industrial segments, and reflecting the Company's strategic focus on expanding its domestic market share.

For the six months ended June 30, 2026, revenues, net of freight and distribution costs, decreased by $6.1 million, or 6.6% to $86.4 million from $92.5 million in 2025. The decline primarily reflected lower U.S. sales volumes resulting from the impact of tariffs and the Company's ongoing strategic withdrawal from unprofitable product lines in 2025.

The Company achieved higher average selling prices during the quarter to recover higher raw material costs. Gross profit for the quarter was $3.5 million, compared to $3.8 million in the prior-year period, while year-to-date gross profit was $6.0 million compared to $7.8 million in the first six months of 2025. The decline primarily reflected lower U.S. sales volumes and reduced production volumes. Adjusted EBITDA for the quarter was $1.8 million compared to $2.3 million in the prior-year period, while year-to-date adjusted EBITDA was $2.7 million compared to $4.4 million in the first six months of 2025, primarily due to lower operating income and the impact of the foreign exchange translation.

For the period January 1, 2026 to June 30, 2026, the Company repurchased 58,647 shares under the normal course issuer bid ("NCIB") at a total cost of $150 thousand (at an average price of $2.56 per share).

4.2 DUTIES ON CERTAIN U.S. WIRE EXPORTS

The Company has been advised that certain shipments of wire produced in Canada and then subsequently sold to the U.S. from 2019 onwards should be subject to U.S. duties. The Company disagrees and is appealing the matter. The Company has remitted the assessed $1.0 million USD in duties and recognized it in other non-current assets.

In addition, in 2025, the Company determined it owed and accrued duties from certain other shipments from 2021 and 2022 in the amount of $1.0 million USD ($1.3 million CAD) and $0.6 million USD ($0.8 million CAD) respectively which was paid in the quarter ending June 30, 2026.

4.3 U.S. AND CANADIAN TARIFFS

With the evolving U.S. and Canada tariff environment, the Company continues to adjust its sales, operations and sourcing strategies. In April, a 10% tariff was added on to steel derivative products made with U.S. melt. This applies to a subset of the Company's U.S. sales and these costs are being passed-through to the affected customers.

5 SUMMARY FINANCIAL INFORMATION

($'000 unless otherwise stated)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Results from Operations:				
Revenue	48,551	44,494	91,596	97,795
Freight and distribution costs	(2,720)	(2,156)	(5,187)	(5,266)
Subtotal	45,831	42,338	86,409	92,529
Cost of sales	(40,901)	(37,095)	(77,643)	(81,952)
Depreciation	(1,407)	(1,382)	(2,769)	(2,776)
Gross Profit	3,523	3,861	5,997	7,801
Selling, general and administrative expenses	(2,827)	(3,142)	(5,571)	(6,436)
Operating Income	696	719	426	1,365
Foreign exchange gain (loss)	(306)	252	(514)	262
Other expenses	(182)	(263)	(454)	(443)
Interest income	40	24	46	51
Financing expenses	(448)	(540)	(876)	(1,053)
Income (loss) before income taxes	(200)	192	(1,372)	182
Income tax	-	-	-	-
Net Income (loss)	(200)	192	(1,372)	182
Net Income (loss) per share	(0.01)	0.01	(0.05)	0.01

Financial position as of:	June 30, 2026	December 31, 2025
Total assets	168,176	154,880
Total non-current financial liabilities	28,454	28,073

Adjusted EBITDA:	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Operating Income	696	719	426	1,365
Add back depreciation	1,407	1,382	2,769	2,776
Foreign exchange gain (loss)	(306)	252	(514)	262
Adjusted EBITDA	1,797	2,353	2,681	4,403

6 COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2026 AND 2025

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
REVENUE NET OF FREIGHT AND DISTRIBUTION COSTS	45,831	42,338	3,493	8.3%

Revenues for Q2 2026 increased by 8.3% compared to the prior year period, reflecting higher sales in the Industrial and Agricultural market segments and higher average selling prices across all segments. The Company continues its strategic focus on expanding its Canadian market share.

Revenue Net of Freight and Distribution Costs by Market Segment

	Three Months Ended June 30,					
	2026		2025		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
Industrial	14,181	31.0%	10,954	25.9%	3,227	29.5%
Commercial	14,929	32.6%	15,146	35.7%	(217)	(1.4%)
Agricultural	6,161	13.4%	4,359	10.3%	1,802	41.3%
Residential	10,560	23.0%	11,879	28.1%	(1,319)	(11.1%)
Total	45,831	100.0%	42,338	100.0%	3,493	8.3%

Revenue Net of Freight and Distribution Costs by Customer Location

	Three Months Ended June 30,					
	2026		2025		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	15,676	34.2%	18,284	43.2%	(2,608)	(14.3%)
Canada	29,164	63.6%	23,230	54.9%	5,934	25.5%
International	991	2.2%	824	1.9%	167	20.3%
Total	45,831	100.0%	42,338	100.0%	3,493	8.3%
Average C$/U.S.$	1.38		1.38			

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
COST OF SALES	40,901	37,095	(3,806)	(10.3%)

Cost of sales increased compared to the same period in the prior year, mainly due to higher sales volumes, and increased material costs, partially offset by lower labour and overhead costs resulting from headcount reductions and continued cost control initiatives.

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
GROSS PROFIT	3,523	3,861	(338)	(8.8%)

Gross profit was lower due to higher raw material costs, resulting from a higher proportion of Canadian and U.S. wire rod, and lower production volumes. These were partially mitigated through increases in selling prices, which the Company continues to implement when and where possible.

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
SG&A	2,827	3,142	315	10.0%

SG&A expenses were lower when compared to prior period, primarily due to reduced headcount which resulted in lower salaries and employee related costs.

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
INTEREST INCOME	40	24	16	69.9%

Interest income increased in the quarter primarily due to non- recurring interest received.

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
FINANCING EXPENSES	448	540	92	17%

Financing expenses decreased, mainly from lower imported raw material financing costs, partly offset by interest on revolving credit facility advances.

Financing Expenses

	Three Months Ended June 30,			
			Variance Fav/(Unfav)	
	2026	2025	Amount	%
Interest and fees on senior revolving credit facility	99	74	(25)	(33.1%)
Interest on lease liability	277	292	15	5.0%
Other interest expense	49	155	106	68.5%
Deferred financing costs	23	19	(4)	(23.5%)
Total financing expenses	448	540	92	17.0%

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
FOREIGN EXCHANGE GAIN (LOSS)	(306)	252	(558)	(221.4%)

Our Canadian operations, whose functional currency is the Canadian dollar, has a portion of its assets, liabilities, sales and expenses denominated in currencies other than the Canadian dollar, in particular the U.S. dollar. With raw material costs being denominated in U.S. dollars, having a portion of our sales also being denominated in U.S. dollars creates a natural partial hedge. Foreign exchange gains and losses are unpredictable in nature and therefore can vary significantly over time. Compared to the same period in the prior year, foreign exchange results were negatively impacted by the foreign currency translation on U.S. denominated financial assets and liabilities. As at June 30, 2026, the Company did not have any U.S. dollar currency forward contracts outstanding.

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
OTHER EXPENSES	182	263	81	30.8%

Other expenses were lower compared to prior year quarter, because the prior-year quarter included severance costs. The current quarter primarily consisted of legal and compliance expenses related to trade and tariff matters.

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
INCOME TAX	-	-	-	N/A

Income tax expense is based on a statutory rate of 27.0% for Canadian taxable income and 29.8% for the U.S. based taxable income applied to the income of the respective subsidiaries before taxes, with adjustments for permanent differences between accounting and taxable income. The Company did not recognize any current or deferred income tax expense for the three-month periods ended June 30, 2026 and 2025.

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
NET INCOME (LOSS)	(200)	192	(392)	(204.2%)

The Company reported a loss compared to prior year due to a combination of the factors described above and the impact of the foreign exchange translation in the quarter.

7 COMPARISON OF RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2026 AND 2025

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
REVENUE NET OF FREIGHT AND DISTRIBUTION COSTS	86,409	92,529	(6,120)	(6.6%)

Revenues decreased by 6.6% compared to the same period in the prior year mainly due to lower U.S. sales volumes in the first quarter resulting from tariffs and the strategic withdrawal from unprofitable products, partially offset by increased sales in Canada.

Revenue Net of Freight and Distribution Costs by Market Segment

	Six Months Ended June 30,					
	2026		2025		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
Industrial	28,139	32.6%	30,323	32.8%	(2,184)	(7.2%)
Commercial	26,284	30.4%	27,070	29.3%	(786)	(2.9%)
Agricultural	13,399	15.5%	14,739	15.9%	(1,340)	(9.1%)
Residential	18,587	21.5%	20,397	22.0%	(1,810)	(8.9%)
Total	86,409	100.0%	92,529	100.0%	(6,120)	(6.6%)

Revenue Net of Freight and Distribution Costs by Location

	Six Months Ended June 30,					
	2026		2025		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	27,860	32.2%	44,993	48.6%	(17,133)	(38.1%)
Canada	56,293	65.1%	45,664	49.4%	10,629	23.3%
International	2,256	2.7%	1,872	2.0%	384	20.5%
Total	86,409	100.0%	92,529	100.0%	(6,120)	(6.6%)
Average C$/U.S.$	1.38		1.41			

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
COST OF SALES	77,643	81,952	4,309	5.3%

Cost of sales decreased compared to the prior period, primarily due to lower sales volumes and reductions in headcount and operating costs to align producton with demand.

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
GROSS PROFIT	5,997	7,801	(1,804)	(23.1%)

Gross profit was lower due to lower sales and production volumes and higher material costs.

($'000 unless otherwise stated)	**2026**	**2025**	**Variance Fav/(Unfav)**	
SG&A	5,571	6,436	865	13.4%

SG&A expenses were lower compared to prior period primarily due to reduced headcount which resulted in lower salaries and employee related costs.

($'000 unless otherwise stated)	2026	2025	Variance Fav/(Unfav)	
FOREIGN EXCHANGE GAIN (LOSS)	(514)	262	(776)	(296.2%)

Our Canadian operations, whose functional currency is the Canadian dollar, has a portion of its assets, liabilities, sales and expenses denominated in currencies other than the Canadian dollar, in particular the U.S. dollar. With raw material costs being denominated in U.S. dollars, having a portion of our sales also being denominated in U.S. dollars creates a natural partial hedge. Foreign exchange gains and losses are unpredictable in nature and therefore can vary significantly over time. Compared to the same period in the prior year, foreign exchange results were negatively impacted by the foreign currency translation on U.S.denominated financial assets and liabilities. As at June 30, 2026, the Company did not have any U.S. dollar currency forward contracts outstanding.

($'000 unless otherwise stated)	2026	2025	Variance Fav/(Unfav)	
OTHER EXPENSES	454	443	(11)	(2.5%)

Other expenses primarily consisted of severance costs and legal and compliance expenses related to trade and tariff matters.

($'000 unless otherwise stated)	2026	2025	Variance Fav/(Unfav)	
INTEREST INCOME	46	51	(5)	(9.8%)

Interest income decreased compared with the same period in 2025, primarily due to lower cash balances.

($'000 unless otherwise stated)	2026	2025	Variance Fav/(Unfav)	
FINANCING EXPENSES	876	1,053	177	16.8%

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

Financing Expenses	Six Months Ended June 30,			
			Variance Fav/(Unfav)	
	2026	2025	Amount	%
Interest and fees on senior revolving credit facility	173	85	(88)	(103.5%)
Interest on lease liability	552	597	45	7.5%
Other interest expense	106	340	234	68.8%
Deferred financing costs	45	31	(14)	(43.8%)
Total financing expenses	876	1,053	177	16.8%

($'000 unless otherwise stated)	2026	2025	Variance Fav/(Unfav)	
INCOME TAX EXPENSE	0	0	-	N/A

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

($'000 unless otherwise stated)	2026	2025	Variance Fav/(Unfav)	
NET INCOME (LOSS)	(1,372)	182	(1,554)	(853.8%)

The Company reported a loss compared to the same period in the prior year due to lower sales and production volumes, higher material costs and the impact of the foreign exchange translation.

8 FINANCIAL CONDITION AND LIQUIDITY

8.1 WORKING CAPITAL

A summary of the composition of our working capital, excluding certain items, as at June 30, 2026 compared to 2025 is provided below:

($'000 unless otherwise stated)	As at June 30, 2026	As at December 31, 2025	As at June 30, 2025
Cash	872	1,429	3,191
Accounts receivable	28,448	17,386	24,768
Inventories	54,695	53,733	53,813
Other current assets	10,950	8,102	8,572
	94,965	80,650	90,344
Senior Revolving credit facility	(5,738)	(982)	(659)
Accounts payable and accrued liabilities	(24,773)	(15,426)	(18,323)
Dividends payable	-	(389)	(389)
	(30,511)	(16,797)	(19,371)
Net balance	64,454	63,853	70,973

We define working capital as current assets less current liabilities. Current assets include cash, accounts receivable, inventories and other current assets. Current liabilities include accounts payable and accrued liabilities, dividends payable and other current liabilities and excludes current portions of long-term borrowings and ROU lease liabilities.

Our business requires an ongoing investment in working capital, comprised primarily of accounts receivable and inventories, financed primarily by accounts payable and accrued liabilities. Our largest investment in working capital is in our inventories. We have arrangements with our key suppliers to provide us with financing or trade credit for the purchase of the raw materials needed for our operations. Our working capital balances are subject to a high degree of seasonality.

Our investment in working capital fluctuates from quarter-to-quarter, based on factors such as seasonal sales demand, strategic purchasing decisions taken by management, and the timing of collections from customers and payments made to our suppliers. Sales and working capital requirements may be higher during seasonal peaks.

The reduction in cash was mainly due to payments related to tax reassessments and tariff duties. Cash is an integral part of the Company's working capital and is used to finance day-to-day operations, capital expenditures, and other strategic investments. The Company continuously evaluates its cash balances to maintain an appropriate level to meet its operational and strategic needs while preserving financial stability.

Accounts receivable increased as at June 30, 2026 compared to both June 30, 2025 and December 31, 2025 primarily due to higher sales in the later part of the second quarter of 2026 and the timing of customer payments. We manage our accounts receivable and the related credit risk by focusing on the credit worthiness of customers, by assigning credit scores supplied by a third party and through direct monitoring of their financial well-being on a continual basis. We have established guidelines for customer credit, and appropriate precautions are taken to improve collectability or limit increasing credit exposure. We maintain provisions for potential credit losses (allowance for doubtful accounts) and such losses to date have been within our expectations.

Inventory volumes as at June 30, 2026 were lower compared to June 30, 2025 and December 31, 2025; however, total inventory value remained in line with prior periods due to higher unit costs. We manage our inventories with an emphasis on a regular inflow of raw materials to meet our production needs balanced with strategic purchases, barring unforeseen events, impacting potential end markets. We have also established processes to regularly adjust the production levels of finished goods stocked in our warehouses so that we can satisfy customer needs, growth requirements and meet our objective of maintaining adequate inventories on hand.

The increase in accounts payable and accrued liabilities at June 30, 2026 compared to June 30, 2025 and December 31, 2025 was primarily due to increased purchases on traditional trade credit terms rather than steel trader-arranged financing.

Our objective for managing the investment in working capital is to maximize the turnover of accounts receivable and inventories. We work with our key vendors to use vendor credit when available on advantageous terms.

8.2 CASH FLOW

Summary Cash Flow	Three months ended June 30,		Six Months Ended June 30,	
($'000 unless otherwise stated)	2026	2025	2026	2025
Cash provided by operating activities	1,613	1,030	2,736	2,761
Working capital adjustments	(3,840)	306	(5,333)	(3,999)
Net cash provided by (used in) operating activities	(2,227)	1,336	(2,597)	(1,238)
Investment income on cash equivalents	2	15	4	37
Property, plant and equipment expenditures	(455)	(806)	(756)	(1,248)
Net cash used in investing activities	(453)	(791)	(752)	(1,211)
Lease interest paid	(277)	(292)	(552)	(597)
Lease principal payments	(405)	(354)	(784)	(704)
Other interest paid	(100)	(209)	(183)	(394)
Deferred financing expenses	(40)	(43)	(40)	(43)
Advance on senior revolving credit facility	2,816	659	4,756	659
Dividend paid	-	(390)	(389)	(1,171)
Share buyback	(73)	(133)	(150)	(153)
Net cash provided by (used in) financing activities	1,921	(762)	2,658	(2,403)
Exchange rate impact on foreign cash balances	77	(646)	134	(654)
Decrease in cash	(682)	(863)	(557)	(5,506)

8.3 SENIOR CREDIT FACILITY

The Company's senior secured committed banking facility with current lender Wells Fargo Capital Finance Corporation Canada ("WellsFargo") was renewed in the quarter and matures on June 26, 2029.

The facility enables the Company to borrow up to $40.0 million in Canadian and/or U.S. funds. Interest payable on funds borrowed in Canadian and U.S. currency is at variable rates. For the revolving facility, up to $30.0 million may be borrowed at any time in Canadian and/or U.S. dollars with the amount advanced under the revolving facility limited to a defined percentage of inventories and accounts receivable, machinery and equipment, and real estate less certain reserves. In addition, up to $10.0 million may be borrowed as term debt, in Canadian and/or U.S. dollars.

The Senior Credit Facility is secured by a first charge over the Company's assets supported by the appropriate guarantees and pledges and assignments, and requires that certain covenants be met by Tree Island. The Senior Credit Facility has defined covenants, the primary one being that a certain amount of credit availability be maintained. Only if this amount falls below a certain threshold, then other covenants, which include a defined fixed charge coverage ratio, are tested. In addition, there are other restrictive covenants that limit the discretion of management with respect to certain business matters.

As at June 30, 2026, the Company was in compliance with its covenants on the Senior Credit Facility.

9 CAPITAL EXPENDITURES

For the six months ended June 30, 2026, we added $0.4 million in maintenance capital.

10 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of June 30, 2026, we were committed to the contracts, operating leases and financing related charges set out below, which will be financed through working capital and our Senior Credit Facility.

The production materials include raw materials, such as wire rod and zinc, and finished goods. These raw materials are used in the day-to-day operations of our manufacturing facilities, and are in the normal course of our business activities. Finished goods are purchased for resale without further processing and are also in the normal course of our business activities. All committed production material purchases are to be delivered over the next three months.

From time to time, we make investments to update, replace or make additions to our existing capital assets, which includes, but is not limited to, the buildings we occupy and capital equipment. These investments are in the normal course of our business activity. For the capital assets we have committed to purchase but have not yet received, amounts remaining to be paid are disclosed as purchase commitments.

From time to time, the Company enters into U.S. dollar currency forward contracts for periods consistent with a portion of U.S. dollar currency transaction exposures, generally from one to three months. These are not designated as cash flow, fair value or net investment hedges. As of June 30, 2026, the Company did not have any U.S. dollar currency forward contracts outstanding.

Contractual Obligations and Commitments

($'000 unless otherwise stated)	2026	2027	2028	2029	2030	Thereafter	Total
Production materials	20,326	-	-	-	-	-	20,326
Capital Equipment	188	-	-	-	-	-	188
Senior revolving credit facility	5,738	-	-	-	-	-	5,738
AP and accrued liabilities	24,773	-	-	-	-	-	24,773
Lease liabilities	1,381	2,385	2,252	2,090	1,913	24,648	34,669
Total obligations and commitments	52,406	2,385	2,252	2,090	1,913	24,648	85,694

11 SUMMARY OF QUARTERLY FINANCIAL RESULTS

The table below provides selected quarterly financial information for the eight most recent fiscal quarters to June 30, 2026. Sales volumes in the fourth quarter of the year are traditionally lower in the year due to the seasonality of our business. Quarter-over-quarter results may also be impacted by unusual or infrequently occurring items.

Summary of Quarterly Financial Results

($'000 unless otherwise stated)	Jun 30, 2026	Mar 31, 2026	Dec 31, 2025	Sep 30, 2025	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sep 30, 2024
Revenue net of freight and distribution costs	45,831	40,577	32,446	36,839	42,338	50,191	44,838	51,614
Gross profit	3,523	2,474	(166)	1,815	3,871	3,954	298	2,051
Foreign exchange gain (loss)	(306)	(208)	47	(109)	252	10	19	(59)
Net income (loss)	(200)	(1,172)	(3,326)	(2,183)	192	(10)	(3,443)	(1,816)
Net income (loss) per share - basic	(0.01)	(0.05)	(0.13)	(0.08)	0.01	(0.00)	(0.13)	(0.07)

Commentary:

- Full year 2024, margins decreased due to lower volumes and reduced spreads between sales prices and raw material costs.
- First half of 2025, results were impacted by lower sales volumes to U.S. caused by tariffs and a strategic withdrawal from unprofitable products.
- Second half of 2025, results continued to be negatively impacted by U.S. tariffs, which led to lower sales of wire and wire products from Canada to U.S. partially offset by increased sales within Canada.
- First half of 2026, results were affected by the expanded U.S. tariffs on wire and wire products and the Company's strategic withdrawal from unprofitable products, and the impact of foreign exchange translation. These were partially offset by higher sales in the Canadian market and reduced costs.

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

12 ACCOUNTING POLICIES AND STATEMENTS

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

Our significant accounting policies are described in Note 3 of the December 31, 2025 Consolidated Financial Statements and in the Annual Information Form for the year ended December 31, 2025.

12.1 CRITICAL ACCOUNTING ESTIMATES

The areas that we considered to have critical accounting estimates are: inventory valuation, allowance for doubtful accounts, assessment of impairment related to property, plant and equipment, lease discount rates applied and useful life and the execution of the two extension terms for our leased facility in the U.S.. These critical estimates and the judgments involved are discussed further in Note 3 to the Consolidated Financial Statements for December 31, 2025.

13 RELATED PARTY TRANSACTIONS

13.1 TRANSACTIONS WITH ASSOCIATED COMPANIES

The Futura Corporation (“Futura”) is considered to be a related party to the Company because of its share ownership interest and the fact that Mr. Doman, the sole shareholder and president of Futura, sits on the Board of Directors. Based on Tree Island Steel’s outstanding Shares as at June 30, 2026, Futura owns 38.1% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of Doman Building Materials Group Ltd. ("DBM"). For the three and six months ended June 30, 2026, Tree Island sold, net of rebates, approximately $0.8 million and $1.4 million ($0.4 million and $1.1 million in 2025) of goods to DBM and trade accounts receivable owing from DBM as at June 30, 2026 is approximately $0.4 million ($0.1 million as at December 31, 2025). Outstanding trade accounts receivable from DBM at period end are unsecured, interest free and settlement occurs in cash.

13.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three and six months ended June 30, 2026 were approximately $0.3 million and $0.6 million ($0.3 million and $0.5 million in 2025) which includes wages, salaries and retirement contributions, paid annual and sick leave, vehicle costs and also includes directors’ fees paid to members of the Board.

14 RISKS AND UNCERTAINTIES

Investment in Tree Island Steel is subject to a number of risks. Our income is dependent upon the wire products business, which is susceptible to a number of risks. Risks pertaining to current economic conditions are discussed in the section above under the heading “2026 Business Overview and Development”. A detailed discussion of our significant business risks is provided in the 2025 Annual Information Form under the heading “Risk Relating to the Company's Business” which can be found at www.sedarplus.ca

15 LITIGATIONS AND CLAIMS

From time to time, Tree Island is party to certain legal actions, claims and tax audits. In 2025, the Company filed a complaint with the United States Court of International Trade (CIT) to contest the rate and amount of duties charged upon liquidation by U.S. Customs and Border Protection (CBP) on certain steel wire including galvanized/annealed wire, galvanized wire and bright wire.

Specifically, the complaint challenges CBP’s liquidation of certain entries of steel wire from Canada, all assessed on liquidation either with Section 232 tariffs or both Section 232 and Section 301 tariffs. The Company's position is that Section 232 tariffs and Section 301 tariffs are not applicable on the galvanized/annealed wire as the origin is Canada. With respect to the galvanized and bright wire, the Company's position is that Section 232 and/or 301 duties are not applicable due to the origin of the underlying wire rod used in the production process.

Management, based on external legal advice, believes that there is a reasonable likelihood of success before the CIT. At this stage, the Company is unable to reliably estimate the potential financial effects of a negative ruling on this matter, if any.

16 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Chief Operating Officer, in the capacity of chief executive officer, and Chief Financial Officer certified the appropriateness of the financial disclosures in the interim financial report together with the other financial information included in the interim filings for the three and six months ended June 30, 2026. These executives also certified that they are responsible for the design and effectiveness of disclosure controls and procedures and internal control over financial reporting. There have been no changes in internal control over financial reporting during the three and six months ended June 30, 2026 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 June 30, 2026 unaudited condensed consolidated financial statements and this MD&A prior to its release.

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2026 and 2025

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

August 13, 2026

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

($'000 unless otherwise stated)	Notes	As at June 30, 2026	As at December 31, 2025
Cash	*5*	872	1,429
Accounts receivable	*6, 13.1*	28,448	17,386
Inventory	*7*	54,695	53,733
Prepaid expenses		6,804	5,829
Income taxes receivable		2,264	2,273
Other current assets		1,882	-
Current assets		94,965	80,650
Property, plant and equipment	*8*	44,475	45,677
Right of use assets	*9.1*	17,869	17,886
Income taxes recoverable	*19.1*	6,795	6,795
Other non-current assets		4,072	3,872
Total assets		168,176	154,880
Senior revolving credit facility	*10.1*	5,738	982
Accounts payable and accrued liabilities		24,773	15,426
Dividends payable		-	389
Current portion of ROU lease liabilities	*9.2*	1,676	1,641
Current liabilities		32,187	18,438
ROU Lease liabilities	*9.2*	23,347	22,949
Other non-current liabilities		50	68
Deferred income tax liabilities		5,057	5,056
Total liabilities		60,641	46,511
Shareholders’ equity		107,535	108,369
Total liabilities and shareholders’ equity		168,176	154,880

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Approved on behalf of Tree Island Steel.

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

CONSOLIDATED STATEMENTS OF OPERATIONS

($'000 unless otherwise stated)		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2026	2025	2026	2025
Revenue	*6, 13.1, 20.1*	48,551	44,494	91,596	97,795
Freight and distribution costs		(2,720)	(2,156)	(5,187)	(5,266)
Subtotal		45,831	42,338	86,409	92,529
Cost of sales	*7*	(40,901)	(37,095)	(77,643)	(81,952)
Depreciation	*8, 9.1*	(1,407)	(1,382)	(2,769)	(2,776)
Gross profit		3,523	3,861	5,997	7,801
Selling, general and administrative expenses		(2,827)	(3,142)	(5,571)	(6,436)
Operating income		696	719	426	1,365
Foreign exchange gain (loss)		(306)	252	(514)	262
Other expenses		(182)	(263)	(454)	(443)
Interest income		40	24	46	51
Financing expenses	*11*	(448)	(540)	(876)	(1,053)
Income (loss) before income taxes		(200)	192	(1,372)	182
Income tax	*14.1*	-	-	-	-
Net Income (loss)		(200)	192	(1,372)	182
Net Income (loss) per share	*18*	(0.01)	0.01	(0.05)	0.01
Weighted average number of shares	*18*	25,862,296	25,994,215	25,881,675	26,005,932

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

($'000 unless otherwise stated)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net Income (loss)	(200)	192	(1,372)	182
Items that may be recycled to Net Income (loss):				
Unrealized gain (loss) on foreign exchange translation	371	(1,119)	688	(1,138)
Comprehensive Income (loss)	171	(927)	(684)	(956)

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

($'000 unless otherwise stated)	Common Shares *Note 12*	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance as at December 31, 2025	215,169	(106,770)	(30)	108,369
Repurchase of shares	(77)	-	-	(77)
Net loss	-	(1,172)	-	(1,172)
Other comprehensive gain	-	-	317	317
Balance as at March 31, 2026	215,092	(107,942)	287	107,437
Repurchase of shares	(73)	-	-	(73)
Net loss	-	(200)	-	(200)
Other comprehensive gain	-	-	371	371
Balance as at June 30, 2026	215,019	(108,142)	658	107,535
Balance as at December 31, 2024	215,459	(99,885)	984	116,558
Repurchase of shares	(20)	-	-	(20)
Net loss	-	(10)	-	(10)
Dividends	-	(390)	-	(390)
Other comprehensive loss	-	-	(20)	(20)
Balance as at March 31, 2025	215,439	(100,285)	964	116,118
Repurchase of shares	(133)	-	-	(133)
Net Income	-	192	-	192
Dividends	-	(389)	-	(389)
Other comprehensive loss	-	-	(1,119)	(1,119)
Balance as at June 30, 2025	215,306	(100,482)	(155)	114,669

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

($'000 unless otherwise stated)		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2026	2025	2026	2025
Net Income (loss)		(200)	192	(1,372)	182
Depreciation	*8, 9.1*	1,407	1,382	2,769	2,776
Unrealized foreign exchange (gain) loss		328	(333)	712	(339)
Loss (gain) on disposition of property, plant and equipment		(4)	46	(4)	45
Change in non-current assets		(326)	(771)	(199)	(903)
Net financing costs		408	514	830	1,000
Working capital adjustments					
Accounts receivable		(2,177)	2,803	(11,199)	(491)
Inventories		(2,725)	(2,077)	(963)	(1,858)
Accounts payable and accrued liabilities		2,371	(266)	9,344	(256)
Prepaid expenses		(1,276)	(114)	(975)	(1,226)
Other current assets		(352)	45	(1,740)	44
Other		315	(39)	196	(167)
Net cash provided by (used in) operating activities		(2,231)	1,382	(2,601)	(1,193)
Investment income on cash equivalents		2	15	4	37
Property, plant and equipment expenditures		(455)	(806)	(756)	(1,248)
Net cash used in investing activities		(453)	(791)	(752)	(1,211)
Lease interest paid		(277)	(292)	(552)	(597)
Lease principal payments		(405)	(354)	(784)	(704)
Other interest paid		(100)	(209)	(183)	(394)
Deferred financing fees		(40)	(43)	(40)	(43)
Advance on senior revolving credit facility		2,816	659	4,756	659
Dividend paid		-	(390)	(389)	(1,171)
Repurchase of common shares		(73)	(133)	(150)	(153)
Net cash provided by (used in) financing activities		1,921	(762)	2,658	(2,403)
Effect of exchange rate change on cash		77	(646)	134	(654)
Decrease in cash		(682)	(863)	(557)	(5,506)
Cash - beginning of period		1,554	4,054	1,429	8,697
Cash - end of period		872	3,191	872	3,191

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

1 NATURE OF BUSINESS

These interim unaudited condensed consolidated financial statements of Tree Island Steel Ltd. ("Tree Island" or the "Company") for the three and six months ended June 30, 2026 and 2025 were authorized for issue in accordance with a resolution of the Board of Directors on August 13, 2026.

The Company is headquartered at 3933 Boundary Road, Richmond, British Columbia, Canada and its Shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol TSL.

2 BASIS OF PREPARATION

2.1 BASIS OF PREPARATION

The interim unaudited condensed consolidated financial statements as at June 30, 2026 and for the six months ended June 30, 2026 and 2025 have been prepared in accordance with IAS 34 Interim Financial Reporting, on a basis consistent with the accounting policies disclosed in the Company's audited Annual Consolidated Financial Statements for the year ended December 31, 2025. Certain comparative information has been reclassified to conform to the presentation adopted during the year.

These interim unaudited condensed consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments categorized as fair value through profit or loss. In addition, these interim unaudited condensed consolidated financial statements have been prepared using the accrual basis of accounting.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company, Tree Island Industries ("TI Canada"), Tree Island Property Holdings Ltd. and TI Canada's wholly-owned subsidiaries, Tree Island Wire Holdings. ("TIWH") and Tree Island Wire. ("TI USA"). Intercompany accounts and transactions have been eliminated on consolidation.

2.3 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The functional and presentation currency of the Company is the Canadian dollar. All amounts have been rounded to the nearest thousand, except as otherwise indicated. TI Canada's wholly-owned subsidiaries, TIWH and TI USA use the U.S. Dollar as their functional currency.

3 MATERIAL ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The accounting policies, methods of application and critical judgements and estimates used in the preparation of these interim unaudited condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements as at and for year ended December 31, 2025.

4 FUTURE IFRS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Tree Island prepares its audited consolidated financial statements in accordance with IFRS standards. At this time, new standards, interpretations or amendments to existing accounting standards are either not applicable or not expected to have a significant impact on Tree Island’s consolidated financial statements in the current and future years except as described below.

In April 2024, the International Accounting Standards Board (IASB) has issued IFRS 18 Presentation and Disclosure in Financial Statements ("IFRS 18"), which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces a specified structure for the income statement by requiring income and expenses to be presented into three defined categories of operating, investing, and financing, and by specifying certain defined totals and subtotals. Where company-specific measures related to the income statement are provided, IFRS 18 requires companies to disclose explanations around these measures, which are referred to as management-defined performance measures. IFRS 18 also provides additional guidance on principles of aggregation and disaggregation which apply to the primary financial statements and the notes. IFRS 18 will not affect the recognition and measurement of items in the financial statements, nor will it affect which items are classified in other comprehensive income and how these items are classified. The standard is effective for reporting periods beginning on or after January 1, 2027, with retrospective application required. The Company is currently in the process of assessing the impact of this new standard.

5 CASH

Cash is comprised of bank balances from operating accounts and cash on hand including outstanding items on deposit and net of outstanding disbursement accounts.

	As at June 30, 2026	As at December 31, 2025
Cash	872	1,429
Total cash	872	1,429

6 REVENUE AND ACCOUNTS RECEIVABLE

For both the sale of goods and contract manufacturing, stated revenue includes freight, where applicable, and is net of early payment discounts and rebates granted. Freight costs, incurred for the purpose of shipping product out to customers, represent flow through costs for the Company and are passed on to the end customer. These recoverable amounts of the costs are included in the Company's top-line revenue. Since these flow through costs can vary significantly, from customer to customer and year to year, changes in revenue may not be indicative of the Company's revenue trends. Therefore, the Company also presents revenue net of freight and distribution costs.

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

	As at June 30, 2026	As at December 31, 2025
Current	27,478	15,654
Over 30 days past due	1,331	2,216
Total accounts receivable	28,809	17,870
Allowance for doubtful accounts	(361)	(484)
Net accounts receivable	28,448	17,386

Accounts receivable are non-interest bearing and are generally due on 30-day to 90-day terms. The credit risk that Tree Island was exposed to by way of its accounts receivable is equal to the net amount of $28.4 million as at June 30, 2026 ($17.4 million as at December 31, 2025).

At the end of each reporting period a review of the allowance for bad and doubtful accounts is performed. It is an assessment of the expected credit loss associated with trade accounts receivable after the consolidated statement of financial position date. The assessment is made by reference to age, status and risk of each receivable, current economic conditions and historical information. The trade accounts receivable balance is reduced through the use of the allowance for doubtful accounts and the amount of the loss is recognized in the consolidated statement of operations. Reversals to the allowance for doubtful accounts occur when previously allowed for trade accounts receivable are collected. Individual trade accounts receivable, together with any associated allowance previously recognized, are written off when there is no realistic prospect of future recovery. Accounts receivable with related parties are discussed in Note 13.1.

See Note 16.1 on credit risk of trade receivables to understand how credit quality of accounts receivable, that are neither past due nor impaired, are managed and measured.

7 INVENTORIES

Tree Island had the following categories of inventory:

	As at June 30, 2026	As at December 31, 2025
Raw materials	11,463	12,509
Finished and semi-finished products	25,458	23,527
Consumable supplies and spare parts	17,774	17,697
Total inventory	54,695	53,733

For the three and six months ended June 30, 2026 and 2025, Tree Island recognized, in income, inventory costs for the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Opening inventory	51,971	51,736	53,733	51,955
Material purchases	30,306	25,329	52,358	55,261
Conversion costs	13,319	13,843	26,247	28,549
Closing inventory	(54,695)	(53,813)	(54,695)	(53,813)
Cost of sales	40,901	37,095	77,643	81,952

The reserves for slow moving inventory as at June 30, 2026 were $1.2 million ($1.0 million at December 31, 2025).

8 PROPERTY, PLANT AND EQUIPMENT

The carrying value of property, plant and equipment is reviewed each reporting period. For the purposes of testing for impairment, or the reversal of impairment, Tree Island Steel's assets are grouped and tested at the cash generating unit level. Tree Island considers both qualitative and quantitative factors when determining whether an asset may be impaired, or when a reversal of impairment is required. Where the carrying value of the assets is not expected to be recoverable from future cash flows, they are written down to their recoverable amount. No impairment to the net book value of property, plant and equipment was recognized as at June 30, 2026.

From time to time the Company makes investments to update, replace or make additions to existing capital assets, which includes, but is not limited to, the buildings occupied and capital equipment. These investments are part of the normal course of business activity.

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

	Land & Improvement	Building & Improvement	Machinery & Equipment	Capital in Progress	Total
Cost					
As at December 31, 2024	13,338	48,606	49,876	473	112,293
Additions/ (Transfers)	-	39	1,582	1,011	2,632
Disposals	-	-	(318)	-	(318)
Foreign exchange translation	-	(214)	(210)	(3)	(427)
As at December 31, 2025	13,338	48,431	50,930	1,481	114,180
Additions/ (Transfers)	-	340	625	(496)	469
Foreign exchange translation	-	158	164	-	322
As at June 30, 2026	13,338	48,929	51,719	985	114,971
Depreciation and impairment					
As at December 31, 2024	-	36,800	28,614	-	65,414
Depreciation	-	1,374	2,225	-	3,599
Disposals	-	-	(258)	-	(258)
Foreign exchange translation	-	(102)	(150)	-	(252)
As at December 31, 2025	-	38,072	30,431	-	68,503
Depreciation	-	688	1,108	-	1,796
Foreign exchange translation	-	84	113	-	197
As at June 30, 2026	-	38,844	31,652	-	70,496
Net book value as at					
December 31, 2025	13,338	10,359	20,499	1,481	45,677
June 30, 2026	13,338	10,085	20,067	985	44,475

9 LEASES

Below is a table of the carrying amounts of Tree Island's right-of-use assets and lease liabilities and the related movements during the period:

9.1 RIGHT OF USE ASSETS

	Land & buildings	Machinery & equipment	Total right-of-use assets
Cost			
As at December 31, 2024	27,571	2,323	29,894
Additions	-	234	234
Disposals	-	(285)	(285)
Foreign exchange translation	(1,243)	(26)	(1,269)
As at December 31, 2025	26,328	2,246	28,574
Additions	-	378	378
Foreign exchange translation	916	18	934
As at June 30, 2026	27,244	2,642	29,886
Depreciation and impairment			
As at December 31, 2024	(8,783)	(689)	(9,472)
Depreciation	(1,470)	(449)	(1,919)
Disposals	-	273	273
Foreign exchange translation	419	11	430
As at December 31, 2025	(9,834)	(854)	(10,688)
Depreciation	(728)	(245)	(973)
Foreign exchange translation	(347)	(9)	(356)
As at June 30, 2026	(10,909)	(1,108)	(12,017)
Carrying value as at:			
December 31, 2025	16,494	1,392	17,886
June 30, 2026	16,335	1,534	17,869

9.2 LEASE LIABILITY

	Land & buildings	Machinery & equipment	Total lease liabilities
Lease liability			
As at December 31, 2024	25,261	1,692	26,953
New contracts and renewals	-	234	234
Contract disposal	-	(14)	(14)
Interest expense	1,062	104	1,166
Payment of lease liability	(2,070)	(525)	(2,595)
Foreign exchange translation	(1,136)	(18)	(1,154)
As at December 31, 2025	23,117	1,473	24,590
New contracts and renewals	-	378	378
Interest expense	502	50	552
Payment of lease liability	(898)	(438)	(1,336)
Foreign exchange translation	655	184	839
As at June 30, 2026	23,376	1,647	25,023
Less: current portion	(1,177)	(499)	(1,676)
Total As at June 30, 2026	22,199	1,148	23,347

10 SENIOR CREDIT FACILITY

On June 26, 2026, the Company announced the successful renewal of its senior banking facility with current lender Wells Fargo Capital Finance Corporation Canada for a three-year period maturing on June 26, 2029. The Company's senior secured committed banking facility is comprised of:

- $30.0 million of Senior Revolving Credit Facility, (an increase of $5.0 million from prior agreement); and
- $10.0 million of Senior Term Facility.

10.1 SENIOR REVOLVING CREDIT FACILITY

The Senior Credit Facility is secured by a first charge over the Company's assets supported by the appropriate guarantees and pledges and assignments, and requires that certain covenants be met by Tree Island.

The Senior Credit Facility includes a $10.0 million USD ($14.2 million CAD) letter of credit sub-facility which enables TI Canada and TI USA to open documentary and standby letters of credit. As at June 30, 2026 the letter of Credit outstanding is $5.7 million USD ($8.0 million CAD).

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

Interest payable on funds borrowed in Canadian or U.S. currency is at variable rates.

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

	As at June 30, 2026	As at December 31, 2025
Revolving portion of the senior credit facility	5,738	982
Deferred financing costs	(200)	(60)
Total	5,538	922

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

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

As at June 30, 2026, the Company was in compliance with its financial covenants on the Senior Credit Facility.

10.2 SENIOR TERM FACILITY

Under the terms of the Senior Term Facility, the Company may draw up to a total of $10 million denominated in either Canadian or U.S. dollars. There is no balance outstanding as of June 30, 2026.

11 FINANCING EXPENSES

		Three Months Ended June 30,		Six Months Ended June 30,	
	Notes	2026	2025	2026	2025
Interest and fees on senior credit facility	*10.1*	99	74	173	85
Interest on lease liability		277	292	552	597
Other interest and financing costs		49	155	106	340
Amortization of deferred financing costs		23	19	45	31
Total		448	540	876	1,053

12 SHAREHOLDERS' CAPITAL

Tree Island is authorized to issue an unlimited number of common shares with no par value.

Shares issued and outstanding are as follows:

	Number of Shares	Gross	Issuance Cost	Net
Shareholders' capital - December 31, 2024	26,017,866	226,859	11,400	215,459
Repurchase of common shares	(112,948)	(290)	-	(290)
Shareholders' capital - December 31, 2025	25,904,918	226,569	11,400	215,169
Repurchase of common shares	(58,647)	(150)	-	(150)
Shareholders' capital - June 30, 2026	25,846,271	226,419	11,400	215,019

12.1 NORMAL COURSE ISSUER BID

The Company has an ongoing normal course issuer bid (the “Bid”). The Company has renewed its Bid, effective November 12, 2025 to November 11, 2026. The renewed Bid allows the Company to purchase up to 1,290,000 Shares over the term. Tree Island has no obligation to purchase any Shares under the Bid.

For the period January 1, 2026 to June 30, 2026 the Company cancelled 58,647 Shares purchased under the Bid at a total cost of $150 thousand (at an average price of $2.56 per Share).

13 RELATED PARTY TRANSACTIONS

13.1 TRANSACTIONS WITH ASSOCIATED COMPANIES

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

Based on Tree Island Steel’s outstanding Shares as at June 30, 2026, Futura owns 38.1% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of Doman Building Materials Group Ltd. ("DBM"). For the three and six months ended June 30, 2026, Tree Island sold, net of rebates, approximately $0.8 million and $1.4 million ($0.4 million and $1.1 million in 2025) of goods to DBM and trade accounts receivable owing from DBM as at June 30, 2026 is approximately $0.4 million ($0.1 million as at December 31, 2025). Outstanding trade accounts receivable from DBM at period end are unsecured, interest free and settlement occurs in cash (Note 6).

13.2 TRANSACTION WITH KEY MANAGEMENT PERSONNEL

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three and six months ended June 30, 2026 were approximately $0.3 million and $0.6 million ($0.3 million and $0.5 million in 2025) which includes wages, salaries and retirement contributions, paid annual and sick leave, vehicle costs and also includes directors’ fees paid to members of the Board.

14 INCOME TAXES

14.1 INCOME TAX

The Company did not recognize any current or deferred income tax expense for the three and six month periods ended June 30, 2026 and 2025.

15 FINANCIAL INSTRUMENTS

15.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

- Cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term nature of these instruments;
- Fair value of the forward exchange forward contracts is estimated using observable foreign exchange spot and forward rates. The Company does not consider interest rates or the credit quality of counterparties as significant inputs to the valuation; and
- Fair value on the Company's lease liabilities are based on estimated market interest rate on similar borrowings. The carrying value of the lease liabilities approximates fair value as the interest rates approximate market.

	As at June 30, 2026		As at December 31, 2025	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	872	872	1,429	1,429
Accounts receivable	28,448	28,448	17,274	17,274
Income taxes receivable	2,264	2,264	2,273	2,273
Income taxes recoverable	6,795	6,795	6,795	6,795
Other current assets	1,882	1,882	112	112
Other non current assets	1,493	1,493	1,493	1,493
Total financial assets	41,754	41,754	29,376	29,376
Senior revolving credit facility	5,738	5,738	982	982
Accounts payable and accrued liabilities	24,773	24,773	15,426	15,426
Dividends payable	-	-	389	389
Lease liabilities	25,023	25,023	24,590	24,590
Total financial liabilities	55,534	55,534	41,387	41,387

15.2 FAIR VALUE HIERARCHY

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

The three levels of fair value estimation are:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The only financial estimates carried at fair value are commodity purchase derivatives, which are level 2 financial instruments. As of June 30, 2026, the Company did not hold any of these financial instruments.

16 RISK EXPOSURE AND MANAGEMENT

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

16.1 CREDIT RISK

Credit risk consists of credit losses arising in the event of non-payment of accounts receivable of customer accounts. However, the credit risk is minimized through selling to well-established customers of high-credit quality. The credit worthiness of customers is assessed using credit scores supplied by a third party and through direct monitoring of their financial well-being on a continual basis. Management establishes guidelines for customer credit and appropriate precautions are taken to manage credit risk. Provisions for potential credit losses (allowance for doubtful accounts) are maintained and any such losses to date have been within management's expectations. Cash is held by financial institutions with a superior-quality credit rating and as a result, Tree Island considers that the risk of non-performance of such instruments is negligible.

16.2 LIQUIDITY RISK

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

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

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

The table below summarizes the future undiscounted contractual cash flow requirements for financial liabilities (including scheduled interest payments on interest bearing liabilities) as at June 30, 2026.

	Carrying Amount	Contractual Cash Flow	Less Than 1 Year	1 - 2 Years	Greater Than 2 Years
Senior revolving credit facility	5,738	5,738	5,738	-	-
Accounts payable and accrued liabilities	24,773	24,773	24,773	-	-
Production materials	20,326	20,326	20,326	-	-
Lease liabilities	25,023	34,669	2,637	2,263	29,769
As at June 30, 2026	75,860	85,506	53,474	2,263	29,769
Senior revolving facility	982	982	982	-	-
Accounts payable and accrued liabilities	15,426	15,426	15,426	-	-
Production materials	14,979	14,979	14,979	-	-
Lease liabilities	24,590	29,771	2,600	2,225	24,946
As at December 31, 2025	55,977	61,158	33,987	2,225	24,946

16.3 FOREIGN CURRENCY RISK

Tree Island's U.S. dollar-denominated cash, accounts receivable, accounts payable and accrued liabilities and Senior Credit Facility are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with the changes in the U.S./Canadian dollar exchange rate. The Company enters into U.S. dollar currency forward contracts for periods consistent with a portion of U.S. dollar currency transaction exposures, generally from one to three months. These are not designated as cash flow, fair value or net investment hedges. As of June 30, 2026, the Company had no outstanding U.S. dollar currency forward contracts.

For the six months ended June 30, 2026, a $0.01 increase (decrease) in the Canadian dollar to U.S. dollar exchange rate would have increased (decreased) net comprehensive income by $0.03 million.

16.4 INTEREST RATE RISK

Tree Island is exposed to interest rate risk on its Senior Credit Facility. Interest payable on the funds advanced under the Senior Credit Facility are based on variable rates.

16.5 RAW MATERIAL PRICE RISK

Tree Island is exposed to changes in the price of the materials used in its production process and, from time to time, enters into forward contracts to purchase a portion of the zinc used. These are not designated as cash flow or fair value hedges. As at June 30, 2026, the Company had no outstanding zinc forward contracts.

17 MANAGEMENT OF CAPITAL

The Company’s objectives when managing its capital are:

- To maintain a capital base so as to preserve and enhance investor, creditor, and market confidence and to sustain viability and future development of the business; and
- To manage capital in a manner that will comply with the financial covenants on the Senior Credit Facility and Senior Term Loan agreements as described further in Notes 10.1 and 10.2.

The Company manages the capital structure in accordance with these objectives, with considerations given to changes in economic conditions and the risk characteristics of the underlying assets in particular, by closely monitoring cash flows and compliance with external debt covenants. The table below is what management considers capital:

	As at June 30, 2026	As at December 31, 2025
Total shareholders' equity	107,535	108,369
Senior revolving credit facility	5,738	982
Lease liabilities	25,023	24,590
Total capital	138,296	133,941

18 NET INCOME (LOSS) PER SHARE

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

Diluted earnings per Share amount is calculated by dividing the net income for the year by the weighted average number of Shares outstanding during the year plus the weighted average number of Shares that would be issued on conversion of all the dilutive potential units into Shares. As at June 30, 2026, the Company does not have any instruments issued that could be dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net Income (loss)	(200)	192	(1,372)	182
Weighted average number of shares outstanding:	25,862,296	25,994,215	25,881,675	26,005,932
Net Income (loss) per share ($/share)	(0.01)	0.01	(0.05)	0.01

19 PROVISIONS AND COMMITMENTS

19.1 CRA REASSESSMENT NOTICE

TI Canada received Notices of Reassessment (NORs) from the Minister of National Revenue under the Income Tax Act (Canada) and from the Alberta Tax and Revenue Administration (TRA) under the Alberta Corporate Tax Act for the tax years 2015 through 2018. These NORs indicate that the tax liability, including interest, for the 2015 to 2018 taxation years is approximately $11.8 million under the federal NORs and approximately $680,000 under the Alberta NORs (collectively, the "Tax Amounts"). The Company disagrees with the disallowance of the bad debt deductions and capital losses and has contested the NORs and the Alberta NORs by filing notices of objection to start the appeals process and paying 50% of the Tax Amounts as a deposit. Should TI Canada be successful in defending its tax filing position, any amounts paid to the CRA and TRA in relation to the Tax Amounts will be payable to the Company by the CRA and TRA with interest. If TI Canada is not successful, then the balance of any remaining federal or provincial taxes payable plus interest would have to be remitted by TI Canada. There can be no assurance regarding the outcome of the appeals process or when a resolution may be reached. The Company has not recorded accruals in connection with the NORs or the Alberta NORs.

To appeal the reassessments, TII Canada has paid 50% of the Tax Amounts as a deposit to the Canada Revenue Agency and Alberta Tax and Revenue Administration. Included in the Income Taxes Recoverable amount on the Statement of Financial Position non-current section is a deposit amount of $6.8 million paid as of June 30, 2026.

19.2 LITIGATION AND CLAIMS

From time to time, Tree Island is party to certain legal actions, claims and tax audits. In 2025, the Company filed a complaint with the United States Court of International Trade (CIT) to contest the rate and amount of duties charged upon liquidation by U.S. Customs and Border Protection (CBP) on certain steel wire including galvanized/annealed wire, galvanized wire and bright wire.

Specifically, the complaint challenges CBP's liquidation of certain entries of steel wire from Canada, all assessed on liquidation either with Section 232 tariffs or both Section 232 and Section 301 tariffs. The Company's position is that Section 232 tariffs and Section 301 tariffs are not applicable on the galvanized/annealed wire as the origin is Canada. With respect to the galvanized and bright wire, the Company's position is that Section 232 and/or 301 duties are not applicable due to the origin of the underlying wire rod used in the production process.

Management, based on external legal advice, believes that there is a reasonable likelihood of success before the CIT. At this stage, the Company is unable to reliably estimate the potential financial effects of a negative ruling on this matter, if any.

19.3 PURCHASE COMMITMENTS

As at June 30, 2026, Tree Island's wholly owned subsidiaries have committed to production material purchases (including finished goods) of $20.3 million and capital equipment purchases of $0.2 million for total purchase commitments of $20.5 million ($15.0 million in 2025).

20 SEGMENTED INFORMATION

20.1 MARKET SEGMENTS

Revenues, net of freight and distribution costs, for each group for the three and six months ended June 30, 2026 and 2025 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Industrial	14,181	10,954	28,139	30,323
Commercial	14,929	15,146	26,284	27,070
Agricultural	6,161	4,359	13,399	14,739
Residential	10,560	11,879	18,587	20,397
Total revenue, net of freight and distribution costs	45,831	42,338	86,409	92,529

Tree Island operates primarily within one industry, the steel wire products industry, with no separately reportable operating segments. Tree Island groups its products into the following: Industrial, Commercial Construction, Agricultural and Residential Construction. For the six months ended June 30, 2026, one customer in the Commercial Construction group represented 12% of the total gross revenue.

20.2 GEOGRAPHIC SEGMENTS

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
United States	15,676	18,284	27,860	44,993
Canada	29,164	23,230	56,293	45,664
International	991	824	2,256	1,872
Total revenue, net of freight and distribution costs	45,831	42,338	86,409	92,529

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

	As at June 30, 2026	As at December 31, 2025
United States	20,161	20,054
Canada	53,050	54,177
Total non-current assets	73,211	74,231

SHAREHOLDER INFORMATION

TREE ISLAND STEEL

Board of Directors:

Amar S. Doman – Executive Chairman of the Board

Peter Bull

Sam Fleiser

Joe Downes

Guy Elliott

Executive Officers:

Nancy Davies
Chief Operating Officer

Brian Liu
Vice President, Finance and CFO

Shares:

Market Information

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

Registrar and Transfer Agent

Computershare Investor Services Inc.

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TREE ISLAND STEEL