



**WIRE & WIRE PRODUCTS**

**ESTABLISHED IN 1964**



# **Quarterly Report**

**Q2 2021**

Since 1964, Tree Island Steel has been making products from steel wire for a diverse range of customers for industrial, construction, agricultural, and specialty 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®, True Spec®, K-Lath®, TI Wire®, Tough Strand® and ToughPanel® brand names.

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

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*Galvanized Chain Link Fence*

## TO OUR SHAREHOLDERS

### Letter to Shareholders

In the second quarter of 2021, we experienced ongoing market demand for wire products along with customer inventory replenishment, combined with globally tight supply conditions for steel wire rod, our primary raw material. Sales volume increased in the quarter from increased construction activities in both residential and non-residential sectors, as well as demand for multiple industrial OEM steel wire applications, such as fencing wire and spring wire, and agricultural products. Global supply of steel wire rod remains constrained as steel mills increase production and rebuild inventory to support improved market demand. This has driven both wire rod costs and manufactured wire products pricing towards historic high levels, as rising costs get transferred through the supply chain.

The elevated pricing along with ongoing inventory and cost management across the business have had a favorable impact on gross profit in the quarter. Nevertheless, as the steel supply chain rebuilds inventory and availability of product improves, we anticipate more balanced market conditions in the future. This requires continued close management of our materials purchasing and inventory positions to align with market demand, production capability and overall cost. As we support our customers in this dynamic environment, we continue to remain focused on protecting the health and safety of our employees throughout the economic reopening.

The tireless engagement, passion and contribution of our employees to the success of Tree Island Steel is sincerely acknowledged. We also wish to profoundly thank our customers and stakeholders for continuing to support the Tree Island Steel brand as a diversified producer of premium quality wire and wire products.

Sincerely,

Remy Stachowiak  
President and Chief Operating Officer, Tree Island Steel

## MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2021

The following is a discussion of the financial condition and results of operations of Tree Island Steel ("Tree Island" or the "Company") and its wholly owned operating subsidiary Tree Island Industries (together with Tree Island Steel, referred to as "Tree Island"). This discussion is current to July 27, 2021 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for six months ended June 30, 2021. Tree Island Steel's unaudited interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars and in thousand dollar units, unless otherwise stated. Additional information relating to Tree Island Steel, including the audited consolidated financial statements and Annual Information Form ("AIF") for the year ended December 31, 2020, can be found at [www.sedar.com](http://www.sedar.com) or on Tree Island Steel's website at [www.treeisland.com](http://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, 2020.

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 in the Company's most recent annual information form and management discussion and analysis 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 impact of COVID-19 on the Company, its customers and vendors, 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, transportation costs, foreign exchange fluctuations, leverage and restrictive covenants, labour relations, trade actions, dependence on key personnel and skilled workers, 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 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 “EBITDA” are to provide an earnings measure that we define as operating income adjusted by adding back total depreciation and foreign exchange gains or losses. EBITDA is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. We believe that providing an EBITDA is an important supplemental measure for evaluating our performance. You are cautioned that our definition of 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 EBITDA may differ from methods used by other issuers and, accordingly, our definition of EBITDA may not be comparable to similar measures presented by other issuers.

## 3 TREE ISLAND STEEL

Since 1964, Tree Island has been making 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, and the units of the income fund were converted to common shares in Tree Island Steel.

There were 28,443,459 Shares outstanding as of June 30, 2021.

On July 27, 2021, the Board of Directors declared a one-time special cash dividend of \$0.05 per share on the issued and outstanding Common Shares of the Company, payable on October 15, 2021, to holders of record at the close of business on September 30, 2021.

### 3.1 ORGANIZATIONAL STRUCTURE

Our corporate structure has the following primary entities: Tree Island Industries (“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”).

### 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 from 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 that meet or exceed customers' needs, ASTM standards and applicable codes, a broad range of applications, short lead times, 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:

<b>Markets</b>	<b>Brand</b>	<b>Key Product Groups</b>	<b>Specific End-Use Market</b>	<b>Regions</b>
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®, Tough Strand®, ToughPanel®	Game fence and farm fence Vineyard wire and barbed wire Livestock panels	Agriculture, farming	North America
Commercial Construction	Tree Island®, TI Wire®	Welded wire mesh Concrete reinforcing products	Commercial construction, mining, infrastructure projects	North America and International
Residential Construction	Tree Island®, Halsteel®, K-Lath®, True Spec®, ToughPanel®	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 2021 BUSINESS OVERVIEW AND DEVELOPMENT**

### **4.1 BUSINESS OVERVIEW**

Revenues earned in the second quarter of 2021 amounted to \$74.4 million compared to \$50.5 million in the same period last year, a 47.4% increase. This increase in revenue is attributable to higher sales volumes and increased selling prices in our Agricultural, Industrial and Construction segments. The increased market demand along with ongoing cost and inventory management actions resulted in a gross profit increase to \$16.8 million in the quarter, compared to \$5.9 million in the same period last year. EBITDA for the period amounted to \$14.7 million compared to \$4.0 million in the second quarter of 2020 from improved gross profit.

For the six months ending June 30, 2021, revenues amounted to \$141.3 million compared to \$108.5 million in the same period in 2020, representing a 30.2% increase. The increase in revenue is attributable to higher shipped volumes and increased selling prices, with growth across all market segments. Gross profit increased during the period to \$29.5 million, compared to the \$12.6 million in the same period last year. EBITDA for the current period amounted to \$25.4 million compared to \$9.0 million in 2020, as a result of increased sales and improved cost controls.

### **4.2 COVID-19 DEVELOPMENT**

We continue to closely follow health authority and government mandates in the jurisdiction we serve. Although pandemic restrictions are easing, COVID-19 safety plans remain in place to safeguard our employees, their families and our community at large, as we continue to navigate through the implementation of reopening programs and new pandemic requirements.

As the economy reopens and recovers, we anticipate stepped reductions in implemented safety measures in direct alignment with regional health requirements. However, we expect ongoing, but updated, pandemic safety plans will continue to be required in all of our facilities to ensure the health and wellbeing of our employees.

## 5 SUMMARY FINANCIAL INFORMATION

Results from Operations:	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Revenue	74,410	50,466	141,252	108,463
Cost of sales	(56,115)	(43,014)	(108,865)	(92,849)
Depreciation	(1,456)	(1,507)	(2,921)	(3,051)
Gross profit	16,839	5,945	29,466	12,563
Selling, general and administrative expenses	(3,473)	(3,191)	(6,800)	(7,049)
Operating income	13,366	2,754	22,666	5,514
Foreign exchange gain (loss)	(99)	(294)	(212)	436
Gain (loss) on property, plant, and equipment	-	(12)	-	(12)
Restructuring and other expenses	(3)	(77)	(3)	(77)
Financing expenses	(624)	(790)	(1,190)	(1,753)
Income before income taxes	12,640	1,581	21,261	4,108
Income tax expense	(3,572)	(481)	(5,729)	(1,191)
Net income	9,068	1,100	15,532	2,917
Net income per share	0.32	0.04	0.55	0.10
Dividends per share	0.03	0.02	0.06	0.04

Financial position as of:	June 30, 2021	December 31, 2020
Total assets	172,111	146,549
Total non-current financial liabilities	77,273	71,236

EBITDA:	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Operating income	13,366	2,754	22,666	5,514
Add back depreciation	1,456	1,507	2,921	3,051
Foreign exchange gain (loss)	(99)	(294)	(212)	436
EBITDA	14,723	3,967	25,375	9,001



## 6 COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2020

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>SALES</b>	74,410	50,466	23,944	47.4%

The increase in revenues over the prior period is primarily attributable to higher sales volumes and increased selling prices across all market segments.

### Revenue by Market Segment

	Three Months Ended June 30,					
	<u>2021</u>		<u>2020</u>		<u>Variance</u>	
	<u>Revenue</u>	<u>% of Total</u>	<u>Revenue</u>	<u>% of Total</u>	<u>Amount</u>	<u>%</u>
Industrial	26,292	35.4%	18,121	35.9%	8,171	45.1%
Commercial	17,102	23.0%	11,507	22.8%	5,595	48.6%
Agricultural	11,412	15.3%	7,608	15.1%	3,804	50.0%
Residential	19,604	26.3%	13,230	26.2%	6,374	48.2%
<b>Total</b>	<b>74,410</b>	<b>100.0%</b>	<b>50,466</b>	<b>100.0%</b>	<b>23,944</b>	<b>47.4%</b>

Overall revenues increased across all geographical locations, over the same period last year, as a result of higher demand and increased selling prices experienced in the quarter.

### Revenue by Location

	Three Months Ended June 30,					
	<u>2021</u>		<u>2020</u>		<u>Variance</u>	
	<u>Revenue</u>	<u>% of Total</u>	<u>Revenue</u>	<u>% of Total</u>	<u>Amount</u>	<u>%</u>
United States	49,959	67.1%	33,243	65.9%	16,716	50.3%
Canada	22,618	30.4%	15,454	30.6%	7,164	46.4%
International	1,833	2.5%	1,769	3.5%	64	3.6%
<b>Total</b>	<b>74,410</b>	<b>100%</b>	<b>50,466</b>	<b>100%</b>	<b>23,944</b>	<b>47.4%</b>

Average C\$/U.S.\$                      1.23                                      1.38

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>COST OF SALES</b>	56,115	43,014	(13,101)	(30.5%)

The cost of goods sold increased when compared to prior year due to the higher sales volume in the quarter offset by a lower currency Canadian dollar transaction of costs denominated in US dollars and improved operating leverage from higher volumes.

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>GROSS PROFIT</b>	16,839	5,945	10,894	183.2%

Gross profit for the quarter amounted to \$16.8 million versus \$5.9 million during the same period in 2020, predominantly from increased sales volumes and ongoing costs and inventory management.

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>SG&amp;A EXPENSES</b>	3,473	3,191	(282)	(8.8%)

SG&A expenses are higher when compared to prior year, as a result of higher volumes.

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>FINANCING EXPENSES</b>	624	790	166	21.0%

Financing expenses decreased mainly due to reduced interest payment and settlement of the long-term debt, compared to prior year.

### Financing Expenses

	Three Months Ended June 30,			
	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
			<u>Amount</u>	<u>%</u>
Long term debt accretion	-	145	145	100.0%
Interest on senior credit facility	116	173	57	32.9%
Interest on senior term facility	144	89	(55)	32.9%
Interest on lease liability	302	347	45	13.0%
Other interest and financing costs	59	30	(29)	-96.7%
Deferred financing costs	3	6	3	50.0%
<b>Total financing expenses</b>	<b>624</b>	<b>790</b>	<b>166</b>	<b>21.0%</b>

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>FOREIGN EXCHANGE</b>	(99)	(294)	195	66.3%

Our Canadian operation, 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 significant portion of our sales also being denominated in U.S. dollars 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 June 30, 2021, the Company did not have any U.S. dollar currency forward contracts outstanding.

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>INCOME TAX EXPENSE</b>	(3,572)	(481)	(3,091)	(642.6%)

The income tax expense for 2021 has increased due to higher income this year. Income tax expense is based on a statutory rate of 27% for Canadian taxable income and 21% for 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)	2021	2020	Variance Fav/(Unfav)	
<b>NET INCOME</b>	9,068	1,100	7,968	724.4%

The net income increase over the comparative period is attributable to the higher gross profit plus reductions in financing expenses, when compared to prior period.

## 7 COMPARISON OF RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(\$'000 unless otherwise stated)	2021	2020	Variance Fav/(Unfav)	
<b>SALES</b>	141,252	108,463	32,789	30.2%

The revenue increase in the first half of the year is primarily due to higher shipped volumes and increased selling prices across all market segments as a result of the economic reopening.

### Revenue by Market Segment

	Six months ended June 30,					
	2021		2020		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
Industrial	48,721	34.5%	37,332	34.4%	11,389	30.5%
Commercial	29,931	26.3%	24,797	26.2%	5,134	30.8%
Agricultural	25,487	21.2%	17,954	22.9%	7,533	20.7%
Residential	37,113	18.0%	28,380	16.6%	8,733	42.0%
Total revenue	141,252	100.0%	108,463	100.0%	32,789	30.2%

U.S. and Canadian revenues increased due to increasing demand and higher selling prices, while International sales are impacted by fluctuations in demand.

### Revenue by Location

	Six months ended June 30,					
	2021		2020		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	92,607	65.6%	67,626	62.3%	24,981	36.9%
Canada	45,613	32.3%	36,684	33.9%	8,929	24.3%
International	3,032	2.1%	4,153	3.8%	(1,121)	-27.0%
Total	141,252	100.0%	108,463	100.0%	32,789	30.2%

Average C\$/U.S.\$                      1.24                      1.36

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>COST OF SALES</b>	108,865	92,849	(16,016)	(17.2%)

The cost of goods sold increased when compared to prior period, due to the increase in sales volume which was offset by continued inventory cost management and operating leverage.

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>GROSS PROFIT</b>	29,466	12,563	16,903	134.5%

Gross profit for the quarter amounted to \$29.5 million versus \$12.6 million during the same period in 2020, as the result of increased sales volumes and ongoing inventory management.

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>SG&amp;A</b>	6,800	7,049	249	3.5%

SG&A expenses are lower when compared to prior year, from lower costs incurred in the first quarter of 2021.

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>FINANCING EXPENSES</b>	1,190	1,753	563	32.1%

Financing expenses decreased primarily due to payment and settlement of the long-term debt, compared to prior year.

#### Finance expenses

	Six Months Ended June 30,			
	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
			<u>Amount</u>	<u>%</u>
Long term debt accretion	-	306	306	100.0%
Interest on senior credit facility	234	460	226	49.1%
Interest on lease liability	614	693	79	11.4%
Other interest and financing costs	336	278	(58)	-20.9%
Deferred financing costs	6	16	10	62.5%
Total financing expenses	<u>1,190</u>	<u>1,753</u>	<u>563</u>	<u>32.1%</u>

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>FOREIGN EXCHANGE</b>	(212)	436	(648)	(148.6%)

Our Canadian operation, 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 significant portion of our sales also being denominated in U.S. dollars 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 June 30, 2021, the Company did not have any U.S. dollar currency forward contracts outstanding.

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>INCOME TAX EXPENSE</b>	(5,729)	(1,191)	(4,538)	(381.0%)

The income tax expense for 2021 increased compared to prior year because of increased income. Income tax expense is based on a statutory rate of 27% for Canadian taxable income and 21% for 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.

<i>(\$'000 unless otherwise stated)</i>	<u>2021</u>	<u>2020</u>	<u>Variance Fav/(Unfav)</u>	
<b>NET INCOME</b>	15,532	2,917	12,615	432.5%

The net income increase over the comparative period is attributable to higher gross profits, lower SG&A and decreased financing expenses compared to prior period.

## 8 FINANCIAL CONDITION AND LIQUIDITY

### 8.1 WORKING CAPITAL

A summary of the composition of our working capital accounts as at June 30, 2021 compared to 2020 is provided

	As at June 30,	
	<u>2021</u>	<u>2020</u>
Cash	3,585	1,991
Accounts receivable	36,040	27,711
Inventories	58,690	48,032
Other current assets	6,458	2,255
	<u>104,773</u>	<u>79,989</u>
Accounts payable and accrued liabilities	(20,112)	(20,271)
Dividends payable	(853)	(573)
Other current liabilities	(4,502)	(1,134)
	<u>(25,467)</u>	<u>(21,978)</u>
Net balance	<u><u>79,306</u></u>	<u><u>58,011</u></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 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 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 June 30, 2021 were higher when compared to the same period last year, reflecting the increasing sales in Q2 2021 compared to the same period in the prior year.

Inventories levels were higher as at June 30, 2021, when compared to the same period in 2020, as a result of higher volumes and higher raw material costs.

Our objective for managing the investment in working capital is to maximize the turnover of productive current assets, being accounts receivable and inventories. We 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, barring unforeseen events and supply chain constraints, 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 both satisfy customer needs, growth requirements and meet our objective of maintaining adequate inventories on hand.

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).

## 8.2 CASH FLOW

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Cash provided by operating activities	11,016	2,604	19,396	8,220
Working capital adjustments	(11,289)	3,977	(20,874)	7,188
Net cash provided by (used in) operating activities	(273)	6,581	(1,478)	15,408
Net cash used in investing activities	(278)	(42)	(556)	(1,599)
Repayment of senior term loans	(693)	(498)	(1,402)	(994)
Repayment of long-term debt	-	(286)	-	(581)
Lease interest paid	(302)	(347)	(614)	(693)
Lease principal payments	(393)	(389)	(786)	(821)
Other interest paid	(314)	(347)	(566)	(822)
Advance on (repayment of) senior revolving facility	3,803	(6,411)	9,353	(7,397)
Dividend paid	(853)	(573)	(1,424)	(1,149)
Share buyback	(29)	(236)	(168)	(284)
Net cash provided by (used in) financing activities	1,219	(9,087)	4,393	(12,741)
Exchange rate changes on foreign cash balances	(12)	(29)	(19)	16
Increase in cash balances	656	(2,577)	2,340	1,084

In the second quarter of 2021, net cash for operating activities has decreased compared to Q2 2020 primarily as a result of increased accounts receivable and inventory balances from higher volumes of sales. The net cash used in investing activities was from capital investments which are further described in Section 9. The net cash provided by financing activities resulted from advances on out Senior Revolving Facility.

### **8.3 SENIOR CREDIT FACILITY**

The Company's senior secured committed banking facility matures in June of 2023. The facility enables the Company to borrow up to \$80.0 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 \$60 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, accounts receivable, machinery and equipment, and real estate, less certain reserves. In addition, up to \$20 million may be borrowed as term debt, in Canadian and/or U.S. dollars for financing existing machinery and equipment and future capital expenditures.

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, 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, 2021 the Company was in compliance with its covenants on the Senior Credit Facility.

## **9 CAPITAL EXPENDITURES AND CAPACITY**

For the three months ended June 30, 2021, we made capital expenditures of \$0.3 million and for the year-to-date we made capital expenditures of \$0.6 million. These expenditures were for capital maintenance activities.



## 10 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of June 30, 2021, 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 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 materials are to be delivered prior to the end of Q4 2021.

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. As of June 30, 2021, the Company did not have any capital equipment commitments outstanding.

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, 2021, the Company did not have any U.S. dollar currency forward contracts outstanding.

### Contractual Obligations and Commitments

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>	<u>Total</u>
Production materials	70,950	-	-	-	-	-	70,950
AP and accrued liabilities	20,112	-	-	-	-	-	20,112
Other current liabilities	87	-	-	-	-	-	87
Dividends	853	-	-	-	-	-	853
Lease liabilities	1,402	2,850	2,505	2,372	2,336	30,885	42,351
Senior revolving facility	-	-	34,220	-	-	-	34,220
Senior term loans (principal)	1,394	2,788	2,788	2,788	2,227	2,413	14,398
Senior term loans (interest)	212	247	190	132	79	83	943
<b>Total obligations and commitments</b>	<b>95,010</b>	<b>5,885</b>	<b>39,703</b>	<b>5,292</b>	<b>4,642</b>	<b>33,381</b>	<b>183,914</b>

## 11 SUMMARY OF QUARTERLY FINANCIAL RESULTS

The table below provides selected quarterly financial information for the eight most recent fiscal quarters to June 30, 2021. Sales volumes by quarter are impacted by the seasonality of our business. Quarter-over-quarter results may also be impacted by unusual or infrequently occurring items.

	Jun 30, <u>2021</u>	Mar 31, <u>2021</u>	Dec 31, <u>2020</u>	Sep 30, <u>2020</u>	Jun 30, <u>2020</u>	Mar 31, <u>2020</u>	Dec 31, <u>2019</u>	Sep 30, <u>2019</u>
Revenue	74,410	66,842	54,199	53,236	50,466	57,993	45,144	49,701
Gross profit	16,839	12,627	6,607	6,684	5,945	6,614	3,482	4,623
Foreign exchange gain (loss)	(99)	(113)	(226)	(383)	(294)	730	(490)	70
Net income (loss)	9,068	6,464	1,682	520	1,100	1,829	(3,199)	(359)
Net income (loss) per share - basic	0.32	0.22	0.05	0.02	0.04	0.06	(0.11)	(0.01)

Commentary:

- Q4 2019 includes restructuring charges of \$1.4 million, of which \$1.15 million relates to termination benefits paid to the former CEO in accordance with his employment contract.
- During Q1 2020, increased demand resulted in improved gross profits earned.
- In Q2 2020 lower sales from the impacts of COVID-19 were offset by proactive cost management measures, including decreases in expenditures and improved product mix.
- In Q3 and Q4 2020 sales increased as a result of improved demand after the initial pandemic related reductions in demand and temporary closures of certain customer and project sites.
- During the first half of 2021, sales and gross profit increased as a result of the economic recovery experienced in the markets we serve amid a rising price environment.

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, 2020 Consolidated Financial Statements and in the Annual Information Form for the year ended December 31, 2020 and Note 3 of the June 30, 2021 interim unaudited condensed consolidated financial statements.

### **12.1 CRITICAL ACCOUNTING ESTIMATES**

The areas that we considered to have critical accounting estimates are: financial instruments valued at fair value through profit and loss, inventory valuation, allowance for doubtful accounts, property, plant and equipment, lease discount rates applied and useful life. These critical estimates and the judgments involved are discussed further in Note 3 to the Consolidated Financial Statements for December 31, 2020.

## **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 July 27, 2021, Futura owns 34.4% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of Doman Building Materials Group Ltd. ("DBM" and formerly CanWel Building Materials Group Ltd). For the three and six months ended June 30, 2021, Tree Island sold, net of rebates, approximately \$1.0 million and \$1.9 million (\$0.6 million and \$1.3 million in 2020) of goods to DBM and trade accounts receivable owing from DBM as at June 30, 2021 is approximately \$0.5 million (approximately \$0.2 million in 2020). 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 months and six months ended June 30, 2021 was approximately \$0.5 million and \$0.8 million respectively (\$0.3 million and \$0.6 million approximately in 2020) 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 “2021 Business Overview and Development”. A detailed discussion of our significant business risks is provided in the 2020 Annual Information Form under the heading “Risk Factors” which can be found at [www.sedar.com](http://www.sedar.com).

## **15 LITIGATIONS AND CLAIMS**

From time to time Tree Island is party to certain legal actions, claims and tax audits. In the period there are no known claims which individually, or in the aggregate, are expected to have a material adverse effect on its financial position, consolidated statement of operations or cash flows. As more information becomes known with respect to any claims, actions or tax audits, the Company then establishes provisions in the period.

## **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 President and 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 months ended June 30, 2021. 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 June 30, 2021, 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, 2021 unaudited interim condensed consolidated financial statements and this MD&A prior to its release.

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2021 and 2020**

**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.

July 27, 2021

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*(\$'000 unless otherwise stated)*

	<i>Notes</i>	As at June 30, 2021	As at December 31, 2020
Cash		3,585	1,245
Accounts receivable	5, 13.1	36,040	24,819
Inventory	6	58,690	46,808
Prepaid expenses		6,458	3,209
<b>Current assets</b>		<b>104,773</b>	<b>76,081</b>
Property, plant and equipment	7	41,511	43,067
Right of use assets	8.1	24,563	25,982
Other non-current assets		1,264	1,419
<b>Total assets</b>		<b>172,111</b>	<b>146,549</b>
Accounts payable and accrued liabilities		20,112	17,770
Income taxes payable		4,415	1,383
Other current liabilities		87	97
Dividends payable		853	570
Current portion of long-term borrowing	9.2	2,788	2,825
Current portion of ROU lease liability	8.2	1,694	1,599
<b>Current liabilities</b>		<b>29,949</b>	<b>24,244</b>
Senior revolving facility	9.1	34,220	25,398
Senior term loans	9.2	11,610	13,215
ROU Lease liabilities	8.2	27,321	28,549
Other non-current liabilities		541	491
Deferred Income tax liabilities	14	3,581	3,583
<b>Total liabilities</b>		<b>107,222</b>	<b>95,480</b>
<b>Shareholders' equity</b>		<b>64,889</b>	<b>51,069</b>
<b>Total liabilities and shareholders' equity</b>		<b>172,111</b>	<b>146,549</b>

*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 Director

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**CONSOLIDATED STATEMENT OF OPERATIONS**

(\$'000 unless otherwise stated)	Notes	Three Months Ended June 30,		Six Months Ended June 30,	
		2021	2020	2021	2020
Sales	5, 13.1, 20.1	74,410	50,466	141,252	108,463
Cost of sales	6	(56,115)	(43,014)	(108,865)	(92,849)
Depreciation		(1,456)	(1,507)	(2,921)	(3,051)
Gross profit		16,839	5,945	29,466	12,563
Selling, general and administrative expenses		(3,473)	(3,191)	(6,800)	(7,049)
Operating income		13,366	2,754	22,666	5,514
Foreign exchange gain (loss)		(99)	(294)	(212)	436
Gain (loss) on sale of property, plant and equipment		-	(12)	-	(12)
Restructuring and other expenses		(3)	(77)	(3)	(77)
Financing expenses	11	(624)	(790)	(1,190)	(1,753)
Income before income taxes		12,640	1,581	21,261	4,108
Income tax expense	14	(3,572)	(481)	(5,729)	(1,191)
Net income		9,068	1,100	15,532	2,917
Net income per share	18	0.32	0.04	0.55	0.10
Dividends per share		0.03	0.02	0.06	0.04
Weighted average number of shares		28,447,938	28,792,141	28,471,815	28,958,196

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(\$'000 unless otherwise stated)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income for the period	9,068	1,100	15,532	2,917
Unrealized gain (loss) on foreign exchange translation	155	(161)	163	(371)
Comprehensive income	9,223	939	15,695	2,546

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



**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

<i>(\$'000 unless otherwise stated)</i>	Shareholders' Capital (Note 12)	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance as at December 31, 2020	223,363	(169,726)	(2,568)	51,069
Repurchase of shares	(139)	-	-	(139)
Net income	-	6,464	-	6,464
Dividends	-	(854)	-	(854)
Other comprehensive income (loss)	-	-	8	8
<b>Balance as at March 31, 2021</b>	<b>223,224</b>	<b>(164,116)</b>	<b>(2,560)</b>	<b>56,548</b>
Repurchase of shares	(29)	-	-	(29)
Net income	-	9,068	-	9,068
Dividends	-	(853)	-	(853)
Other comprehensive income (loss)	-	-	155	155
<b>Balance as at June 30, 2021</b>	<b>223,195</b>	<b>(155,901)</b>	<b>(2,405)</b>	<b>64,889</b>
Balance as at December 31, 2019	223,994	(172,566)	(2,775)	48,653
Repurchase of shares	(48)	-	-	(48)
Net income	-	1,829	-	1,829
Dividends	-	(576)	-	(576)
Other comprehensive income (loss)	-	-	(210)	(210)
<b>Balance as at March 31, 2020</b>	<b>223,946</b>	<b>(171,313)</b>	<b>(2,985)</b>	<b>49,648</b>
Repurchase of shares	(236)	-	-	(236)
Net income	-	1,100	-	1,100
Dividends	-	(573)	-	(573)
Other comprehensive income (loss)	-	-	(161)	(161)
<b>Balance as at June 30, 2020</b>	<b>223,710</b>	<b>(170,786)</b>	<b>(3,146)</b>	<b>49,778</b>

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

**INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021 and 2020**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(\$'000 unless otherwise stated)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Net income	9,068	1,100	15,532	2,917
Depreciation	1,456	1,507	2,921	3,051
Loss (Gain) on sale of property, plant and equipment	-	12	-	12
Net financing costs	624	790	1,190	1,753
Deferred income tax expense (recovery)	-	(416)	(2)	38
Exchange revaluation of foreign denominated debt	(132)	(389)	(245)	449
Working capital adjustments				
Accounts receivable	(4,005)	4,613	(11,221)	(3,461)
Inventories	(9,995)	5,114	(11,882)	7,003
Accounts payable and accrued liabilities	2,455	(7,129)	2,368	2,139
Prepaid expenses	(2,640)	718	(3,094)	543
Income and other taxes	2,892	897	3,032	1,149
Other	4	(236)	(77)	(185)
Net cash provided by (used in) operating activities	(273)	6,581	(1,478)	15,408
Government rebates	-	165	-	816
Purchase of property, plant and equipment	(278)	(207)	(556)	(2,415)
Net cash used in investing activities	(278)	(42)	(556)	(1,599)
Term loans payments	(693)	(498)	(1,402)	(994)
Long-term debt payments	-	(286)	-	(581)
Lease interest paid	(302)	(347)	(614)	(693)
Lease principal payments	(393)	(389)	(786)	(821)
Other interest paid	(314)	(347)	(566)	(822)
Increase (repayment) of senior revolving facility	3,803	(6,411)	9,353	(7,397)
Dividend paid	(853)	(573)	(1,424)	(1,149)
Repurchase of common shares	(29)	(236)	(168)	(284)
Net cash provided by (used in) financing activities	1,219	(9,087)	4,393	(12,741)
Effect of exchange rate change on cash	(12)	(29)	(19)	16
Increase in cash	656	(2,577)	2,340	1,084
Cash - beginning of period	2,929	4,568	1,245	907
Cash - end of period	3,585	1,991	3,585	1,991

*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 ("Tree Island" or the "Company") for the six months ended June 30, 2021 and 2020 were authorized for issue in accordance with a resolution of the Board of Directors on July 27, 2021. The Company is headquartered at 3933 Boundary Road, Richmond, British Columbia, Canada and the Shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol TSL. Tree Island Steel owns 100% of the shares of Tree Island Industries ("TI Canada") (collectively "Tree Island"). TI Canada supplies a diverse range of steel wire and fabricated steel wire products to customers in Canada, the United States, and internationally.

## **2 BASIS OF PREPARATION**

### **2.1 BASIS OF PREPARATION**

The interim unaudited condensed consolidated financial statements as at and for the six months ended June 30, 2021 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, 2020 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.

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

### **2.2 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY**

The functional and presentation currency of the Company is the Canadian dollar. All currency amounts have been rounded to the nearest thousand, except as otherwise indicated.

## **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 interim unaudited condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements as at December 31, 2020.

## **4 FUTURE IFRS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

Tree Island prepares its interim unaudited condensed 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 interim unaudited condensed consolidated financial statements.

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

June 30, 2021 and 2020

**5 REVENUE AND ACCOUNTS RECEIVABLE**

Revenue is net of cost of freight associated with those sales to customers where the Company arranges the freight. For the six months ended June 30, 2021, this cost of freight amounts to \$8.9 million (\$6.2 million in 2020).

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

	As at June 30, 2021	As at December 31, 2020
Current	34,216	22,386
Over 30 days past due	2,222	2,764
Total accounts receivable	36,438	25,150
Allowance for doubtful accounts	(398)	(331)
Net accounts receivable	36,040	24,819

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 \$36.0 million as at June 30, 2021 ( \$24.8 million as at December 31, 2020).

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.

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

	As at June 30, 2021	As at December 31, 2020
Opening balance - beginning of period	331	580
Additions during the period	164	169
Reversals during the period	(25)	(20)
Collections	(77)	(36)
Write-offs during the period	-	(366)
Foreign exchange revaluation	5	4
Closing balance - end of period	398	331

See Note 15.1 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.

## 6 INVENTORIES

Tree Island had the following categories of inventory:

	As at June 30, 2021	As at December 31, 2020
Raw materials	26,213	14,790
Finished and semi-finished products	20,148	20,465
Consumable supplies and spare parts	12,329	11,553
<b>Total inventory</b>	<b>58,690</b>	<b>46,808</b>

For the three and six month period ended June 30, 2021 and 2020, Tree Island recognized, in income, inventory costs for the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Opening inventory	48,695	53,182	46,808	55,035
Material costs	51,559	25,789	91,760	59,187
Conversion costs	14,551	12,107	28,987	26,691
Closing inventory	(58,690)	(48,064)	(58,690)	(48,064)
<b>Cost of sales</b>	<b>56,115</b>	<b>43,014</b>	<b>108,865</b>	<b>92,849</b>

The reserves for slow moving inventory as at June 30, 2021 were \$1.2 million (\$1.2 million at June 30, 2020).

## 7 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, assets are grouped and tested at the Cash Generating Unit level. Tree Island considers both qualitative and quantitative factors when determining whether an asset may be impaired, or when a reversal of impairment is required. Where the carrying value of the assets is not expected to be recoverable from future cash flows, they are written down to their recoverable amount. Tree Island has noted no indicators of impairment for this reporting period.

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, 2019	9,765	46,702	41,267	1,494	99,228
Additions	23	451	2,148	(763)	1,859
Disposals	-	-	(109)	-	(109)
Foreign exchange translation	(39)	(194)	(278)	13	(498)
As at December 31, 2020	9,749	46,959	43,028	744	100,480
Additions	-	63	770	(304)	529
Disposals	-	-	(21)	-	(21)
Foreign exchange translation	(55)	(254)	(300)	(26)	(635)
As at June 30, 2021	9,694	46,768	43,477	414	100,353
Depreciation and impairment					
As at December 31, 2019	55	34,930	19,263	-	54,248
Depreciation for the period	17	1,394	2,135	-	3,546
Disposals	-	-	(108)	-	(108)
Foreign exchange translation	(2)	(130)	(141)	-	(273)
As at December 31, 2020	70	36,194	21,149	-	57,413
Depreciation for the period	9	695	1,055	-	1,759
Disposals	-	-	(21)	-	(21)
Foreign exchange translation	(2)	(152)	(155)	-	(309)
As at June 30, 2021	77	36,737	22,028	-	58,842
Net book value as at:					
December 31, 2020	9,679	10,765	21,879	744	43,067
June 30, 2021	9,617	10,031	21,449	414	41,511

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

**June 30, 2021 and 2020**

**8 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 year:

**8.1 RIGHT OF USE ASSETS**

	Land & buildings	Machinery & equipment	Total right-of-use assets
<b>Cost</b>			
As at December 31, 2019	32,825	2,477	35,302
Additions	-	149	149
Disposals	(885)	(403)	(1,288)
Foreign exchange translation	(467)	(24)	(491)
As at December 31, 2020	31,473	2,199	33,672
Additions	-	262	262
Disposals	-	(199)	(199)
Foreign exchange translation	(615)	(18)	(633)
As at June 30, 2021	30,858	2,244	33,102
<b>Depreciation and impairment</b>			
As at December 31, 2019	(5,609)	(993)	(6,602)
Depreciation for period	(2,033)	(457)	(2,490)
Disposals	880	393	1,273
Foreign exchange translation	109	20	129
As at December 31, 2020	(6,653)	(1,037)	(7,690)
Depreciation for period	(958)	(204)	(1,162)
Disposals	-	199	199
Foreign exchange translation	104	10	114
As at June 30, 2021	(7,507)	(1,032)	(8,539)
<b>Carrying value as at:</b>			
December 31, 2020	24,820	1,162	25,982
June 30, 2021	23,351	1,212	24,563



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

June 30, 2021 and 2020

**8.2 LEASE LIABILITY**

	Land & buildings	Machinery & equipment	Total lease liability
Lease liability			
As at December 31, 2019	30,614	1,471	32,085
New contracts and renewals	-	143	143
Contract Disposal	-	(9)	(9)
Interest adjustment	(10)	-	(10)
Interest expense	1,290	54	1,344
Payment of lease liability	(2,463)	(488)	(2,951)
Foreign exchange translation	(456)	2	(454)
Lease liability as at December 31, 2020	28,975	1,173	30,148
New contracts and renewals	-	262	262
Interest expense	592	22	614
Payment of lease liability	(1,178)	(222)	(1,400)
Foreign exchange translation	(604)	(5)	(609)
Lease liability as at June 30, 2021	27,785	1,230	29,015
Less: current portion	(1,284)	(410)	(1,694)
Total as at June 30, 2021	26,501	820	27,321

**9 SENIOR CREDIT FACILITY**

The Company has a senior banking facility with Wells Fargo Capital Finance Corporation Canada (“Wells Fargo”). The five-year senior secured committed banking facility (the “Senior Credit Facility”) which matures in June of 2023, may be used for Tree Island’s financing requirements in Canadian and/or U.S. dollars, and

- \$60 million of Senior Revolving Credit facility; and
- \$20 million of Senior Term facility.

**9.1 SENIOR REVOLVING CREDIT FACILITY**

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 includes a \$10.0 million Letter of Credit sub-facility which enables TI Canada and TI USA to open documentary and standby letters of credit for raw material purchases. There was a \$161 thousand Letter of Credit outstanding as at June 30, 2021.

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.

**NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2021 and 2020**

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

	As at June 30, 2021	As at December 31, 2020
Revolving portion of the senior credit facility	34,220	25,398
Deferred financing costs	(50)	(56)
<b>Total</b>	<b>34,170</b>	<b>25,342</b>

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 that a certain amount of credit availability be maintained. 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, 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.

**9.2 SENIOR TERM FACILITY**

Under the terms of the Senior Credit Facility, the Company has designated portions up to a total of \$20 million denominated in either Canadian or U.S. dollars.

The following amounts are outstanding under the Senior Term Facility:

	As at June 30, 2021	As at December 31, 2020
Senior term loans - beginning of period	16,040	11,194
Advances	-	7,242
Foreign exchange revaluation	(244)	(272)
Payments	(1,398)	(2,124)
Senior term loans - end of period	14,398	16,040
Less: current portion	(2,788)	(2,825)
<b>Total</b>	<b>11,610</b>	<b>13,215</b>

## 10 LONG-TERM DEBT

On September 17, 2020, the long-term debt was settled in full with funds advanced under the Company's Senior Term Facility for a total amount of \$7.2 million. Upon settlement all encumbrances were released and discharged.

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

	As at June 30, 2021	As at December 31, 2020
Beginning of period	-	6,107
Monthly Payments - Principal	-	(675)
Settlement	-	(7,221)
Monthly Accretion	-	399
Accretion on debt settlement	-	1,280
Foreign exchange revaluation	-	110
End of period	-	-

## 11 FINANCING EXPENSES

		Three Months Ended June 30,		Six Months Ended June 30,	
	<i>Notes</i>	2021	2020	2021	2020
Accretion on long term debt		-	145	-	306
Interest on senior revolving credit facility	9.1	116	173	234	460
Interest on senior term facility	9.2	144	89	-	-
Interest on lease liability		302	347	614	693
Other interest and financing costs		59	30	336	278
Amortization of deferred financing costs		3	6	6	16
Total		624	790	1,190	1,753

## 12 SHAREHOLDERS' CAPITAL

Tree Island is authorized to issue an unlimited number of shares. The Shares have no par value.

	Shares	Gross	Issuance Cost <sup>(1)</sup>	Net
Shareholders' capital - December 31, 2019	28,831,637	235,394	11,400	223,994
Repurchase of common shares	(328,123)	(631)	-	(631)
Shareholders' capital - December 31, 2020	28,503,514	234,763	11,400	223,363
Repurchase of common shares	(60,055)	(168)	-	(168)
Shareholders' capital - June 30, 2021	28,443,459	234,595	11,400	223,195

<sup>-1</sup> Issuance costs relate to the initial public offering in 2002.

The Company has an ongoing normal course issuer bid (the "Bid"). The current Bid is effective November 9, 2020 to November 8, 2021. The Bid allows the Company to purchase up to 1,427,000 Shares in the period. Tree Island has no obligation to purchase any Shares under the Bid.

For the period January 1, 2021 to June 30, 2021 the Company canceled 60,055 Shares purchased under the Bid at a total cost of \$168 thousand (at an average price of \$2.80 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, 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 July 27, 2021, Futura owns 34.4% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of Doman Building Materials Group Ltd. ("DBM" and formerly CanWel Building Materials Group Ltd). For the three and six months ended June 30, 2021, Tree Island sold, net of rebates, approximately \$1.0 million and \$1.9 million respectively (\$0.6 million and \$1.3 million in 2020) of goods to DBM and trade accounts receivable owing from DBM as at June 30, 2020 is approximately \$0.5 million (approximately \$0.2 million in 2020). Outstanding trade accounts receivable from DBM at period end are unsecured, interest free and settlement occurs in cash (Note 5).

**13.2 TRANSACTION WITH KEY MANAGEMENT PERSONNEL**

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three months and six months ended June 30, 2021 was approximately \$0.5 million and \$0.8 million respectively (\$0.3 million and \$0.6 million approximately in 2020) 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**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Current tax expense	(3,572)	(897)	(5,731)	(1,153)
Deferred tax recovery (expense)	-	416	2	(38)
Total in the Consolidated Statement of Operations	(3,572)	(481)	(5,729)	(1,191)

**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 and interest rates being variable for the senior credit facility;
- Fair value on amounts under the Company's Senior Term Facility are based on estimated market interest rate on similar borrowings. The carrying value approximates fair value as the interest rates approximate market. A 1% change in the market interest rate would change the fair value of Senior Term Facility by \$0.3 million.
- 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, 2021		As at December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalent	3,585	3,585	1,245	1,245
Accounts receivable	36,040	36,040	24,819	24,819
<b>Total financial assets</b>	<b>39,625</b>	<b>39,625</b>	<b>26,064</b>	<b>26,064</b>
Accounts payable, accrued and other current liabilities	20,112	20,112	17,770	17,770
Senior revolving facility	34,220	34,220	25,398	25,398
Senior term loans	14,398	14,398	16,040	16,040
Lease Liabilities	29,015	29,015	30,148	30,148
<b>Total financial liabilities</b>	<b>97,745</b>	<b>97,745</b>	<b>89,356</b>	<b>89,356</b>

## **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.

## **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.

### **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.



**NOTES TO THE INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****June 30, 2021 and 2020**

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, 2021 and December 31, 2020:

	Carrying Amount	Contractual Cash Flow	Less Than 1	1 - 2 Years	Greater Than 2
Senior revolving facility	34,220	34,220	-	-	34,220
Accounts payable, accrued and other liabilities	20,199	20,199	20,199	-	-
Senior term loans (principal)	14,398	14,398	1,394	5,576	7,428
Senior term loans (interest)	-	943	212	247	484
Lease liability	29,015	42,351	1,402	2,850	38,099
<b>As at June 30, 2021</b>	<b>97,832</b>	<b>112,111</b>	<b>23,207</b>	<b>8,673</b>	<b>80,231</b>

Senior revolving facility	25,398	25,398	-	-	25,398
Accounts payable, accrued and other liabilities	17,867	17,867	17,867	-	-
Senior term loans (principal)	16,040	14,708	2,825	5,650	6,233
Senior term loans (interest)	-	1,216	408	322	486
Lease liability	30,148	44,725	2,837	2,888	39,000
<b>As at December 31, 2020</b>	<b>89,453</b>	<b>103,914</b>	<b>23,937</b>	<b>8,860</b>	<b>71,117</b>

**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 changes in the U.S./Canadian dollar exchange rate. The Company may enter 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, 2021, the Company had no outstanding U.S. dollar currency forward contracts.

For the three months ended June 30, 2021, a \$0.01 change in the Canadian dollar to U.S. dollar exchange rate will increase (decrease) net comprehensive income by \$0.1 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.

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.

**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, 2021 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 9.1 and 9.2.

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, 2021	As at December 31, 2020
Total shareholders' equity	64,889	51,069
Senior revolving facility	34,220	25,398
Lease liabilities	29,015	30,148
Senior term loans	14,398	16,040
<b>Total capital</b>	<b>142,522</b>	<b>122,655</b>

## 18 NET INCOME PER SHARE

Basic earnings per Share amount is calculated by dividing net income 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, 2021 the Company does not have any instruments issued that could be dilutive.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income for the period	9,068	1,100	15,532	2,917
Weighted average number of Shares outstanding:	28,447,938	28,792,141	28,471,815	28,958,196
Net income per share (\$/share)	0.32	0.04	0.55	0.10

## 19 PROVISIONS AND COMMITMENTS

### 19.1 LITIGATION AND CLAIMS

From time to time Tree Island is party to certain legal actions, claims and tax audits. In the period there are no known claims which individually, or in the aggregate, are expected to have a material adverse effect on its financial position, consolidated statement of operations or cash flows. As more information becomes known with respect to any claims, actions or tax audits, the Company then establishes provisions in the period.

### 19.2 PURCHASE COMMITMENTS

As at June 30, 2021, Tree Island's wholly owned subsidiaries have committed to material purchases (including finished goods) totaling \$71.0 million (\$32.7 million - June 30, 2020).

June 30, 2021 and 2020

**20 SEGMENTED INFORMATION****20.1 MARKET SEGMENTS**

Revenues for each group for the six months ended June 30, 2021 and 2020 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Industrial	26,292	18,121	48,721	37,332
Commercial	17,102	11,507	29,931	24,797
Agricultural	11,412	7,608	25,487	17,954
Residential	19,604	13,230	37,113	28,380
<b>Total revenue</b>	<b>74,410</b>	<b>50,466</b>	<b>141,252</b>	<b>108,463</b>

Tree Island operates primarily within one industry, the steel wire products industry, with no separately reportable operating segments. Tree Island groups its products into the following: Industrial, Commercial, Agricultural and Residential Construction. No one customer is more than 10% of total revenue.

**20.2 GEOGRAPHIC SEGMENTS**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
United States	49,959	33,243	92,607	67,628
Canada	22,618	15,454	45,613	36,686
International	1,833	1,769	3,032	4,153
<b>Total revenue</b>	<b>74,410</b>	<b>50,466</b>	<b>141,252</b>	<b>108,467</b>

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

	As at June 30, 2021	As at December 31, 2020
United States	33,837	34,088
Canada	33,501	36,380
<b>Total non-current assets</b>	<b>67,338</b>	<b>70,468</b>

## SHAREHOLDER INFORMATION

TREE ISLAND STEEL

### Board of Directors:

Amar S. Doman –  
Executive Chairman of  
the Board

Peter Bull

Harry Rosenfeld

Sam Fleiser

Theodore A. Leja

Joe Downes

### Executive Officers:

Remy Stachowiak  
*President,  
Chief Operating Officer*

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

### Shares:

#### *Market Information*

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

#### *Registrar and Transfer Agent*

Computershare Investor  
Services Inc.

### Corporate Head Office:

3933 Boundary Road  
Richmond, B.C.  
Canada, V6V 1T8

### Website:

[www.treeisland.com](http://www.treeisland.com)

### Investor Relations:

Ali Mahdavi  
Investor Relations  
(416)-962-3300  
[amahdavi@treeisland.com](mailto:amahdavi@treeisland.com)

### Auditors:

KPMG LLP Vancouver, B.C.

