Tree Island Steel Ltd.

Annual Information Form
for the Financial Year Ended December 31, 2014

February 19, 2015

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Forward Looking Statements

The information disclosed in this Annual Information Form (“AIF”) is stated as at December 31, 2014 or for the year ended December 31, 2014, as applicable, unless otherwise noted. Unless the context indicates otherwise, all references to “Tree Island Steel” relate to Tree Island Steel Ltd. (the “Company”), including its wholly owned subsidiary Tree Island Industries Ltd. (“TII”), and, as applicable, its predecessor Tree Island Wire Income Fund (the ”Fund”).

This AIF includes certain “forward looking statements” and “forward looking information” within the meaning of applicable Canadian securities laws (collectively, “forward looking statements”) with respect to Tree Island Steel, including its business, operations and strategies, as well as financial performance and conditions. The words “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “estimate”, “expect”, and similar expressions are often used to identify forward looking statements. These forward looking statements relate to future events or future performance and reflect management’s expectations or beliefs regarding future events, and include, but are not limited to, statements regarding: (i) business and economic conditions; (ii) Tree Island Steel’s growth, results of operations, performance and business prospects and opportunities; and (iii) Tree Island Steel’s ability to execute its strategy. Any statements that are contained herein that are not statements of historical fact may be deemed to be forward looking statements. Although management believes that expectations reflected in forward looking statements are reasonable, such forward looking statements involve risks and uncertainties including the risks and uncertainties discussed under the heading “*Risk Factors*”.

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

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

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

Non-IFRS Measures

References in this AIF, and any documents incorporated by reference herein, to “EBITDA” are to operating profit and adding back depreciation and foreign exchange gains or losses. EBITDA is a measure used by many investors to compare issuers on the basis of ability to generate cash flows from operations. EBITDA is not an earnings measure recognized by International Financial Reporting Standards (“IFRS”) and does not have a standardized meaning prescribed by IFRS. We believe that EBITDA is an important supplemental measure in evaluating the Company’s performance. You are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS as indicators of performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Our method of calculating EBITDA may differ from methods used by other issuers and, accordingly, our EBITDA may not be comparable to similar measures presented by other issuers.

Currency Presentation

All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars.

Corporate Structure

Name, Address and Incorporation

Tree Island Steel Ltd. was incorporated under the *Canada Business Corporations Act* (the “CBCA”) on August 2, 2012 to effect the conversion of the Fund to a corporate structure (the “Corporate Conversion”) pursuant to a statutory plan of arrangement (the “Arrangement”). The Corporate Conversion was completed on October 1, 2012. The Company amended its articles effective May 13, 2014 to alter its authorized capital in connection with the consolidation of its common shares, as more particularly described below under “General Development of Business and Three Year History - 2014 Developments - Share Consolidation“.

The Company’s head and registered office is located at 3933 Boundary Road, Richmond, British Columbia, Canada, V6V 1T8.

Inter-corporate Relationships

The Company holds a 100% ownership interest in Tree Island Industries Ltd. TII is incorporated under the laws of the Province of British Columbia and its wholly-owned significant subsidiaries, Tree Island Wire Holdings (USA), Inc. (“TIWH”) and Tree Island Wire (USA), Inc. (“TIW”) are incorporated under the laws of the state of Delaware. The relationship between the Company and TII, TIWH and TIW (collectively the “Subsidiaries”) is noted below:

General Development of Business and Three Year History

Headquartered in Richmond, British Columbia, Tree Island Steel has been in business since 1964 and is one of North America's largest producers of steel wire and fabricated wire products. Through its operating facilities in Canada and the United States, Tree Island Steel produces and sources thousands of different products which can be classified into nine broad product categories: galvanized wire, bright wire, welded wire concrete reinforcing mesh, bulk nails, collated nails, stucco reinforcing products, fencing products, stainless steel wire, and other fabricated wire products. The market segments that the products are sold are categorized into five segments: Industrial, Residential, Commercial, Agricultural and Specialty.

For the past several years aggressive competition from both domestic and international competitors negatively impacted the overall prices of the goods we sell. This is reflected in the higher growth in volume from 2012 to 2014 (+36.6% for the period) when compared to the growth in revenue for the same period (+25.8% for the period). Faced by the challenges posed by our competitors in 2014 we continued to leverage our strengths, took advantage of the increase in demand in some of our end markets (particularly in the United States), capitalized on our relationship with existing customers, developed new customer relationships and expanded Tree Island Steel's geographical reach. The results of our above efforts, along with increased demand in some of our end markets over the past several years, was an increase of operating income from $4.3 million in 2013 to $4.9 million in 2014 and an increase in EBITDA from $7.3 million in 2013 to $8.0 million in 2014. Our pace of growth in 2014 required us to make $1.7 million in investments in equipment and staffing, resulting in gross profit and EBITDA for the year growing at a slower pace than volume and revenues.

2014 Developments

Debentures redeemed for / converted to Common Shares

On January 27, 2014, the Company announced that it would redeem all of its 10% second lien convertible debentures (the "Convertible Debentures") scheduled to mature on November 26, 2014 by March 4, 2014 (the "Redemption Date"). By the Redemption Date, the Company had redeemed $174,600 in principal amount of the Convertible Debentures. Between January 2, 2014 and the Redemption Date, a total of $15,969,400 in principal amount of the Convertible Debentures were converted to 31,938,800 common shares or 15,969,400 common shares after adjustment for the share consolidation which took effect on May 16, 2014 and is discussed below.

Share Consolidation

On March 14, 2014, the Company announced a share consolidation of its common shares (the "Share Consolidation") on the basis of one post-consolidation common share ("Share") for every two pre-consolidation common shares (each a "Pre-Consolidation Share"). The Share Consolidation was approved by the Company's shareholders at the annual and special meeting held on May 13, 2014. Upon completion of the Share Consolidation, which took effect on May 16, 2014, there were 30,343,823 Shares outstanding. The Share Consolidation did not materially affect any shareholder's percentage ownership in the Company or their proportionate voting rights.

Senior Credit Facility

On April 21, 2014, the Company renewed its senior banking facility with Wells Fargo Capital Finance Corporation Canada ("Wells Fargo"). The five year senior secured committed banking facility (the "Senior Credit Facility") was increased from $40.0 million to $60.0 million and matures in April of 2019. Under the terms of the Senior Credit Facility, up to $60.0 million may be borrowed for Tree Island Steel's financing requirements in Canadian and/or US dollars of which $4.125 million was advanced as a term loan. Interest is charged at variable rates based on the Canadian and/or US Prime rate and the Canadian B.A. rate and/or the Eurodollar rate. The amount advanced under the Senior Credit Facility at any time is limited to a defined percentage of inventories, accounts receivable and real estate, less certain reserves. The Senior Credit Facility is secured by a first charge over Tree Island Steel's assets supported by the appropriate guarantees, pledges and assignments, and requires that certain covenants be met by Tree Island Steel. The Senior Credit Facility agreement is available on SEDAR at www.sedar.com (refer to the section titled "Credit Facilities" of this AIF for further details).

Share Buy-Back

On September 17, 2014, the Company renewed the normal course issuer bid to purchase up to 1,649,000 Shares. For the period January 1, 2014 to December 31, 2014, the Company did not purchase any Pre-Consolidation Shares or Shares under the normal course issuer bid.

Warrants

At the start of 2014, the number of Pre-Consolidation Share purchase warrants ("Pre-Consolidation Warrants") outstanding was 4,575,000. Each Pre-Consolidation Warrant was exercisable for one Pre-Consolidation Share at an exercise price of $0.57. The Pre-Consolidation Warrants had an expiration date of November 26, 2014. In the first quarter of 2014, 202,500 Pre-Consolidation Warrants were exercised and converted into Pre-Consolidation Shares on a one-for-one basis, resulting in $115,425 of total proceeds that were recorded as share capital on the Company's financial statements.

Immediately prior to completion of the Share Consolidation, there were 4,372,500 Pre-Consolidation Warrants outstanding. Pursuant to the terms of the Pre-Consolidation Warrants, after giving effect to the Share Consolidation, the number of Pre-Consolidation Warrants outstanding was adjusted by the same ratio of one Share purchase warrant (a "Warrant") for every two Pre-Consolidation Warrants for an aggregate of 2,186,250 Warrants outstanding upon completion of the Share Consolidation, with each Warrant exercisable for one Share. The exercise price was also adjusted accordingly such that the exercise price for each Warrant was $1.14.

In the last quarter of 2014, 798,750 Warrants were exercised and converted into Shares on a one-for-one basis. The total proceeds of $910,575 were recorded as share capital on the Company's financial statements. The remaining 1,387,500 Warrants were not redeemed prior to expiration on November 26, 2014.

Trade Action Reviews

From time to time, various governments undertake trade actions that may have an impact on Tree Island Steel's business. Tree Island Steel closely monitors these trade actions, evaluates their potential impacts on Tree Island Steel's business and takes appropriate action to capitalize on the opportunity or mitigate the threat posed by the trade action. The following trade actions had no material adverse impact on Tree Island's business.

a) <u>US Trade Case Against Steel Nails From Korea, Malaysia, Taiwan and Vietnam</u>

On December 17, 2014, the US Department of Commerce announced interim duty calculations for dumping. The US had earlier excluded nails from India and Turkey on the basis that the volumes of imports did not meet the minimum importation volumes to merit inclusion in the trade case. The interim margins are as follows:

Country	Anti-Dumping Margin Range
Korea	7.26% - 12.38%
Malaysia	2.15% - 39.358%
Oman	9.07%
Taiwan	0%
Vietnam	93.4% - 323.99%

A final determination will occur around May 6, 2015 with the United States International Trade Commission final decision on injury coming at the end of June 2015. The US Department of Commerce can change the tariff levels at final determination or if new information becomes available.

The case was brought to the US Department of Commerce by the Mid-Continent Nail Corp, a wholly owned subsidiary of Mexico-based Deacero in May, 2014.

The nails covered by this investigation have a nominal shaft length not exceeding 12 inches including nails made from round wire and nails cut from flat-rolled steel and exclude roofing nails. The US apparent consumption of these nails in 2013 was US$904 million with imports making up 76% of the market. In 2013, the US imported US$352.8 million in nails from the subject countries. China, Taiwan, and Oman are the largest sources of import nails into the US. China already has duties from an earlier trade case.

b) <u>US Trade Case Against Certain Alloy Steel Wire Rod from People's Republic of China</u>

On November 13, 2014, the US Department of Commerce announced a final determination of anti-dumping and countervailing duties against imports of carbon and certain alloy steel wire rod from China and made a further determination on December 15, 2014 that the US domestic industry has suffered injury as a result.

Dumping margins ranged from 106.19% to 110.25%. In addition, the US applied countervailing duties on top of the anti-dumping duties that range from 178.46% to 193.31%.

The petitioners for this investigation were ArcelorMittal USA, Charter Steel, Evraz Pueblo (formerly Evraz Rocky Mountain Steel), Gerdau Ameristeel US Inc., Keystone Consolidated Industries, Inc., and Nucor Corporation.

In 2013, imports of carbon and certain alloy steel wire rod from China were valued at an estimated US$313 million.

c) <u>China Wire Rod Export Rebate</u>

As of December 31, 2014, China cancelled its 9% VAT rebate for boron wire rods in an effort to retain more value added production in China. Prior to this, exports of steel rod of certain alloys, including boron, chrome, and vanadium received VAT rebates from the Chinese government while non-alloy rod was subject to a 15% export tax.

The cessation of VAT rebates was for boron rod only and there has been no discussion so far about the application of export taxes on boron rod from China.

2012 and 2013 Developments

Share Buy-Back

On September 7, 2012, the Fund announced a normal course issuer bid to purchase up to 1,825,000 units. On September 9, 2013, the Company renewed the normal course issuer bid to purchase up to 1,800,000 Pre-Consolidation Shares. During the period January 1, 2012 to December 31, 2013, the Company purchased an aggregate of 1,050,900 Pre-Consolidation Shares and units at an average cost of $0.30 per Pre-Consolidation Share or unit, net of commission, under the normal course issuer bid. These Pre-Consolidation Shares and units were cancelled at the end of the month of purchase.

Chinese Subsidiary Disposition

In the second quarter of 2013, the Company entered into a share purchase agreement with an arm's length party. The Company agreed to sell to the purchaser its holding in GIP International, a wholly owned subsidiary, which represented a portion of the Company's international business, at a purchase price of $0.5 million. At the time of the completion of the sale, a gain of $0.2 million was realized. All the terms of the share purchase agreement have been met.

Conversion from Trust Fund to Corporate Structure

On October 1, 2012, the Fund converted to a corporate structure. All interests and obligations of the Fund were assumed by the Company. Upon the Corporate Conversion, unit holders of the Fund received Pre-Consolidation Shares on a one-for-one basis. In addition, the Pre-Consolidation Warrants issued by the Fund were adjusted such that they became convertible into Pre-Consolidation Shares rather than units.

Union Negotiations

On September 10, 2012, TII and the International Brotherhood of Teamster Local 213 successfully concluded a new three-year collective agreement. The agreement covered hourly employees at the Richmond, BC manufacturing facility. The new collective agreement was retroactive to July 1, 2012.

Long-Term Debt Agreements Amendment

On November 26, 2009, the Company entered into separate forbearance and payment agreements with two trade creditors and their insurers (collectively the "Long-Term Debt Agreements" and formerly referred to as the "Forbearance Agreements" in previous disclosures), pursuant to which approximately $40.4 million owing under certain purchase contracts was restructured through deferred payment arrangements extending to December 31, 2013. This was part of a larger restructuring referred to as the "Recapitalization Transaction" which is described in previous disclosures. In the first quarter of 2011, the terms of the Long-Term Debt Agreements were amended whereby the payments due in 2011 were reduced to the same amount as that paid in 2010 and the Long Term Debt Agreements were extended for one year with reductions in certain of the monthly payments during the period.

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

Previous Senior Credit facility

On June 11, 2012, the Company announced that it had renewed its senior banking facility with Wells Fargo. The four year senior secured committed banking facility was increased from $35.0 million to $40.0 million and matured on June 11, 2016. This credit facility was replaced with the Senior Credit Facility entered into on April 21, 2014.

Remediation of Surplus Land Sold

During the third quarter of 2009, TII completed the sale of 12.5 acres of surplus land at the Richmond, BC manufacturing facility. The proceeds from the sale amounted to $10.2 million, $8.7 million of which was immediately released (and used to reduce the debt associated with the revolving credit facility at that time) plus $1.5 million placed in trust to be used for the remediation of the site per the sales agreement. In 2011, TII completed the remediation work based on the planned requirements and submitted the results for approval in 2011. In the first quarter of 2012, the Certificates of Compliance were issued and the $1.5 million held in trust was released.

Description of our Business

Industry Overview

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

Most fabricated wire producers in North America manufacture a limited range of products and their geographic market is restricted by high transportation costs. The industry has experienced a limited amount of consolidation as some companies have sought to broaden their product offering and diversify their geographic markets, but overall the industry is highly fragmented.

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

Our Business Strategy

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

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

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

- *Targeted growth* – Tree Island Steel analyzes the market, identifies potential opportunities and targets the appropriate markets or product lines for growth. This is accompanied by analyzing the profitability of the different product lines or groups and making business decisions based on the analysis and addressing issues related to the less profitable areas.

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

- *Obtain the best price possible for raw materials* – This strategy involves negotiating with multiple suppliers for raw materials and finding the optimum methods of transporting the raw materials to our facilities so as to obtain the most cost effective solution possible.

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

- *Optimize inventory levels* – Inventories are Tree Island Steel's largest working capital asset and therefore, optimizing the levels of inventory is important for managing cash flow and to help reduce the impact of raw material price volatility in earnings. When purchasing raw materials, the emphasis on a continuous inflow of inventories to meet production needs is balanced with quantity purchases at the lowest prices available and the working capital available to purchase the raw materials. Levels of finished goods stocked are regularly monitored and adjusted accordingly to address seasonality in the business as well as to satisfy the objective of keeping inventory levels at the lowest level possible without compromising customer needs.

Our Products

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

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

We manufacture products internally in our North American facilities, targeting them to customers that seek value, reliability and high performance. Our premium products are manufactured to consistent, high quality standards that meet customers' needs, ASTM International (formerly known as American Society for Testing and Materials) standards and applicable codes. These product lines are available in a broad range of products, are shipped with short lead times and are backed with full technical support for consistent and reliable service.

Our brands and the products offered by each are:

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

We also source products which are externally manufactured. Products within this group meet general industry specifications but are not customized to individual customer requirements. These products allow us to enhance our relationship with those customers that require a diverse product line including competitively priced commodity products. These products typically create complementary pull through for our manufactured brands.

Our Markets

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

The percentage of sales for the years ended December 31, 2014 and 2013 are as follows:

(in $'000 unless otherwise stated)

	Twelve Months Ended December 31, 2014				Twelve Months Ended December 31, 2013			
	Revenue	% of Revenue	Sales Volume (Tons)	% of Sales Volume	Revenue	% of Revenue	Sales Volume (Tons)	% of Sales Volume
Industrial	72,615	39.5%	65,063	46.5%	55,029	35.9%	47,749	42.1%
Residential	51,729	28.1%	34,368	24.6%	45,106	29.4%	29,329	25.9%
Commercial	27,435	14.9%	24,349	17.4%	25,928	16.9%	22,679	20.0%
Agricultural	16,232	8.8%	12,669	9.1%	13,469	8.8%	10,099	8.9%
Specialty	15,933	8.7%	3,486	2.5%	13,908	9.1%	3,547	3.1%
Total Revenue	183,944		139,935		153,440		113,403	

Competition

The steel and fabricated wire products industry in North America is highly fragmented. Our competition profiles are different depending upon geography, market segment and product line. Some of these competitors include Davis Wire Corp., Bekaert, Deacero S.A. de C.V., Arcelor Mittal, Nucor and Sivaco. The level of import competition will also vary depending on the product line and to a lesser degree geographic area, and largely originates in Asia and the Middle East.

Competitive Strengths

Our competitive strengths include the following:

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

- *Strong brand name, diversity of products and reputation for quality and service* – Our brand names are well established and highly regarded within the nail and fabricated wire industry. The strength of our brands, high quality products and on time deliveries have enabled us to achieve value-added pricing relative to competitors and develop strong relationships with major industry participants. As well, with the wide array of production capabilities, we are able to offer our customers a wide mix of products ensuring that the customer is able to obtain most of their wire product needs from us.

- *Diversified customer base and product lines* – We serve a wide range of customer markets due to our broad product offering. Key customers are spread across the five major markets and we have a highly diversified customer base, with no single customer accounting for more than 10% of sales in 2014.

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

- *Operational synergies* – We have advantages as a result of our size and breadth of our operations. We also have an advantage by being able to centrally source wire rod requirements for all of our divisions. In addition, benefits are realized through vertical integration amongst our operations.

Our Customers

Tree Island Steel's customers are diversified by both geographic region and industry. The diversity of markets in which our products are sold reduces exposure to economic activity in any one specific sector or region. The following is the percentage of sales for the years ended December 31, 2014 and 2013 derived from our primary geographic markets:

	Percentage of Sales	
	2014	2013
Western United States[1]	57.3%	53.2%
Eastern United States	7.4%	7.6%
Western Canada[2]	23.3%	27.1%
Eastern Canada	9.4%	9.3%
International	2.6%	2.8%

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

We sell to over 900 customers and in 2014, no single customer accounted for more than 10% of our sales.

Raw Materials

Carbon Steel Wire Rod

Our major raw material, carbon steel wire rod, is sourced from the global market. The cost of carbon steel wire rod fluctuates with market conditions. We purchase carbon steel wire rod from a number of suppliers and normally have more than a dozen qualified sources at any given time worldwide and we qualify additional suppliers as necessary.

Stainless Steel

The next largest raw material component used in our production is stainless steel wire rod. We purchase stainless steel wire rod from domestic and international suppliers. The cost of stainless steel wire rod is significantly impacted by the cost of the alloys used in the steel to provide its anti-corrosive properties. Nickel, chrome and molybdenum are three of the primary alloys used, with nickel being the most significant of the three. The costs of these alloys fluctuate significantly with market conditions.

Zinc

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

Our Operating Facilities

We have four key operating facilities of which two are owned (Richmond, BC and Etiwanda, CA) and two are leased (Pomona, CA and Ontario, CA), and several smaller warehousing and packaging locations.

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[1] Western United States include California, Washington, Oregon, Nevada, Alaska, Montana, Wyoming, Colorado, New Mexico, Idaho, Utah, Arizona and Hawaii

[2] Western Canada include British Columbia, Alberta, Saskatchewan and Manitoba

Richmond Facility

The Richmond facility is certified to the ISO 9001:2008 standard and produces a wide variety of fabricated wire products in its 400,000 square foot plant situated on approximately 38 acres adjacent to the Fraser River in Richmond, BC. Conveniently located on the Fraser River, the plant is able to source wire rod domestically or internationally. The plant contains equipment for the production of fencing products, stucco mesh, welded concrete reinforcing mesh, bulk nails, and other fabricated wire products. The finished products produced at Richmond are primarily for external sales but a portion of the finished goods produced are also sold to TIW for further value-added processing or for resale.

Etiwanda Facility

The Etiwanda facility operates in a 134,000 square foot plant situated on 16 acres of land located in Etiwanda, CA with readily accessible highway transportation. This facility is certified to ISO 9001:2008. Located near the Port of Long Beach, the plant is also able to source wire rod domestically or internationally. The plant contains equipment for the production of welded concrete reinforcing mesh, concrete reinforcing wire, wire for industrial applications and other fabricated wire products. The finished products produced at Etiwanda are primarily for external sales but a portion of the finished goods produced are also sold to the other facilities in Canada and US for further value-added processing or resale.

Pomona Facility

The Pomona facility operates from a 108,000 square foot leased facility located on 7 acres of land in Pomona, CA. The facility is certified to ISO 9001:2008 standard. The plant contains wire processing machinery that produces stainless steel wire products including spring wire, lashing wire, cold-heading wire and galvanized steel wire products including a wide range of stucco reinforcing products sold under the K-Lath brand. Galvanized wire used to manufacture stucco products is sourced from the Richmond facility and from international suppliers.

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

Ontario Facility

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

Production Processes

The production process begins with removing scale from the surface of the rod by either acid cleaning or mechanically de-scaling with sanding belts. Once clean, the rod is then reduced down to its final diameter by pulling it through a series of successively smaller holes in carbide dies on a wire drawing machine. During this process, wire speed and temperature are strictly controlled to ensure the final product meets predetermined quality standards. The finished drawn wire is then processed into our product lines, which include bright wire, galvanized wire, concrete reinforcing mesh (either bright wire or galvanized wire), bulk and collated nails, stucco mesh, fencing and stainless steel.

Inventory levels are constantly monitored to ensure an appropriate balance between customer service needs and working capital management. The nature of the equipment used by the plants is such that our preventive maintenance program and replacement of worn components in a timely manner ensures a lengthy life of the equipment. The manufacturing process is under constant scrutiny by a knowledgeable and experienced workforce, which has resulted in continuous improvement and consistent increases in productivity without the need for significant capital expenditures.

Environmental and Occupational Health and Safety Matters

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

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

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

Our Employees

As of December 31, 2014, Tree Island Steel had approximately 400 employees of whom approximately 70% are production employees.

Production employees are represented by the following unions:

Operating Unit	Union Representation
Richmond, BC	International Brotherhood of Teamsters
Etiwanda, CA	United Steelworkers of America
Pomona, CA	United Electrical, Radio and Machine Workers of America

In addition, certain office employees at the Richmond facility are represented by the Canadian Office and Professional Employees Union.

Risks Relating to Our Business

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

Cyclical Nature of Business and Demand for Our Products

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

Demand for our products is determined by the level of economic growth and activity in certain markets in the West Coast of North America and the construction industry in particular. The improving economic conditions in some of our end markets, especially as they apply to North America, have positively impacted the Company's results from operations and financial condition for fiscal 2014. We cannot predict the impact of continuing and future economic conditions in our markets, the estimated level of growth or contraction for the economy as a whole or for the economy of any particular region or market that we serve. Adverse changes in our financial condition and results of operations may occur as a result of declines in economic conditions in our principal markets, contraction of credit availability or other factors affecting economic conditions generally.

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

Financial Condition of our Customers

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

Competition

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

Liquidity, Leverage and Restrictive Covenants

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

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

The degree to which the Company is leveraged could have important consequences to the holders of the Company's Shares, including:

(i) our ability to obtain additional financing for working capital;

(ii) a portion of cash flow from operations will be dedicated to the payment of the principal and interest on its indebtedness, thereby reducing funds available for distribution to shareholders;

(iii) a substantial decrease in net operating cash flows or increase in expenses could make it more difficult to meet debt service requirements;

(iv) the leveraged capital structure could place it at a competitive disadvantage by hindering its ability to adjust rapidly to changing market conditions or by making it vulnerable to a downturn in its business or the economy in general; and

(v) the Senior Credit Facility, being at variable rates of interest, exposes the Company to the risk of increased interest rates.

Our Senior Credit Facility, Long-Term Debt Agreements and associated agreements contain restrictive covenants that limit management's discretion of with respect to certain business matters. These covenants place restrictions on, among other things, the ability to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

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

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

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

Supply of Raw Materials

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

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

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

Volatility in the Costs of Raw Materials

The primary raw material used to manufacture our products is carbon steel wire rod, which we purchase from domestic and foreign suppliers. Over the last number of years, there has been increased volatility in the raw material costs of rod producers resulting in increased price volatility for wire rod which has continued through 2014. We do not use derivative commodity instruments to hedge our exposure to changes in the price of wire rod.

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

The market price for zinc along with alloys for the stainless steel wire that our operations consume can be affected by numerous factors beyond our control, including levels of supply and demand for a broad range of industrial products, substitution of new or different products in critical applications for these metals, expectations with respect to the rate of inflation, the relative strength of the foreign currencies, interest rates, speculative activities, global or regional political or economic crises and sales of metals by holders in response to such factors. If prices should decline below the cash costs of production for our main suppliers and remain at such levels for any sustained period, the producer could determine that it is not economically feasible to continue commercial production and as a result, curtail or suspend operations. We did not hedge our price exposure on alloys or the underlying base metals during 2014.

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

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

In 2014, 57.3% of our sales were in the western United States. There can be no assurances that continued concentration in markets in the western United States will not have a negative impact on our operating results or that diversification strategies will be successful.

Dependence on Construction Industry

Approximately 28% of our net sales in 2014 were directly related to the level of home construction activity and 15% of sales were related to the commercial and infrastructure markets, resulting in construction accounting for 43% of our sales in 2014 (47% in 2013). Volume and price are affected by numerous factors beyond our control or our customers in the construction industry, including the level of construction activity which is affected by the general level of the economy and conditions in our primary geographical markets.

Transportation Costs

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

Foreign Exchange Fluctuations

The Company's reporting currency is the Canadian dollar, resulting in various levels of exposure to foreign exchange fluctuations, in particular the US/Canadian dollar exchange rate. As well, TII has US dollar-denominated cash, accounts receivable, accounts payable, accrued liabilities, revolving credit and long-term debt which are exposed to foreign currency exchange rate risk. The Company also has exposure to the US/Canadian dollar exchange rate in its results from operations because of US dollar denominated sales and expenses incurred in the Canadian operation as well as from the translation of the US operations from their functional currency of US dollars to Canadian dollars for reporting purposes. In 2013, the Company began using derivative instruments to hedge a portion of its foreign currency exposure. The Company also benefits from natural hedges with having revenue and expenses denominated in US dollars as well as US dollar financial assets offsetting US dollar financial liabilities. There are no assurances that we will be able to maintain the natural hedges or otherwise hedge this exposure in the future.

Labour Relations

Most of our operations are unionized. Strikes or lockouts could restrict our ability to operate and to service our customers. Work stoppages or other labour disruptions could increase our costs or impede our ability to operate one or more of our operations. There are no assurances that we will be able to finalize new collective agreements with the respective unions in the future. In addition, any work stoppage or labour disruption of key customers or transportation providers could impede our ability to supply products, to receive critical equipment and supplies for our operations or to collect payment from customers.

Dependence on Key Personnel and Skilled Workers

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

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

Reliance on Key Customers

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

Environmental Matters

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

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

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

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

Intellectual Property Risks

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

Energy Costs

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

Uninsured Loss

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

Product Liability

The Company is subject to potential product liabilities connected with its operations, including liability and expenses associated with product defects. There are no assurances that our quality control processes will identify all issues and if a quality issue is found that we will always be adequately insured against all such potential liabilities.

Credit Risk

We are exposed to credit losses in the event of non-payment of accounts receivable of our customer accounts. However the credit risk is minimized through selling to well-established customers of high credit quality. The credit worthiness of customers is assessed using credit scores supplied by a third party and through direct monitoring of their financial well-being on a continual basis. We establish guidelines for customer credit limits and should thresholds in these areas be reached, appropriate precautions are taken to improve collectability and/or reduce credit risk exposure. We maintain provisions for potential credit losses (allowance for doubtful accounts) and any such losses to-date have been within management's expectations.

Operating Risk

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

Management of Growth

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

Acquisition and Integration Strategies

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

Acquisitions involve a number of risks, including:

(i) the possibility that Tree Island Steel, as a successor owner, may be legally and financially responsible for liabilities of prior owners;

(ii) the possibility that Tree Island Steel may pay more than the acquired company or assets are worth;

(iii) the additional expenses associated with completing an acquisition and amortizing any acquired intangible assets;

(iv) the difficulty of integrating the operations and personnel of an acquired business;

(v) the challenge of implementing standard controls, procedures and policies throughout an acquired business;

(vi) the inability to integrate, train, retain and motivate key personnel of an acquired business; and

(vii) the potential disruption of Tree Island Steel’s ongoing business and the distraction of management from its day-to-day operations.

These risks and difficulties, if they materialize, could disrupt the Company’s ongoing business, distract management, result in the loss of key personnel, increase expenses and otherwise have an adverse effect on our business, results of operations and financial performance.

Risk Inherent in an Investment of Our Shares

Investment Eligibility and Foreign Property

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

Book-Entry Only System

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

Risks Related to Ownership of Common Shares

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

(i) The Company has never declared or paid cash dividends on the Pre-Consolidation Shares or the Shares and, at this time, does not anticipate paying cash dividends on the Shares in the foreseeable future. Payment of future cash dividends, if any, and the amounts thereof, will be at the discretion of the Board and will be dependent upon, among other things, operating cash flow generated by TII, financial requirements for operations, the execution of the Company's growth strategy and the satisfaction of solvency tests imposed by the CBCA for the declaration and payment of dividends.

(ii) The Company may make future acquisitions or may enter into financings or other transactions involving the issuance of securities of the Company which may dilute the equity interests of its current shareholders.

(iii) The market price of the Pre-Consolidation Shares and Shares, after adjusting for the Share Consolidation, has ranged from a high of $2.70 and a low of $1.60 during the year ended December 31, 2014, as quoted on the Toronto Stock Exchange. The Company cannot provide assurance that the market price of the Shares will not significantly fluctuate from its current level. In addition, financial markets have experienced significant price and volume fluctuations for a number of reasons. These broad market fluctuations, or any industry-specific market fluctuations, may adversely affect the market price of the Shares.

(iv) As of the date hereof, The Futura Corporation and Arbutus Distributors Ltd. own 8,512,950 and 5,571,750 Shares, respectively, representing 27.3% and 17.9% of the outstanding Shares on a fully-diluted basis, respectively. The Futura Corporation is in a position to materially impact control of the Company. If the insiders were to act together, they may be in a position to either pass or block votes of other holders of the Shares. Investors should be aware that votes in respect of the Shares may be controlled by a small group of insiders.

Dividends and Distributions

Dividend Policy of the Company

The dividend policy of the Company is subject to the discretion of the Board who will take into account the Company's current and anticipated business needs and financial condition at the time a dividend is being considered. The amounts and time of any future dividends may vary depending on, among other things, the Tree Island Steel's earnings, financing requirements, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends and other relevant factors (refer to the section titled "Risks Relating to Our Business" in this AIF for details regarding risks associated with our business).

No dividends have been declared or paid on the Pre-Consolidated Shares or Shares since the Company's incorporation on August 2, 2012.

Dividend Policies of the Subsidiaries

The payment of dividends from TII, TIWH or TIW are subject to the discretion of the respective company's directors who will take into account the respective subsidiary's current and anticipated business needs and financial condition at the time a dividend is being considered. The amounts and time of any future dividends may vary depending on, among other things, the respective subsidiary's earnings, financing requirements, the satisfaction of solvency tests imposed by certain government authorities for the declaration of dividends and other relevant factors

Since the Company's incorporation on August 2, 2012, no dividends have been paid on the shares of the respective subsidiaries.

Description of Capital Structure of the Company

The Company was incorporated on August 2, 2012 to effect the conversion of the Fund to a corporate structure pursuant to the Arrangement. The Corporate Conversion was completed on October 1, 2012.

Shares

The authorized capital of the Company consists of an unlimited number of Shares. Holders of the Company's Shares are entitled to one vote per Share at meetings of shareholders, to receive dividends if, as and when declared by the Board and to receive pro rata the remaining property and assets of the Company upon its dissolution or winding-up. Holders of Shares may make use of the various shareholder remedies available pursuant to the CBCA.

On March 14, 2014, the Company announced the Share Consolidation on the basis of one Share for every two Pre-Consolidation Shares, which was subsequently approved by the Company's shareholders at the annual and special meeting held on May 13, 2014. Following completion of the Share Consolidation, which took effect on May 16, 2014, there were 30,343,823 shares outstanding. The Share Consolidation did not materially affect any shareholder's percentage ownership in the Company or their proportionate voting rights.

As at February 19, 2015, 31,142,573 Shares were issued and outstanding.

Debentures

On January 27, 2014, the Company announced that it would redeem all of the Convertible Debentures on March 4, 2014, being the Redemption Date. On the Redemption Date, the Company paid an aggregate principal amount of $174,600 to the holders of redeemed Convertible Debentures plus accrued and unpaid interest up to but excluding the Redemption Date. Holders of Convertible Debentures retained their right to convert all or any part of the outstanding principal amount of the Convertible Debentures into Pre-Consolidation Shares at a conversion ratio of 200 Shares for every $100 of principal until the day prior to the Redemption Date. By the Redemption Date, $15,969,400 Debentures were converted for an aggregate of 31,938,800 Pre-Consolidation Shares.

Warrants

At the start of 2014, 4,575,000 Pre-Consolidation Warrants were outstanding, each exercisable for one Pre-Consolidation Share at an exercise price of $0.57. In the first quarter of 2014, 202,500 Pre-Consolidation Warrants were exercised and converted into Pre-Consolidation Shares on a one-for-one basis, resulting in $115,425 of total proceeds that were recorded as share capital on the Company's financial statements.

Prior to the Share Consolidation, there were 4,372,500 Pre-Consolidation Warrants outstanding. Pursuant to the terms of the Pre-Consolidation Warrants, after giving effect to the Share Consolidation, the number of Pre-Consolidation Warrants outstanding was adjusted by the same ratio of one Warrant for every two Pre-Consolidation Warrants to 2,186,250 Warrants and each Warrant was exercisable for one Share. The exercise price was also adjusted accordingly such that the post-Share Consolidation exercise price was $1.14.

In the last quarter of 2014, 798,750 Warrants were exercised and converted into Shares on a one-for-one basis. The total proceeds of $910,575 were recorded as share capital on the Company's financial statements. The remaining 1,387,500 Warrants were not redeemed prior to expiration on November 26, 2014.

Share and Loan Capital of the Subsidiaries

Common Shares

TII

TII is authorized to issue 200,000,000 common shares without par value, of which 100,000,000 are designated non-voting common shares and 100,000,000 are designated voting common shares.

The Company is the holder of all of the outstanding TII voting common shares and there are no non-voting common shares issued and outstanding. The Company also holds all of the notes of TII (as further described below).

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

TIWH

TIWH is authorized to issue 1,000 common shares without par value. TII is the holder of all the outstanding common shares of TIWH. TII is entitled to receive dividends rateably as and when declared by the directors of TIWH. Upon the voluntary or involuntary liquidation, dissolution or winding-up of TIWH, the holders of common shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

TIW

TIW is authorized to issue 100,000 common shares without par value. TIWH is the holder of all the outstanding common shares of TIW. TIW is entitled to receive dividends rateably as and when declared by the directors of TIW. Upon the voluntary or involuntary liquidation, dissolution or winding-up of TIW, the holders of common shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities.

Notes and Secondary Notes

Prior to the Corporate Conversion, TII issued notes and secondary notes (collectively, the "Notes") to the Fund at the Fund's initial public offering in 2002, for the purpose of providing working capital. The Notes were issued pursuant to a Note Indenture between TII and Computershare Trust Company of Canada, dated November 12, 2002 (refer to the Material Contracts section for further details). The Notes will mature on November 12, 2032 and are subject to prepayment from time to time as considered advisable by the directors of the Company. Interest is set annually by the directors of the Company, which amount is determined by the working capital requirements of the Company.

Credit Facilities

On April 21, 2014, the Company renewed its Senior Credit Facility with Wells Fargo. The five year senior secured committed bank facility was increased from $40.0 million to $60.0 million and matures in April of 2019. The funds borrowed can be denominated in either Canadian and/or US dollars. Interest is charged at variable rates based on the Canadian and/or US Prime rate and the Canadian bankers' acceptance rate and/or the Eurodollar rate. The amount advanced under the Senior Credit Facility at any time is limited to a defined percentage of inventories, accounts receivable and real estate, less certain reserves. The Senior Credit Facility is secured by a first charge over Tree Island Steel's assets supported by the appropriate guarantees, pledges and assignments, and requires that certain covenants be met by Tree Island. The Senior Credit Facility agreement is available on SEDAR at www.sedar.com. Additionally, a $10.0 million Letter of Credit sub-facility will enable us to open documentary letters of credit for raw material purchases. Interest is charged at variable rates based on the Canadian and/or US Prime rate and the Canadian B.A. rate and/or the Eurodollar rate.

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

The Senior Credit Facility has financial tests and other covenants with which the Company and the Subsidiaries must comply. Quarterly, the Company is required to meet a rolling 4 quarters defined fixed charge coverage ratio of 1:1 if the availability on the Senior Credit Facility falls below the minimum availability. As well, the Senior Credit Facility contains restrictive covenants that limit the discretion of the Company's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company's operating subsidiaries to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. As at December 31, 2014, the Company was in compliance with all of its financial covenants on the Senior Credit Facility.

Market for Securities

The Company's Shares are listed for trading on the TSX under the symbol "TSL". The Debentures were listed for trading on the TSX under the symbol "TSL.DB" but were delisted on March 4, 2014 upon redemption in full. Prior to the Corporate Conversion, the Units and Debentures were listed for trading on the TSX under the symbols "TIL" and "TIL.DB" respectively and were delisted following the completion of the Arrangement. The following tables set forth certain trading information on the TSX for the most recently completed financial year for the Shares and Debentures:

	Shares[3]			Debentures[4]		
	Price ($/Unit)			Price ($/Unit)		
	low	High	Volume	low	High	Volume
January	1.60	2.38	599,350	167.02	230.00	536,522
February	1.84	2.44	350,550	180.00	225.00	202,900
March	2.14	2.70	513,050	225.00	225.00	0
April	2.00	2.36	256,100	N/A	N/A	N/A
May	2.04	2.38	515,550	N/A	N/A	N/A
June	1.73	2.15	459,700	N/A	N/A	N/A
July	1.80	2.00	256,600	N/A	N/A	N/A
August	1.71	2.05	552,400	N/A	N/A	N/A
September	1.68	2.00	320,000	N/A	N/A	N/A
October	1.61	2.10	535,300	N/A	N/A	N/A
November	1.80	2.21	376,300	N/A	N/A	N/A
December	1.62	2.03	432,900	N/A	N/A	N/A

Directors and Officers

The name and province of residence of each of the directors and executive officers of the Company, along with their respective positions and offices held with the Company and their respective principal occupation(s) in the preceding five years, as of the date of this AIF is set out below. Directors serve until the next annual meeting of the shareholders or until they sooner cease to hold office.

3 Share prices and volumes have been adjusted to reflect the Share Consolidation

4 All outstanding Debentures were redeemed by March 4, 2014.

Directors

Name and Residence	Principal Occupation	Director Since	Shares Held as of February 19, 2015[5]
Amar S. Doman British Columbia, Canada	President and Chief Executive Officer, The Futura Corporation (an asset management and investment firm)	January 30, 2009	8,512,950[6]
Michael A. Fitch, Q.C.[7,8] British Columbia, Canada	Corporate Director	May 11, 2007	31,271
Theodore A. Leja[8] Washington, USA	Retired President and Chief Executive Officer, Tree Island Industries Ltd.	November 12, 2002	34,796
Sam Fleiser[7,8] Ontario, Canada	President, Alignvest Private Debt Ltd. (an alternative investment management firm)	June 24, 2009	111,750
Harry Rosenfeld[7] British Columbia, Canada	Executive Vice President, The Futura Corporation (an asset management and investment firm)	January 30, 2009	Nil[9]
Dale MacLean British Columbia, Canada	President and Chief Executive Officer, Tree Island Industries Ltd.	July 18, 2011	364,550[10]

With the exception of Mr. Theodore A. Leja and Mr. Sam Fleiser, each of the individuals named above has been engaged in his or her present principal occupation, either with the current organization noted or another organization, for the previous five or more years. Below are the biographical information of Mr. Leja and Mr. Fleiser, as provided by them.

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

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5 Represents the number of Shares beneficially owned, directly or indirectly, or over which control and direction is exercised by such individual. The directors and the officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over 20% of the issued and outstanding Shares.

6 Mr. Doman is the sole shareholder of The Futura Corporation ("Futura"), which owns 8,812,950 Shares, or 27.3% fully diluted.

7 The Company is required to have an Audit Committee. The members of this committee are Mr. Fleiser (chair), Mr. Fitch and Mr. Rosenfeld.

8 The Directors have established an EHS, Compensation and Governance Committee whose members are Mr. Fitch (chair), Mr. Fleiser and Mr. Leja.

9 Mr. Rosenfeld is an Executive Vice President of Futura which owns 8,512,950 Shares.

10 This information is also disclosed in the table below.

Sam Fleiser – In February 2013, Mr. Fleiser became President of Alignvest Private Debt Ltd., a joint venture with Alignvest Capital Management, providing an asset based finance solution for middle-market Canadian companies who are unable to access all, or a portion of their working capital requirements from traditional capital sources. Between January 2012 and February 2013, Mr. Fleiser was the President of Tradecap Inc. Prior to this, Mr. Fleiser was President of Callidus Capital Corporation, a privately-held financing company, from January 2005 to December 2011.

Officers

Name and Residence	Office Held	Shares and Held as of February 19, 2015[11]
Dale MacLean British Columbia, Canada	President and Chief Executive Officer	364,550
Nancy Davies British Columbia, Canada	Vice President, Finance and Chief Financial Officer	34,000
Remy Stachowiak British Columbia, Canada	Vice President, Sales and Marketing	7,500
James Miller British Columbia, Canada	Vice President, Corporate Development and Procurement	7,750
Stephen Ogden British Columbia, Canada	Vice President, Operations	14,919

Each executive officer's position with the Company is his or her current principal occupation. Below is a description of each officer's previous principal occupation(s) held in the preceding five years, along with other biographical information.

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

Nancy Davies – Ms. Davies is a CPA, CA and joined Tree Island Steel in October 2008 and became VP Finance and Chief Financial Officer in April 2011. Prior to joining Tree Island Steel, she was Vice President

[11] Represents the number of the Company's Shares beneficially owned, directly or indirectly, or over which control and direction is exercised by such individual.

Internal Audit at CHC Helicopter Corporation and held previous positions at Placer Dome Inc. and Ernst & Young. She has over 22 years of experience in finance, accounting and audit.

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

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

James Miller – Mr. Miller was appointed Vice President Corporate Development and Procurement of Tree Island Steel in January 2013 where he is responsible for harnessing and leading key corporate strategic planning and procurement initiatives, inventory management processes, major supplier contract management, and the China operations for Tree Island Steel Ltd. James previously served as Director of Strategic Business Investments with VanCity Group, Canada's largest credit union. He has a Master of Business Administration from the Queen's School of Business and is a graduate of Simon Fraser University. Prior to joining Tree Island Steel Mr. Miller was the Director Strategic Business Investments at Vancouver City Savings Credit Union from January 2011 to November 2012 and Director Business Performance, Finance at Vancouver City Savings Credit Union from April 2008 to January 2011.

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

To the knowledge of management of the Company, none of the individuals named above is at the date hereof or has been within the past ten years:

(i) a director, chief executive officer or chief financial officer of any company that, while such individual was acting in such capacity, was the subject of an event that resulted in, after such individual ceased to act in such capacity, an order within the meaning of Form 51-102F5 of National Instrument 51-102 - Continuous Disclosure Obligations;

(ii) a director or executive officer of any company that, while such individual was acting in such capacity or within a year of such individual ceasing to act in such capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(iii) been bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold any of his or her assets.

To the knowledge of management of the Company, none of the individuals named above has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in making an investment decision in the Company.

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

Audit Committee

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

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

Relevant Education and Experience

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

> *Sam Fleiser*- Sam Fleiser is the President of Alignvest Private Debt Ltd., a joint venture with Alignvest Capital Management, providing an asset based finance solution for middle-market Canadian companies who are unable to access all, or a portion of their working capital requirements from traditional capital sources. Between January 2012 and February 2013, he was the President of Tradecap Inc., a privately held finance company and prior to January 2, 2012 was President of Callidus Capital Corporation, a privately held finance company that provided financing to distressed or under-performing companies. Mr. Fleiser has more than 20 years of experience in managing, building and restructuring numerous businesses in a wide variety of industries. Prior to forming Callidus in 2003, Mr. Fleiser specialized in assisting distressed businesses facing serious financial or management crisis.
>
> *Harry Rosenfeld* - Harry Rosenfeld is Executive Vice President of The Futura Corporation. He joined The Futura Corporation in 2004. From 1997 to 2004, Mr. Rosenfeld was employed by Congress Financial Corporation of Canada, where as Senior Vice President and Portfolio Manager he directed the Credit and Administration functions for one of the largest asset based lenders in Canada. A former Vice President with Bank of New York Financial Corporation, Mr. Rosenfeld has over 30 years of financing, mergers and acquisition and banking experience. Mr. Rosenfeld is a former Treasurer and Director of the CFA (Commercial Finance Association) and has been a guest speaker at various financing and industry seminars. Mr. Rosenfeld holds a B.A. from the University of Waterloo.
>
> *Michael Fitch* – Michael Fitch is a retired senior partner of Fasken Martineau DuMoulin, LLP, one of Canada’s larger national law firms, where he was a nationally recognized practitioner in the insolvency and corporate restructuring area. Mr. Fitch also acted as the managing partner of his law firm from 1993 to 2000. He has over thirty years’ experience in providing restructuring advice to businesses and their boards of directors in various industries facing financial distress and in advising lending institutions and accounting firms in the insolvency context. Currently he is a corporate director for both public and private corporations. Mr. Fitch is a charter member and fellow of the Insolvency Institute of Canada, an international fellow of the American College of Bankruptcy, and an emeritus member of the International Institute of Insolvency. He was continuously listed as one of the leading 500 lawyers in Canada by Lexpert since its first publication in 2000 until his retirement. He was appointed Queen’s Counsel in 1998.

Audit Committee Mandate

The Audit Committee is responsible for assisting the Board in their oversight responsibilities by:

(i) reviewing the financial information provided to the shareholders and others;

(ii) identifying and monitoring the management of the principal risks that could impact the financial reports of Tree Island Steel;

(iii) reviewing the systems of corporate controls that management and the Board have established; and

(iv) monitoring auditor independence and the audit process.

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

Pre-Approval Policies and Procedures

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

Exemptions

Other than as discussed below, during the financial year ended December 31, 2014, the Company did not rely on the exemptions set out in sections 2.4, 3.2, 3.4, 3.5, Part 8, subsection 3.3(2) or section 3.6 of NI 52-110, nor did the Company rely on section 3.8 of NI 52-110. Mr. Rosenfeld is an executive officer of Futura, which is an affiliated entity within the meaning of NI 52-110 and is therefore not independent. The Company has relied on the exemption in section 3.3(1) of NI 52-110 in this regard.

Audit Committee Oversight

During the financial year ended December 31, 2014 there was no recommendation of the Audit Committee to nominate or compensate the external auditor of the Company that was not adopted by the directors of the Company.

External Auditor Service Fees (by category)

As at December 31, 2014, the independent auditors of the Company were Ernst & Young LLP. The report of the auditors on the financial statements for the fiscal year ended December 31, 2014 has been filed on www.sedar.com with the securities regulators. The following table sets forth, by category, the fees billed by the auditors, for the twelve months periods ended December 31, 2014 and December 31, 2013:

	Audit Fees[12]	Audited-Related Fees[13]	Tax Fees[14]	All Other Fees
2014	$198,000	$0	$120,120	$0
2013	$193,000	$825	$193,296	$0

12 "Audit Fees" represent the fees for the audit of Tree Island Steel's consolidated financial statements for the years ended December 31, 2014 and 2013.

13 "Audit Related Fees" relate to subscription fees for access to technical databases.

14 "Tax Fees" represent the fees for tax services consisting of tax compliance and tax planning and advice.

Legal Proceedings and Regulatory Actions

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

Interests of Management and Others in Material Transactions

Investment Agreement

In conjunction with the Recapitalization Transaction, The Futura Corporation (“Futura”), Arbutus Distributors Ltd. (“Arbutus”) and an additional investor (individually an “Investor” and collectively the “Investors”) and the Company entered into an investment agreement dated August 13, 2009, as amended (the “Investment Agreement”). The Investment Agreement governed the terms of a private placement, pursuant to which the Investors each purchased Convertible Debentures and received Warrants. Amar S. Doman, Chairman of the Board of the Company, is also President and Chief Executive Officer of Futura and Harry Rosenfeld, a director of the Company, is also Executive Vice President of Futura.

Investors’ Rights Agreement

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

The Investors’ Rights Agreement also provides that, subject to certain restrictions with respect to black-out periods, so long as an Investor holds at least 10% of the outstanding Shares, after giving effect to the conversion of all Convertible Debentures held by such Investor, such Investor shall have the right to request in writing that the Company file a prospectus with its principal regulator to qualify the distribution by such Investor of Shares it intends to dispose of in Canada. Within three business days after the receipt of such written request, the Company must:

(i) give written notice thereof to the other Investors; and

(ii) subject to certain provisions relating to underwritten offerings, offer such other Investors the opportunity to include in such prospectus offering all of the Shares held by such other Investors.

Transactions with Associated Companies

Tree Island Steel sells products to CanWel, a subsidiary of a company of which Mr. Doman is Chairman and CEO which sales, net of rebates, amounted to approximately $2.8 million ($2.7 million in 2013) during the year and trade accounts receivable owing from CanWel is approximately $136,000 (approximately $83,000 in 2013). Outstanding trade accounts receivable from CanWel at period end are unsecured, interest free and settlement occurs in cash.

Material Contracts

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

(i) Indemnity Agreements entered into by the Company and TII in favour of each of the directors;

(ii) Investment Agreement dated August 13, 2009, as amended, among The Futura Corporation , Marret Asset Management Inc. on behalf of certain investment funds managed by it, Arbutus Distributors Ltd. and the Company – refer to the section titled "Interests of Management and Others in Material Transactions - Investment Agreement" for additional details;

(iii) Investors' Rights Agreement dated November 26, 2009, among the Company, The Futura Corporation, Marret Asset Management Inc. and Arbutus Distributors Ltd. – refer to the section titled "Interests of Management and Others in Material Transactions - Investors' Rights Agreement" for additional details;

(iv) Guarantee, dated March 25, 2010, between the Company, the Subsidiaries and Wells Fargo Capital Finance Corporation Canada, (formerly Wachovia Capital Finance Corporation (Canada), for the guarantee as it relates to the Senior Credit Facility – refer to the section titled "Credit Facilities" for additional details;

(v) Amending Agreements dated June 11, 2012, among the Company, the Subsidiaries and Coutinho & Ferrostaal GmbH and Coutinho & Ferrostaal Ltd. – refer to the section titled "General Development of Business and Three Year History - 2012 and 2013 Developments - Long-Term Debt Agreements Amendment" for additional details; and

(vi) Intercreditor Agreement dated June 11, 2012, among the Company, the Subsidiaries and Coutinho & Ferrostaal GmbH and Coutinho & Ferrostaal Ltd. – refer to the sections titled "Description of Capital Structure - Debentures" and titled "General Development of Business and Three Year History - 2012 and 2013 Developments - Long-Term Debt Agreements Amendment" for additional details.

(vii) Credit Agreement, dated April 21, 2014, between TII, as Canadian Borrower, TIW, as U.S. Borrower, Tree Island Wire Holdings (USA), Inc., Tree Island Wire, Wells Fargo Capital Finance Corporation Canada, as Agent for the lenders, the other credit parties signatory thereto and the lenders signatory thereto – refer to the section titled "General Development of Business and Three Year History - Senior Credit Facility";

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

Transfer Agent and Registrar

The transfer agent and registrar for the Company's Shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

Experts

As at December 31, 2014, the independent auditors of Tree Island Steel were Ernst & Young LLP. The report of the auditors on the financial statements for the fiscal year ended December 31, 2014, has been filed on www.sedar.com with the securities regulators. Ernst & Young LLP are independent of Tree Island Steel in accordance with the rules of professional conduct of the Chartered Professional Accountants of British Columbia.

Additional Information

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

Financial information concerning Tree Island Steel is contained in the Company's comparative consolidated financial statements and related management's discussion and analysis for the year ended December 31, 2014, which are incorporated herein by reference, and can be found at www.sedar.com.

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

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

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

(iii) the management information circular of the Company filed with the applicable securities regulatory authorities in respect of the most recent meeting of shareholders of the Company which involved the appointment of directors.

(iv) the management information circular of Tree Island Wire Income Fund filed with the applicable securities regulatory authorities in respect of the Arrangement which related to the Corporate Conversion.

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

SCHEDULE - A: AUDIT COMMITTEE TERMS OF REFERENCE

TREE ISLAND STEEL LTD.

ESTABLISHMENT OF THE COMMITTEE

1. Purpose

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

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

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

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

2. Composition of Committee

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

3. Appointment of Committee Members

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

4. Vacancies

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

5. Committee Chair

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

6. Absence of Chair

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

7. Secretary of Committee

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

8. Regular Meetings

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

9. Special Meetings

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

10. Quorum

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

11. Notice of Meetings

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

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

13. Delegation

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

14. Access

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

15. Attendance of Officers at a Meeting

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

16. Procedure, Records and Reporting

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

17. Outside Consultants or Advisors

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

ROLES AND RESPONSIBILITIES

1. Overall Duties and Responsibilities

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

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

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

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

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

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

2. Independent Auditors

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

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

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

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

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

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

    i) contents of their report;

    ii) scope and quality of the audit work performed;

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

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

    v) internal resources used;

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

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

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

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

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

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

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

h) report to the Board in respect of the foregoing.

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

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

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

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

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

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

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

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

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

c) review compliance under the Code of Business Ethics;

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

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

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

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

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

4. Public Filings, Policies and Procedures

The Committee is charged with the responsibility to:

a) review and approve for recommendation to the Board:

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

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

   iii) earnings press releases;

   iv) the annual information form;

   v) prospectuses; and

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

   and report to the Board with respect thereto;

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

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

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

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

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

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

h) establish procedures for:

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

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

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

j) review and approve related party transactions.

TERMS OF REFERENCE AND CALENDAR

The Committee shall review and assess the adequacy of its terms of reference and calendar at least annually and submit any changes to the Board for approval.
Approved September 13, 2012