TREE ISLAND STEEL

WIRE & WIRE PRODUCTS ESTABLISHED IN 1964

Q2 2015 Quarterly Results

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2015 and 2014

The following is a discussion of the financial condition and results of operations of Tree Island Steel Ltd. ("Tree Island Steel" or the "Company") and its wholly owned operating subsidiary Tree Island Industries Limited ("TII") (together with Tree Island Steel, referred to as "Tree Island"). This discussion is current to July 28, 2015 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the three months and six months ended June 30, 2015. Tree Island Steel's unaudited interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, and are reported in Canadian dollars. Additional information relating to Tree Island Steel, including the audited consolidated financial statements and Annual Information Form ("AIF") for the year ended December 31, 2014, can be found at www.sedar.com or on Tree Island Steel's website at www.treeisland.com.

1 FORWARD LOOKING STATEMENTS AND RISK

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

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

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

2 NON-IFRS MEASURES

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

3 TREE ISLAND STEEL LTD.

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

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

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

There were 31,142,573 Shares outstanding as of June 30, 2015 and the same number of Shares were outstanding as of July 28, 2015.

3.1 ORGANIZATIONAL STRUCTURE

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

3.2 PRODUCTS

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

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

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

3.3 MARKETS

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

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

Markets	Brand	Key Product Groups	Specific End-Use Markets	Regions
Agricultural	Tree Island, Tough Strand	Hi-tensile game fence and farm fence Vineyard wire and barbed wire	Agriculture, farming	North America
Specialty Applications	Industrial Alloys	Stainless spring wire Cold heading wire Shaped wire Specialty alloy bar and wire	Consumer products, industrial applications, telecommunications, aerospace, automotive, oil and gas	North America and International

3.4 SEASONALITY

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

4 Q2 2015 BUSINESS OVERVIEW AND DEVELOPMENT

4.1 BUSINESS OVERVIEW

Our quarterly year-over-year sales volume continues its growth trend, increasing to 38,880 tons from 36,398 a year ago, an increase of 6.8%. Meanwhile, revenues for the second quarter increased by 18.3% year-over-year, from $47.8 million last year to $56.5 million this year. A healthy residential construction market in the western US and robust demand in other US end markets along with our customer-centric approach, focus on quality and customer service excellence drove the volume increase.

This same time last year a significant number of new production staff were hired to meet the increase in volume, resulting in the requirement for a significant amount of one-time training costs being incurred of approximately $0.7 million. In Q2 2015, the growth in our earnings outpaced revenue growth as a result of our ability to capitalize on better operating leverage. Gross profit in Q2 2015 increased by 76.1% to $8.1 million when compared to the $4.6 million earned in the same period last year while EBITDA of $4.7 million is 172.4% better than the year prior.

4.2 TRADE ACTION REVIEWS

From time to time various governments undertake trade actions that may have an impact on Tree Island's business. The Company closely monitors these trade actions, evaluates their potential impacts on the Company's business and takes appropriate action to capitalize on/mitigate the opportunity/threat posed by the trade actions.

4.2.1 US Trade Case Against Steel Nails From Korea, Malaysia, Taiwan and Vietnam

On July 9th, 2015, the U.S. International Trade Commission ("ITC") released to the public its final decision regarding the anti-dumping trade case against the aforementioned countries.

The trade case covered certain steel nails having a nominal shaft length not exceeding 12 inches. Certain steel nails include, but are not limited to, nails made from round wire and nails that are cut from flat-rolled steel.

The ITC determined the U.S. steel nail industry was and is materially injured by the imports of certain steel nails from the subject countries and imposed the following anti-dumping duties:

Country	Anti-Dumping Margin
Korea	0% – 11.80%
Malaysia	2.66% - 39.35%
Oman	9.10%
Taiwan	0% – 2.24%
Vietnam	323.99%

In 2014, the U.S. apparent consumption of certain steel nails was US$895 million, of which the subject countries made up approximately 34% (US$305 million) of the total, or approximately 252,389 tons of steel nails. Although favourable, the results of the nail trade case are not expected to have a material impact on the Company.

5 EVENTS SUBSEQUENT TO Q2 2015

5.1 LABOUR RELATIONS

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

5.2 DIVIDEND POLICY

On July 28, 2015, the Company's board of directors (the "Board") has approved a dividend policy of $0.01 per common share per quarter commencing in the third quarter of 2015. The Company's dividend policy will be reviewed quarterly and is based on a number of factors including current operations, operating costs, financial tests and other covenants under the Company's credit facilities, available investment opportunities, the supply and cost of raw materials, foreign exchange rates, the Company's hedging program and the satisfaction of applicable corporate liquidity and solvency tests for the declaration and payment of dividends.

The Company has declared its first quarterly dividend of $0.01 per common share to be paid on October 15, 2015 to shareholders of record on September 30, 2015 with an *ex-dividend* date of September 28, 2015.

6 RESULTS FROM OPERATIONS

($'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Sales volume – Tons[1]	38,880	36,398	79,896	71,534
Revenue	56,541	47,782	115,584	93,704
Cost of sales	(47,656)	(42,458)	(97,721)	(82,370)
Depreciation	(742)	(700)	(1,486)	(1,397)
Gross profit	8,143	4,624	16,377	9,937
Selling, general and administrative expenses	(4,024)	(3,379)	(8,386)	(7,254)
Operating income	4,119	1,245	7,991	2,683
Foreign exchange gain (loss)	(130)	(208)	762	316
Gain (loss) on sale of property, plant and equipment	-	-	(6)	(10)
Changes in financial liabilities recognized at fair value	(160)	(128)	(283)	(266)
Financing expenses	(851)	(829)	(1,700)	(2,070)
Income before income taxes	2,978	80	6,764	653
Income tax (expense) recovery	(915)	91	(2,584)	(121)
Net income	2,063	171	4,180	532
Operating Income	4,119	1,245	7,991	2,683
Add back depreciation	742	700	1,486	1,397
Foreign exchange gain (loss)	(130)	(208)	762	316
EBITDA[2]	4,731	1,737	10,239	4,396
Net Income	2,063	171	4,180	532
Non-cash financing expenses	285	262	581	525
Changes in FV of financial instruments	160	128	283	266
Deferred tax	(67)	(102)	(182)	101
Adjusted net income[2]	2,441	459	4,862	1,424
Net income per share - basic ($/share)	0.07	0.01	0.13	0.02
Net income per share - diluted ($/share)	0.07	0.01	0.13	0.02
Gross profit per ton ($/ton)	209	127	205	139
EBITDA per ton ($/ton)	122	48	128	61

Financial position as at:	June 30, 2015	December 31, 2014
Total assets	127,158	112,106
Total non-current financial liabilities	15,559	13,073

(1) Sales volume excludes tons which were processed as part of tolling arrangements.

(2) See definition of EBITDA and Adjusted Net Income in Section 2 - Non-IFRS Measures.

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

($'000 unless otherwise stated)	Q2 2015	Q2 2014	Variance Fav/(Unfav)	
SALES	56,541	47,782	8,759	18.3%

Revenue by Market Segment
($'000 unless otherwise stated)

	Three Months Ended June 30, 2015				Three Months Ended June 30, 2014			
	Revenue	% of Revenue	Tons	% of Volume	Revenue	% of Revenue	Tons	% of Volum
Industrial	19,940	35.3%	16,737	43.0%	18,489	38.7%	16,719	45.9%
Residential	19,280	34.1%	11,347	29.2%	13,379	28.0%	8,793	24.2%
Commercial	7,034	12.4%	5,846	15.0%	7,006	14.7%	6,315	17.3%
Agricultural	5,545	9.8%	3,954	10.2%	4,701	9.8%	3,661	10.1%
Specialty	4,742	8.4%	996	2.6%	4,207	8.8%	910	2.5%
Total revenue	56,541	100.0%	38,880	100.0%	47,782	100.0%	36,398	100.0%

Overall revenues for the second quarter of 2015 increased by 18.3% (+$8.8 million) when compared to the same period last year while sales volume increased by 6.8%, or 2,482 tons. The strength of the increase comes primarily from the Residential sector.

Sales of Residential products registered the highest rate of year-over-year volume and revenue growth, with sales volume and revenues for the quarter increasing by 29.0% (+2,554 tons) and 44.1% (+$5.9 million), respectively. This growth was supported by the healthy demand from the residential construction market in the western US and our focus on target markets.

Sales of Agricultural products continue to be strong, with sales volume increasing by 8.0% (+293 tons) and revenues by 18.0% (+$0.8 million). Our Agricultural products business is benefitting from our focus on the US market.

Competition in the Industrial sector has increased though we have been able to maintain our sales volume at the same level as last year. Meanwhile, revenues increased by 7.8% (+$1.5 million) as a result our pricing discipline and a stronger US dollar.

The Commercial sector was the only sector that recorded a decline in sales volume when compared to the year prior (-7.4% or -469 ton). The result is due in part to a strong first quarter due to the milder winter on the west coast.

In Q2, we continued our focus on our US markets as a result of the strong demand in many of the end markets we sell to, including the Agricultural and Residential sectors, and a greater focus on our US target markets. This, along with the stronger US dollar, increased the proportion of our sales that originates from the US.

Revenue by Location
($'000 unless otherwise stated)

	Three Months Ended June 30,					
	2015		2014		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	39,930	70.6%	31,479	65.9%	8,451	26.8%
Canada	15,751	27.9%	15,139	31.7%	612	4.0%
International	860	1.5%	1,164	2.4%	(304)	-26.1%
Total	56,541	100.0%	47,782	100.0%	8,759	18.3%
Average C$/US$	1.2291		1.0905			

($'000 unless otherwise stated)	**Q2 2015**	**Q2 2014**	**Variance Fav/(Unfav)**	
COST OF SALES	48,398	43,158	(5,240)	(12.1%)

Total cost of sales incurred increased year-over-year due primarily to increase in volume though cost of sales as a percentage of net sales decreased from 90.3% last year to 85.6% this year. The increase in sales volume increased costs of sales by $2.9 million while the remaining $2.3 million was primarily a result of the strength of the US dollar on raw material costs. This was partially offset by better operating leverage resulting from the higher sales volume and production efficiencies derived from the staff hired in the first half of 2014.

($'000 unless otherwise stated)	**Q2 2015**	**Q2 2014**	**Variance Fav/(Unfav)**	
GROSS PROFIT	8,143	4,624	3,519	76.1%

Gross Profit
($'000 unless otherwise stated)

	Three Months Ended June 30,					
	2015		2014		Variance	
	Gross Profit	% of Total	Gross Profit	% of Total	Amount	%
US$ GP after FX translation	5,493	67.5%	2,963	64.1%	2,530	85.4%
C$ Gross profit	2,650	32.5%	1,661	35.9%	989	59.5%
Total gross profit in C$	8,143	100.0%	4,624	100.0%	3,519	76.1%
Average C$/US$	1.2291		1.0905			

Gross profit as a percentage of revenues increased from 9.7% last year to 14.4% this year. The increase in profitability is attributable to the combination of our pricing initiatives, product mix, better production efficiencies as a result of the productivity of the additional staff hired and trained in 2014 and overall operating leverage resulting from the increase in volume.

($'000 unless otherwise stated)	**Q2 2015**	**Q2 2014**	**Variance Fav/(Unfav)**	
SG&A EXPENSES	4,024	3,379	(645)	(19.1%)

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

($'000 unless otherwise stated)	**Q2 2015**	**Q2 2014**	**Variance Fav/(Unfav)**	
EBITDA	4,731	1,737	2,994	172.4%

EBITDA earned for the quarter is inclusive of a $0.1 million foreign exchange loss. The increase in EBITDA is attributable to the increase in sales volume, our pricing initiatives, product mix, production efficiencies and overall operating leverage.

($'000 unless otherwise stated)	**Q2 2015**	**Q2 2014**	**Variance Fav/(Unfav)**	
FINANCING EXPENSES	851	829	(22)	(2.7%)

Financing expenses during the quarter were nominally more than that of the same period last year. Compared to the prior year, additional interest expenses were incurred on the Senior Credit Facility and for other interest and financing costs to support the additional working capital resulting from the growth in the business. This was offset by the savings from deferred financing costs resulting from the one-time write-off of the deferred financing fees in association with the renewal of the Senior Credit Facility in April 2014.

Financing Expense
($'000 unless otherwise stated)

	Three Months Ended June 30,			
			Variance Fav/(Unfav)	
	2015	2014	Amount	%
Non cash financing expenses	285	262	(23)	(8.8%)
Interest on senior credit facility	281	201	(80)	(39.8%)
Other interest and financing costs	274	213	(61)	(28.6%)
Deferred financing costs	11	153	142	92.8%
Total financing expenses	851	829	(22)	(2.7%)

($'000 unless otherwise stated)	**Q2 2015**	**Q2 2014**	**Variance Fav/(Unfav)**	
FOREIGN EXCHANGE GAIN (LOSS)	(130)	(208)	78	37.5%

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

($'000 unless otherwise stated)	**Q2 2015**	**Q2 2014**	**Variance Fav/(Unfav)**	
INCOME TAX RECOVERY (EXPENSE)	(915)	91	(1,006)	(1,105.5%)

The income tax expense for Q2 2015 relates to current taxes payable, primarily from the Canadian operations. The income tax recovery (expense) is based on the Canadian statutory tax rate of 26.0% (the same as 2014) applied to the income of the Canadian subsidiary before taxes, with adjustments for permanent differences between accounting and taxable income offset by deductions from our US operations.

($'000 unless otherwise stated)	**Q2 2015**	**Q2 2014**	**Variance Fav/(Unfav)**	
NET INCOME	2,063	171	1,892	1,106.4%

The increase in net income over the prior year is attributable to the better operating income for the period being partially offset by the increase in income tax expense.

($'000 unless otherwise stated)	**Q2 2015**	**Q2 2014**	**Variance Fav/(Unfav)**	
ADJUSTED NET INCOME	2,441	459	1,982	431.8%

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

8 COMPARISON OF RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2015 AND 2014

($'000 unless otherwise stated)	**YTD 2015**	**YTD 2014**	**Variance Fav/(Unfav)**	
SALES	115,584	93,704	21,880	23.4%

Revenue by Market Segment
($'000 unless otherwise stated)

	Six Months Ended June 30, 2015				Six Months Ended June 30, 2014			
	Revenue	% of Revenue	Tons	% of Volume	Revenue	% of Revenue	Tons	% of Volum
Industrial	40,407	35.0%	33,532	42.0%	35,886	38.3%	32,100	44.9%
Residential	37,188	32.2%	21,987	27.5%	26,120	27.9%	17,529	24.5%
Commercial	15,222	13.2%	12,867	16.1%	13,894	14.8%	12,299	17.2%
Agricultural	13,002	11.2%	9,519	11.9%	9,878	10.5%	7,806	10.9%
Specialty	9,765	8.4%	1,991	2.5%	7,926	8.5%	1,800	2.5%
Total revenue	115,584	100.0%	79,896	100.0%	93,704	100.0%	71,534	100.0%

For the first half of 2015, sales volume increased by 11.7% (+8,362 tons) while revenues increased by 23.4% (+$21.9 million). Our strategy to increase our focus on the US market, robust demand in our end markets and some key sales initiatives we implemented are contributing to the increase in sales volume.

Supported by the strength in the residential housing market in the western US, the sales volume of Residential products grew by 4,458 tons (+25.4%) and revenues grew by $11.1 million (+42.4%).

Sales volume of Agricultural products during the first half increased by 1,713 tons (+21.9%) while revenues increased by $3.1 million (+31.6%). When compared to last year, the better sales performance is largely the result of key sales initiatives that were implemented in the first quarter of 2015.

Our customer-centric sales approach and our sales initiatives sustained sales of our Commercial products in western Canada. Sales volume in the first half of 2015 grew by 4.6% (+568 tons) year-over-year while revenues grew by 9.6% (+$1.3 million).

Competition in the Industrial sector was strong during the first half of 2015. Nonetheless, total sales volume increased by 1,432 tons (+4.5%) when compared to the same period last year. Revenues were $4.5 million (+12.6%) better than the year prior on account of our pricing discipline and a stronger US dollar.

Year-to-date the proportion of our sales originating from the US increased as a result of stronger demand in the US markets, particularly for Residential and Agricultural products, our increased focus on the US markets and the strength of the US dollar.

Revenue by Location
($'000 unless otherwise stated)

	Six Months Ended June 30,					
	2015		2014		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	78,961	68.3%	59,664	63.7%	19,297	32.3%
Canada	34,275	29.7%	31,696	33.8%	2,579	8.1%
International	2,348	2.0%	2,344	2.5%	4	0.2%
Total	115,584	100.0%	93,704	100.0%	21,880	23.4%
Average C$/US$	1.2355		1.0966			

($'000 unless otherwise stated)	**YTD 2015**	**YTD 2014**	**Variance Fav/(Unfav)**	
COST OF SALES	99,207	83,767	(15,440)	(18.4%)

The increase in cost of sales over the prior year is primarily the result of the increase in volume, which increased cost of sales by $9.8 million over last year, and the impact of the strength of the US currency on our costs that are denominated in US dollars, particularly raw materials, which increased cost of sales by $5.6 million. However, cost of sales as a percentage of revenues decreased from 89.4% last year to 85.8% this year.

($'000 unless otherwise stated)	**YTD 2015**	**YTD 2014**	**Variance Fav/(Unfav)**	
GROSS PROFIT	16,377	9,937	6,440	64.8%

Gross Profit
($'000 unless otherwise stated)

	Six Months Ended June 30,					
	2015		2014		Variance	
	Gross Profit	% of Total	Gross Profit	% of Total	Amount	%
US$ GP after FX translation	11,448	69.9%	5,866	59.0%	5,583	95.2%
C$ Gross profit	4,929	30.1%	4,071	41.0%	857	21.1%
Total gross profit in C$	16,377	100.0%	9,937	100.0%	6,440	64.8%
Average C$/US$	1.2355		1.0966			

Gross profit margin increased from 10.6% last year to 14.2% this year. The increase in gross profit over last year is attributable to the combination of the increase in volume, product mix, better production efficiencies and better operating leverage.

($'000 unless otherwise stated)	**YTD 2015**	**YTD 2014**	**Variance Fav/(Unfav)**	
SG&A EXPENSES	8,386	7,254	(1,132)	(15.6%)

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

($'000 unless otherwise stated)	**YTD 2015**	**YTD 2014**	**Variance Fav/(Unfav)**	
EBITDA	10,239	4,396	5,843	132.9%

EBITDA for the first six months is Inclusive of a foreign exchange gain of $0.8 million. The increase in EBITDA is attributable to the increase in sales volume, our pricing initiatives, product mix, production efficiencies and overall operating leverage.

($'000 unless otherwise stated)	**YTD 2015**	**YTD 2014**	**Variance Fav/(Unfav)**	
FINANCING EXPENSES	1,700	2,070	370	17.9%

Financing Expense
($'000 unless otherwise stated)

	Six Months Ended June 30,			
			Variance Fav/(Unfav)	
	2015	2014	Amount	%
Non cash financing expenses	581	525	(56)	(10.7%)
Cash on convertible debentures	-	534	534	100.0%
Interest on senior credit facility	530	397	(133)	(33.5%)
Other interest and financing costs	572	445	(127)	(28.5%)
Deferred financing costs	17	169	152	89.9%
Total financing expenses	1,700	2,070	370	17.9%

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

($'000 unless otherwise stated)	**YTD 2015**	**YTD 2014**	**Variance Fav/(Unfav)**	
FOREIGN EXCHANGE GAIN	762	316	446	141.1%

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

($'000 unless otherwise stated)	YTD 2015	YTD 2014	Variance Fav/(Unfav)	
INCOME TAX EXPENSE	(2,584)	(121)	(2,463)	(2,035.5%)

The income tax expense for the first half of 2015 relates to current taxes payable, primarily from the Canadian operations. The income tax recovery (expense) is based on the Canadian statutory tax rate of 26.0% (the same as 2014) applied to the income of the Canadian subsidiary before taxes, with adjustments for permanent differences between accounting and taxable income offset by deductions from our US operations.

($'000 unless otherwise stated)	YTD 2015	YTD 2014	Variance Fav/(Unfav)	
NET INCOME	4,180	532	3,648	685.7%

The increase in net income over the prior year is attributable to the better operating income for the period being partially offset by the increase in income tax expense.

($'000 unless otherwise stated)	YTD 2015	YTD 2014	Variance Fav/(Unfav)	
ADJUSTED NET INCOME	4,862	1,424	3,438	241.4%

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

9 FINANCIAL CONDITION AND LIQUIDITY

9.1 WORKING CAPITAL

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

Working Capital
($'000 unless otherwise stated)

	As at June 30,	
	2015	2014
Cash	2,443	2,241
Accounts receivable	30,696	24,208
Inventories	58,453	41,659
Other current assets	4,589	4,441
Total current assets	96,181	72,549
Senior credit facility	(38,531)	(27,021)
Accounts payable and accrued liabilities	(16,674)	(13,261)
Other current liabilities	(3,018)	(335)
Current portion of long term debt	(2,723)	(1,879)
Total current liabilities	(60,946)	(42,496)
Net working capital	35,235	30,053

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

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

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

Our objective for managing the investment in working capital is to maximize the turnover of productive current assets, being accounts receivable and inventories. We manage our cash to keep utilization of our Senior Credit Facility as low as practicable to maintain borrowing capacity for when it is needed and to reduce ongoing interest costs. We also work with our key vendors to use vendor credit when available on advantageous terms.

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

We manage our accounts receivable and the related credit risk by focusing on well-established customers with favourable credit profiles. The credit worthiness of customers is assessed using credit scores supplied by a third party and through direct monitoring of their financial well-being on a continual basis. We have established guidelines for customer credit limits and when thresholds in these areas are reached, appropriate precautions are taken to improve collectability. We maintain provisions for potential credit losses (allowance for doubtful accounts) and such losses to date have been within our expectations.

9.2 CASH FLOW

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

Cash flow used for investing activities in Q2 and the year thus far were for investments in new equipment.

During Q2 the Company was advanced $3.2 million for a second term loan from Wells Fargo.

In Q2 a net amount repaid on the Senior Revolving Facility was due to the strength of the operating results and the lower working capital requirements in the quarter relative to the previous quarter. The net amount advanced on the Senior Revolving Facility on the year-to-date basis reflects the working capital needs in the first half of the year.

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

Cash Flow
($'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Cash provided by (used in) operating activities	3,550	1,343	8,312	4,429
Working capital adjustments	1,923	(460)	(13,524)	(10,715)
Net cash provided by (used in) operating activities	5,473	883	(5,212)	(6,286)
Net cash provided by (used in) investing activities	(1,094)	(289)	(1,938)	(384)
Advance on (repayment of) senior term loans	3,030	(110)	2,927	(235)
Repayment of long-term debt	(560)	(440)	(1,141)	(942)
Conversion of warrants	-	-	-	115
Interest paid	(578)	(412)	(1,147)	(1,359)
Redemption of debentures	-	-	-	(175)
Advance on (repayment of) senior revolving facility	(5,600)	1,045	6,615	10,242
Net cash provided by (used in) financing activities	(3,708)	83	7,254	7,646
Exchange rate changes on foreign cash balances	(7)	(7)	30	1
Increase (decrease) in cash balances	664	670	134	977

9.3 SENIOR CREDIT FACILITY

On April 21, 2014, the Company announced the renewal of its senior banking facility with Wells Fargo. The five year senior secured committed banking facility has been increased from $40.0 million to $60.0 million and now matures in April of 2019. Under the terms of the Senior Credit Facility, up to $60.0 million may be borrowed for Tree Island's financing requirements in Canadian and/or US dollars of which $3.7 million of the total amount advanced as a term loan remains outstanding. Interest is charged at variable rates based on the Canadian and/or US Prime rate and the Canadian Banker's Acceptance rate and/or the Eurodollar rate. The amount advanced under the Senior Credit Facility at any time is limited to a defined percentage of inventories, accounts receivable, machinery and equipment, and real estate, less certain reserves. The Senior Credit Facility is secured by a first charge over Tree Island's assets supported by the appropriate guarantees, pledges and assignments, and requires that certain covenants be met by Tree Island.

On April 30, 2015, the Company obtained a second term loan from Wells Fargo in the amount of $3.2 million for the purchase of capital equipment. The term loan is part of the existing $60 million Senior Credit Facility and is amortized over five years with interest charged at variable rates based on the Canadian and/or US Prime rate and the Canadian B.A. rate and/or the Eurodollar rate. The funds were advanced on April 30, 2015. The payment of principal and interest began June 1, 2015.

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

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

9.4 LONG TERM DEBT AGREEMENTS

Tree Island entered into a Second Amendment to the long-term debt agreement (“Agreement") on June 11, 2012. Under the terms of this Agreement, the total principal debt amount of approximately US$15.8 million is to be repaid monthly over a ten year amortization period. Interest is non-compounding, will be accrued on a declining balance starting in June 2017 and is payable over a four year period beginning June 2024.

10 CAPITAL EXPENDITURES AND CAPACITY

For the six months ended June 30, 2015 we made capital expenditures of $1.9 million. These expenditures are primarily for new equipment in both our Canadian and US facilities and are targeted for start-up in 2015.

11 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

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

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

Contractual Obligations and Commitments
($’000 unless otherwise stated)

	2015	2016	2017	2018	2019	Thereafter	Total
Wire rod purchases	28,819	-	-	-	-	-	28,819
Zinc	3,650	-	-	-	-	-	3,650
Finished goods	3,364	-	-	-	-	-	3,364
Operating leases	918	1,561	215	97	50	30	2,871
Total commitments	36,751	1,561	215	97	50	30	38,704
Senior revolving facility	38,531	-	-	-	-	-	38,531
AP and accrued liabilities	16,674	-	-	-	-	-	16,674
Finance lease	4	8	8	8	6	-	34
Senior term loans	206	413	413	413	413	1,788	3,646
Long-term debt	823	1,734	1,796	1,796	2,364	10,103	18,616
Total financial liabilities	56,238	2,155	2,217	2,217	2,783	11,891	77,501
Total obligations and commitments	92,989	3,716	2,432	2,314	2,833	11,921	116,205

The Company enters into US dollar currency forward contracts for periods consistent with a portion of US dollar currency transaction exposures, generally from one to three months. These are not designated as cash flow, fair value or net investment hedges. As of June 30, 2015, the Company had no outstanding US dollar currency forward contracts.

From time to time, the Company enters into forward contracts to purchase a portion of the zinc used in its production process. These are not designated as cash flow, fair value or net investment hedges. As at June 30, 2015, the fair value of zinc forward contracts was a notional amount of $3.7 million and the mark to market liability on those contracts was $0.3 million.

12 SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

Summary of Quarterly Financial Results
($'000 unless otherwise stated)

	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013
Sales volume - tons	38,880	41,016	31,910	36,491	36,398	35,136	27,296	29,345
Revenue	56,541	59,043	42,265	47,975	47,782	45,922	35,748	39,004
Gross profit	8,143	8,234	4,172	5,215	4,624	5,313	3,767	3,895
Foreign exchange gain (loss)	(130)	892	(84)	37	(208)	524	5	(23)
EBITDA	4,731	5,508	1,201	2,403	1,737	2,659	1,003	1,526
Net income (loss)	2,063	2,117	56	390	171	361	(665)	(43)
Net income (loss) per unit - basic	0.07	0.07	0.00	0.01	0.01	0.01	(0.03)	(0.00)
Gross profit per ton	209	201	131	143	127	151	138	133
EBITDA per ton	122	134	38	66	48	76	37	52

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

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

13 ACCOUNTING POLICIES AND STATEMENTS

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

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

13.1 CRITICAL ACCOUNTING ESTIMATES

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

14 RELATED PARTY TRANSACTIONS

14.1 TRANSACTIONS WITH ASSOCIATED COMPANIES

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

Based on Tree Island Steel's outstanding Shares as at July 28, 2015, Futura owns 27.3% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of CanWel Building Materials Group Ltd. ("CanWel"). For the three and six months ended June 30, 2015, Tree Island sold, net of rebates, approximately $0.7 million and $1.7 million respectively ($0.5 million and $1.7 million respectively in 2014) of goods to CanWel and trade accounts receivable owing from CanWel as at June 30, 2015 is approximately $0.2 million (approximately $0.1 million in 2014). Outstanding trade accounts receivable from CanWel at period end are unsecured, interest free and settlement occurs in cash.

14.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three and six months ended June 30, 2015 was approximately $0.4 million and $1.0 million respectively (approximately $0.5 million and $1.3 million respectively in 2014) which includes wages, salaries, share-based compensation (if any) and social security contributions, paid annual and sick leave, vehicle costs and bonuses. It also includes directors' fees paid to members of the Board.

15 RISKS AND UNCERTAINTIES

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

16 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

July 28, 2015

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

($'000 unless otherwise stated)

	As at June 30, 2015	As at December 31, 2014
Cash	2,443	2,309
Accounts receivable *(Note 5)*	30,696	20,092
Inventories (*Note 6)*	58,453	55,950
Prepaid expenses	4,589	3,914
Current assets	96,181	82,265
Property, plant and equipment *(Note 7)*	30,808	29,723
Other non-current assets	169	118
Total assets	127,158	112,106
Senior revolving facility *(Note 8.1)*	38,531	30,553
Accounts payable and accrued liabilities	16,674	18,758
Income taxes payable	2,819	81
Other current liabilities	199	154
Current portion of long-term borrowing *(Notes 8.2, 10)*	2,723	1,976
Current liabilities	60,946	51,522
Senior term loans *(Note 8.2)*	5,764	3,437
Long-term debt *(Note 10)*	9,768	9,611
Other non-current liabilities	335	450
Deferred income taxes	2,806	2,988
Total liabilities	79,619	68,008
Shareholders' equity	47,539	44,098
Total liabilities and shareholders' equity	127,158	112,106

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Approved on behalf of Tree Island Steel Ltd.

[Signed]	[Signed]
"Amar S. Doman"	"Dale R. Maclean"
Chairman of the Board of Directors	Director, President and Chief Executive Officer

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
($'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Sales	56,541	47,782	115,584	93,704
Cost of sales *(Note 6)*	(47,656)	(42,458)	(97,721)	(82,370)
Depreciation	(742)	(700)	(1,486)	(1,397)
Gross profit	8,143	4,624	16,377	9,937
Selling, general and administrative expenses	(4,024)	(3,379)	(8,386)	(7,254)
Operating income	4,119	1,245	7,991	2,683
Foreign exchange gain (loss)	(130)	(208)	762	316
Gain (loss) on sale of property, plant and equipment	-	-	(6)	(10)
Changes in financial liabilities at fair value	(160)	(128)	(283)	(266)
Financing expenses *(Note 11)*	(851)	(829)	(1,700)	(2,070)
Income before income taxes	2,978	80	6,764	653
Income tax recovery (expense) *(Note 14)*	(915)	91	(2,584)	(121)
Net income	2,063	171	4,180	532
Net income per share *(Note 17)*				
Basic	0.07	0.01	0.13	0.02
Diluted	0.07	0.01	0.13	0.02
Weighted average number of shares *(Note 17)*				
Basic	31,142,573	30,343,825	31,142,573	30,343,825
Diluted	31,142,573	31,357,736	31,142,573	31,382,726

See accompanying Notes to the Interim Unaudited Consolidated Financial Statements

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

($'000 unless otherwise stated)

	Three Months Ended June		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income for the year	2,063	171	4,180	532
Unrealized income (loss) on FX translation	131	189	(737)	228
Comprehensive income	2,194	360	3,443	760

See accompanying Notes to the Interim Unaudited Consolidated Financial Statements

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

($'000 unless otherwise stated)

	Shareholders' Capital	Warrants and Equity Component of Convertible Debentures	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as at December 31, 2014	230,674	-	(186,445)	(131)	44,098
Net income	-	-	2,117	-	2,117
Other comprehensive income (loss)	-	-	-	(868)	(868)
Balance as at March 31, 2015	230,674	-	(184,328)	(999)	45,347
Net income	-	-	2,063	-	2,063
Other comprehensive income	-	-	-	131	131
Balance as at June 30, 2015	230,674	-	(182,265)	(868)	47,541
Balance as at December 31, 2013	214,307	606	(187,423)	290	27,780
Conversion of debentures *(Note 9)*	15,340	(585)	-	-	14,755
Conversion of warrants	115	-	-	-	115
Net income	-	-	361	-	361
Other comprehensive income	-	-	-	39	39
Balance as at March 31, 2014	229,762	21	(187,062)	329	43,050
Net income	-	-	171	-	171
Other comprehensive income	-	-	-	189	189
Balance as at June 30, 2014	229,762	21	(186,891)	518	43,410

See accompanying Notes to the Interim Unaudited Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	2,063	171	4,180	532
Depreciation	742	700	1,486	1,397
Changes in financial liabilities recognized at fair value	160	128	283	266
Loss (gain) on sale of property, plant and equipment	-	-	6	10
Amortization and write-off of deferred financing	11	153	17	169
Net financing costs	840	676	1,683	1,901
Deferred income tax expense (recovery)	(67)	(102)	(182)	101
Exchange revaluation of foreign denominated debt	(199)	(383)	839	53
Working capital adjustments				
Accounts receivable	3,924	90	(10,604)	(7,226)
Inventories	(918)	1,790	(2,504)	(6,298)
Accounts payable and accrued liabilities	(770)	(1,279)	(2,280)	5,284
Prepaid expenses	(421)	(1,662)	(675)	(2,747)
Income and other taxes	982	10	2,766	19
Other	(874)	591	(227)	253
Net cash provided by (used in) operating activities	5,473	883	(5,212)	(6,286)
Purchase of property, plant and equipment	(1,094)	(289)	(1,938)	(384)
Net cash used in investing activities	(1,094)	(289)	(1,938)	(384)
Term loans - advance (repayment)	3,030	(110)	2,927	(235)
Repayment of long-term debt	(560)	(440)	(1,141)	(942)
Conversion of warrants	-	-	-	115
Interest paid	(578)	(412)	(1,147)	(1,359)
Redemption of debentures (Note 9)	-	-	-	(175)
Advance on (repayment of) senior revolving facility	(5,600)	1,045	6,615	10,242
Net cash provided by (used in) financing activities	(3,708)	83	7,254	7,646
Effect of exchange rate change on cash	(7)	(7)	30	1
Increase in cash	664	670	134	977
Cash - beginning of period	1,779	1,571	2,309	1,264
Cash - end of period	2,443	2,241	2,443	2,241

See accompanying Notes to the Interim Unaudited Consolidated Financial Statements

1 NATURE OF BUSINESS

These consolidated financial statements of Tree Island Steel Ltd. ("Tree Island Steel " or the "Company") for the quarter ended June 30, 2015 were authorized for issue in accordance with a resolution of the Board of Directors on July 28, 2015.

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

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

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

2 BASIS OF PREPARATION

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

3 SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

4 FUTURE IFRS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

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

IFRS 15 Revenue from Contracts with Customers

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

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

5 ACCOUNTS RECEIVABLE

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

($'000 unless otherwise stated)

	As at June 30, 2015	As at December 31, 2014
Current	28,177	18,379
30 - 60 days past due	1,391	1,090
61 - 90 days past due	711	356
Over 91 days past due	538	421
Total accounts receivable	30,817	20,246
Allowance for doubtful accounts	(121)	(154)
Net accounts receivable	30,696	20,092

Accounts receivable are non-interest bearing and are generally due on 30-day to 90-day terms. These terms are consistent for related party receivables as disclosed in Note 13. The maximum credit risk that Tree Island was exposed to by way of its accounts receivable is equal to the net amount of $30.7 million as at June 30, 2015 ($20.1 million as at December 31, 2014).

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

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

($'000 unless otherwise stated)

	As at June 30, 2015	As at December 31, 2014
Opening balance - January 1	154	189
Additions during the year	30	153
Reversals during the year	(30)	(23)
Write-offs during the year	(34)	(165)
Foreign exchange revaluation	1	-
Closing balance - June 30	121	154

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

6 INVENTORIES

Tree Island had the following categories of inventory:

($'000 unless otherwise stated)

	As at June 30, 2015	As at December 31, 2014
Raw materials	23,951	20,000
Finished and semi-finished products	21,718	26,368
Consumable supplies and spare parts	12,784	9,582
Total inventory	58,453	55,950

At each period end, the ending inventories on hand are reviewed to determine if a write down to net realizable value is required. Based on this review, it was determined that no write downs were necessary in three and six month periods ended June 30, 2015 and 2014. The reserves for slow moving inventory as at June 30, 2015 were $2.2 million ($1.8 million in 2014).

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

($'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Opening inventory	57,535	43,947	55,950	35,307
Raw material purchases	31,898	27,509	67,477	64,094
Finished goods purchased for resale	1,813	930	4,201	2,013
Conversion costs	14,863	11,731	28,546	22,615
Closing inventory	(58,453)	(41,659)	(58,453)	(41,659)
Cost of sales	47,656	42,458	97,721	82,370

7 PROPERTY, PLANT AND EQUIPMENT

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

($'000 unless otherwise stated)

	Land & Improvement	Building & Improvement	Machinery & Equipment	Construction in Progress	Total
Cost					
As at December 31, 2013	9,201	39,376	17,517	243	66,337
Additions	-	248	788	579	1,615
Disposals	-	-	(31)	-	(31)
Foreign exchange translation	135	511	563	69	1,278
As at December 31, 2014	9,336	40,135	18,837	891	69,199
Additions	-	300	342	1,354	1,996
Disposals	-	-	(11)	-	(11)
Foreign exchange translation	122	465	524	31	1,142
As at June 30, 2015	9,458	40,900	19,692	2,276	72,326
Depreciation and impairment					
As at December 31, 2013	-	28,236	7,847	-	36,083
Depreciation for the period	-	1,325	1,497	-	2,822
Disposals	-	-	(22)	-	(22)
Foreign exchange translation	-	369	224	-	593
As at December 31, 2014	-	29,930	9,546	-	39,476
Depreciation for the period	-	677	810	-	1,487
Disposals	-	-	(5)	-	(5)
Foreign exchange translation	-	345	215	-	560
As at June 30, 2015	-	30,952	10,566	-	41,518
Net book value as at					
December 31, 2014	9,336	10,205	9,291	891	29,723
June 30, 2015	9,458	9,948	9,126	2,276	30,808

The carrying value of machinery and equipment held under finance lease as at June 30, 2015 was approximately $30m ($57m in 2014) (Note 18.3). The leased asset is pledged as security for the related finance lease.

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

8 SENIOR CREDIT FACILITY

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

8.1 Senior Credit Facility

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

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

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

($'000 unless otherwise stated)

	As at June 30, 2015	As at December 31, 2014
Revolving portion of the senior credit facility(1)	38,531	30,553
Deferred financing costs(2)	(169)	(118)
Total	38,362	30,435

(1) The revolving portion of the Senior Credit Facility denominated in US dollars is $40.7 million ($29.6 million in 2014) offset by the Canadian dollar portion of the facility which is in a debit position.

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

The Senior Credit Facility has financial tests and other covenants with which the Company and its subsidiaries must comply. Quarterly, the Company is required to meet a rolling 4 quarters defined fixed charge coverage ratio of 1:1 if the availability on the Senior Credit Facility falls below a required minimum availability. As well, the Senior Credit Facility contains restrictive covenants that limit the discretion of the Company's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of the Company's 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 June 30, 2015, the Company was in compliance with all of its financial covenants on the Senior Credit Facility.

8.2 Senior Term Loans

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

On April 30, 2015, the Company obtained a second term loan from Wells Fargo in the amount of $3.2 million for the purchase of capital equipment. The term loan is part of the existing $60 million Senior Credit Facility and will be amortized over five years with interest charged at variable rates based on the Canadian and/or US Prime rate and the Canadian B.A. rate and/or the Eurodollar rate. The funds were advanced on April 30, 2015. Payment of the principal and interest payments began June 1, 2015.

The following amounts are outstanding under the Senior Term Loans:

($'000 unless otherwise stated)

	As at June 30, 2015	As at December 31, 2014
Senior term loans - beginning of period	3,850	4,292
Advances	3,187	-
Foreign exchange revaluation	45	-
Payments	(261)	(442)
Senior term loans - end of period	6,821	3,850
Less: current portion	(1,057)	(413)
Total	5,764	3,437

9 DEBENTURES

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

10 LONG-TERM DEBT

In June of 2012, the Company entered into long-term debt agreements with a trade creditor. The repayment schedule of the long-term debt extends to June 2028 with principal payments over a 10 year amortization period. The interest is non-compounding interest at 4% and commences accruing June 2017 and will become payable monthly over 4 years commencing June 2024. Principal payments, which started in 2009, are monthly in the amounts of US$100m in years 1 and 2, US$110m in years 3 and 4, US$120m in years 5, 6 and 7, and US$185m in years 8, 9 and 10. Present value of the debt was determined using discounted cash flows and a credit adjusted discount rate of 9%. The discount rate, together with the stated interest, comprises the debt discount. Using the effective interest rate method, the debt discount is amortized as accretion and charged to interest expense over the term of the amended long-term debt agreements.

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

A provision exists for early payment of a portion of the principal outstanding if certain conditions are met. As at June 30, 2015 a provision of $219m has been accrued and is included in other noncurrent liabilities.

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

($'000 unless otherwise stated)

	As at June 30, 2015	As at December 31, 2014
Beginning of period	11,143	11,070
Payments	(1,141)	(1,954)
Foreign exchange revaluation	839	964
Accretion of debt discount	583	1,063
End of period	11,424	11,143
Less: current portion	(1,656)	(1,532)
Net long-term debt	9,768	9,611

11 FINANCING EXPENSES

($'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Non-cash accretion of debt discount and interest on long term debt and debentures (Note 9)	285	262	581	525
Cash interest on debentures (Note 9)	-	-	-	534
Interest on senior credit facility	281	201	530	397
Other interest and financing costs	274	213	572	445
Amortization of deferred financing costs	11	153	17	169
Total	851	829	1,700	2,070

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

12 SHAREHOLDERS' CAPITAL

Tree Island is authorized to issue an unlimited number of Shares. The Shares have no par value. There were no shares issued or cancelled in the six months ended June 30, 2015. Shares issued and outstanding are as follows:

($'000 except for Shares)

	Shares	Gross	Issuance Costs[1]	Net
Shareholders' capital - December 31, 2013	28,546,350	225,707	11,400	214,307
Conversion of convertible debentures	31,938,800	15,320	-	15,320
Conversion of warrants	202,500	115	-	115
Effect of share consolidation	(30,343,827)	-	-	-
Conversion of warrants	798,750	932	-	932
Shareholders' capital - December 31, 2014	31,142,573	242,074	11,400	230,674
Changes for the period	-	-	-	-
Shareholders' capital - June 30, 2015	31,142,573	242,074	11,400	230,674

(1) Issuance costs were incurred as a result of the November 2002 Initial Public Offering and October 2004 Secon Offering.

12.1 NORMAL COURSE ISSUER BID

On September 17, 2014, the Company renewed its normal course issuer bid (the "Bid") to purchase up to 1,649,000 Shares. The expiration date of the normal course issuer bid is September 16, 2015. For the period January 1, 2015 to June 30, 2015 the Company did not purchase any Shares under the renewed normal course issuer bid. Tree Island has no obligation to purchase any Shares under the Bid.

13 RELATED PARTY TRANSACTIONS

13.1 TRANSACTIONS WITH ASSOCIATED COMPANIES

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

Based on Tree Island Steel's outstanding Shares as at July 28, 2015, Futura owns 27.3% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of CanWel Building Materials Group Ltd. ("CanWel"). For the three and six months ended June 30, 2015, Tree Island sold, net of rebates, approximately $0.7 million and $1.7 million respectively ($0.5 million and $1.7 million respectively in 2014) of goods to CanWel and trade accounts receivable owing from CanWel as at June 30, 2015 is approximately $0.2 million (approximately $0.1 million in 2014). Outstanding trade accounts receivable from CanWel at period end are unsecured, interest free and settlement occurs in cash.

13.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three and six months ended June 30, 2015 was approximately $0.4 million and $1.0 million respectively (approximately $0.9 million and $1.3 million respectively in 2014) which includes wages, salaries, share-based compensation (if any) and social security contributions, paid annual and sick leave, vehicle costs and bonuses. It also includes directors' fees paid to members of the Board.

14 INCOME TAXES

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

14.1 INCOME TAX RECOVERY (EXPENSE)

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

($'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Current tax recovery (expense)	(982)	(11)	(2,766)	(20)
Deferred tax recovery (expense)	67	102	182	(101)
Total recorded in the Statement of Operations	(915)	91	(2,584)	(121)

15 FINANCIAL INSTRUMENTS

15.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

($'000 unless otherwise stated)

	As at June 30, 2015		As at December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash investments	2,443	2,443	2,309	2,309
Accounts receivable	30,696	30,696	20,092	20,092
Foreign exchange forward contracts	-	-	172	172
Total financial assets	33,139	33,139	22,573	22,573
Senior revolving facility	38,531	38,531	30,553	30,553
Accounts payable and accrued liabilities	16,674	16,674	18,758	18,758
Finance lease	30	30	58	58
Senior term loans	6,821	6,821	3,850	3,850
Long-term debt	11,424	12,519	11,143	12,094
Early payment option	219	219	299	299
Commodity purchase contract embedded derivative	352	352	138	138
Total financial liabilities	74,051	75,146	64,799	65,750

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

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

- Cash, accounts receivable, the revolving portion of the Senior Credit Facility and accounts payable and accrued liabilities approximate their carrying amounts largely due to the short-term nature of these instruments;

- Fair value on the Company's finance lease, Senior Term Loan, and long-term debt are based on estimated market interest rate on similar borrowings. The fair value of the finance lease and Senior Term Loan approximate fair value as the interest rates approximate market. A 1% change in the market interest rate would change the fair value of long term debt by $0.6 million;

- Fair value of the early payment option was estimated using a discounted cash flow analysis and a discount rate of 9%;

- Fair value of the commodity purchase contract embedded derivatives are estimated using observable spot rates for zinc; and

- Fair value of the forward exchange forward contracts are estimated using observable foreign exchange spot and forward rates. The Company does not consider interest rates or the credit quality of counterparties as significant inputs to the valuation.

15.2 FAIR VALUE HIERARCHY

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

The three levels of fair value estimation are:

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

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

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

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

($'000 unless otherwise stated)

	June 30, 2015	Level 2	Level 3
Senior revolving facility	38,531	38,531	-
Finance lease	30	30	-
Senior term loans	6,821	6,821	-
Long-term debt	12,519	-	12,519
Early payment option	219	-	219
Commodity purchase contract embedded derivative	352	352	-

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

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

Item	Valuation Techniqu	Significant Observable Inputs	Sensitivity of the input to fair value
Early payment option	DCF	Increase / decrease in dollar value of purchases that qualify for early payment	A 5% increase (decrease) in the dollar value of purchases that qualify for the early payment option will result in an increase (decrease) in fair value of approximately $11m
	DCF	Change in discount rate	A 1% increase in the discount rate will result in an increase in fair value of approximately $36,000 and a 1% decrease in the discount rate will result in a decrease in fair value of approximately $40m
Long-term debt	DCF	Change in discount rate	A 1% increase (decrease) in the discount rate will result in a decrease (increase) in fair value of approximately $592m

15.3 RISK EXPOSURE AND MANAGEMENT

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

15.3.1 CREDIT RISK

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

15.3.2 LIQUIDITY RISK

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

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

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

($'000 unless otherwise stated)

	Carrying Amount	Contractual Cash Flow	Less Than 1 Year	1 - 2 Years	Greater Than 2 Years
Senior revolving facility	38,531	38,531	38,531	-	-
Accounts payable and accrued liabilities	16,674	16,674	16,674	-	-
Finance lease	30	35	4	17	14
Senior term loans	6,821	6,821	309	825	5,687
Long-term debt	11,424	18,615	2,410	3,530	12,675
As at June 30, 2015	73,480	80,676	57,928	4,372	18,376
Senior revolving facility	30,553	30,553	30,553	-	-
Accounts payable and accrued liabilities	18,757	18,757	18,757	-	-
Finance lease	58	64	35	15	14
Senior term loans	3,850	3,850	413	825	2,612
Long-term debt	11,413	18,421	1,528	3,283	13,610
As at December 31, 2014	64,631	71,645	51,286	4,123	16,236

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

15.3.3 FOREIGN CURRENCY RISK

The significant market risk exposures affecting the financial instruments are those related to foreign currency exchange rates and interest rates. For the period ending June 30, 205, a $0.01 increase (decrease) in the Canadian dollar to US dollar exchange rate will increase (decrease) net comprehensive income by $96m.

Tree Island's US dollar-denominated cash, accounts receivable, accounts payable and accrued liabilities, Senior Credit Facility and long-term debt are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with changes in the US/Canadian dollar exchange rate. Tree Island's RMB denominated cash, accounts receivable, accounts payable and accrued liabilities, the total amount for which are not considered material, are exposed to foreign currency exchange rate risk because the value of these financial instruments will fluctuate with changes in the RMB/Canadian dollar exchange rate. The Company enters into US dollar currency forward contracts for periods consistent with a portion of US dollar currency transaction exposures, generally from one to three months. These are not designated as cash flow, fair value or net investment hedges. As of June 30, 2015, the Company had no outstanding US dollar currency forward contracts.

15.3.4 INTEREST RATE RISK

Tree Island is exposed to interest rate risk on its Senior Credit Facility, which is further discussed in Note 8. A one percent increase in the interest rates charged on the Senior Credit Facility would increase financing expenses by $0.4 million annually. Tree Island does not use derivative instruments to manage the interest rate risk.

15.3.5 RAW MATERIAL PRICE RISK

Tree Island is exposed to changes in the price of the materials used in its production process and, from time to time, enters into forward contracts to purchase a portion of the zinc used. These are not designated as cash flow, fair value or net investment hedges. As at June 30, 2015, the fair value of zinc forward contracts was a notional amount of $3.7 million and the mark to market liability on those contracts was $0.3 million.

16 MANAGEMENT OF CAPITAL

The Company's objectives when managing its capital are:

- To maintain a capital base so as to preserve and enhance investor, creditor, and market confidence and to sustain viability and future development of the business; and

- To manage capital in a manner that will comply with the financial covenants on the Senior Credit Facility, term loan and long-term debt agreements as described further in Notes 8.1, 8.2, 9 and 10.

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

($'000 unless otherwise stated)

	As at June 30, 2015	As at December 31, 2014
Total shareholders' equity	47,539	44,098
Senior revolving facility	38,531	30,553
Senior term loans	6,821	3,850
Long-term debt	11,424	11,143
Total capital	104,315	89,644

17 NET INCOME PER SHARE

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

Diluted earnings per Share amounts are calculated by dividing the net income for the year (after adjusting for interest and accretion, net of tax) by the weighted average number of Shares outstanding during the year plus the weighted average number of Shares that would be issued on conversion of all the dilutive potential units into Shares. As at June 30, 2015 the Company does not have any instruments issued that could be dilutive.

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

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

($'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income for the year	2,063	171	4,180	532
Weighted average number of shares outstanding: basic	31,142,573	30,343,825	31,142,573	30,343,825
Dilutive effect of warrants	-	1,013,911	-	1,038,901
Weighted average number of shares outstanding: diluted	31,142,573	31,357,736	31,142,573	31,382,726
Net income per share - basic ($/share)	0.07	0.01	0.13	0.02
Net income per share - diluted ($/share)	0.07	0.01	0.13	0.02

There have been no transactions involving Shares during the six months ended June 30, 2015 and up to July 28, 2015.

18 PROVISIONS AND COMMITMENTS

18.1 LITIGATION AND CLAIMS

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

18.2 PURCHASE COMMITMENTS

As at June 30, 2015, Tree Island's wholly owned subsidiaries have committed to raw material purchases totalling $32.5 million (US$42.9 million – June 30, 2014) and imported finished goods purchases totalling $3.4 million (US$3.2 million – June 30, 2014).

18.3 FINANCE LEASE COMMITMENTS

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

($'000 unless otherwise stated)

		2015		2014
	Minimum Payments	Present Value of Payments	Minimum Payments	Present Value of Payments
Less than 1 year	4	3	61	57
1 to 5 years	31	27	-	-
Total minimum lease payments	35	30	61	57
Less amounts representing finance charges	(5)	-	(4)	-
Present value of minimum lease payments	30	30	57	57

19 SEGMENTED INFORMATION

19.1 MARKET SEGMENTS

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

($'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Industrial	19,940	18,489	40,407	35,886
Residential	19,280	13,379	37,188	26,120
Commercial	7,034	7,006	15,222	13,894
Agricultural	5,545	4,701	13,002	9,878
Specialty	4,742	4,207	9,765	7,926
Total revenue	56,541	47,782	115,584	93,704

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

19.2 GEOGRAPHIC SEGMENTS

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

($'000 unless otherwise stated)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
United States	39,930	31,479	78,961	59,664
Canada	15,751	15,139	34,275	31,696
International	860	1,164	2,348	2,344
Total revenue	56,541	47,782	115,584	93,704

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

($'000 unless otherwise stated)

	As at June 30,	
	2015	2014
United States	8,433	7,045
Canada	22,542	22,401
China	2	2
Total non-current assets	30,977	29,448

20 EVENTS SUBSEQUENT TO Q2 2015

20.1 LABOUR RELATIONS

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

20.2 DIVIDEND POLICY

On July 28, 2015, the Company's board of directors (the "Board") has approved a dividend policy of $0.01 per common share per quarter commencing in the third quarter of 2015. The Company's dividend policy will be reviewed quarterly and is based on a number of factors including current operations, operating costs, financial tests and other covenants under the Company's credit facilities, available investment opportunities, the supply and cost of raw materials, foreign exchange rates, the Company's hedging program and the satisfaction of applicable corporate liquidity and solvency tests for the declaration and payment of dividends.

The Company has declared its first quarterly dividend of $0.01 per common share to be paid on October 15, 2015 to shareholders of record on September 30, 2015 with an *ex-dividend* date of September 28, 2015.

SHAREHOLDER INFORMATION

TREE ISLAND STEEL LTD.

Board of Directors:

Amar S. Doman – Chairman of the Board

Dale R. MacLean

Peter Bull

Harry Rosenfeld

Michael Fitch

Sam Fleiser

Theodore A. Leja

Leadership Team:

Dale R. MacLean
President and Chief Executive Officer

Nancy Davies
Chief Financial Officer and Vice President, Finance

Stephen Ogden
Vice President, Operations

Remy Stachowiak
Vice President, Sales and Marketing

James Miller
Vice President, Corporate Development and Procurement

Shares:

Market Information

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

Registrar and Transfer Agent

Computershare Investor Services Inc.

Corporate Head Office:

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

Website:

www.treeisland.com

Investor Relations:

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

Auditors:

Ernst & Young LLP
Vancouver, B.C.