TREE ISLAND STEEL

WIRE & WIRE PRODUCTS

ESTABLISHED IN 1964

Quarterly Report
Q3 2018

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 concrete reinforcing mesh, fencing, galvanized wire, bright wire, a broad array of fasteners, stucco reinforcing products, and other fabricated wire products. We market these products under the Tree Island®, Halsteel®, True Spec®, K-Lath®, TI Wire®, and Tough Strand® brand names.

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

Shipment of Engineered Structural Mesh in Calgary used for concrete reinforced girders on a bridge overpass.

MANAGEMENT DISCUSSION AND ANALYSIS

September 30, 2018 and 2017

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 (together with Tree Island Steel, referred to as "Tree Island"). This discussion is current to November 2, 2018 and should be read in conjunction with the unaudited interim condensed consolidated financial statements for the nine months ended September 30, 2018. Tree Island Steel's unaudited interim condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standard ("IFRS") applicable to the preparation of financial statements 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, 2017, 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, 2017.

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, transportation costs, foreign exchange fluctuations, leverage and restrictive covenants, labour relations, trade actions by the governments of countries in which we operate or source materials from, dependence on key personnel and skilled workers, intellectual property risks, energy costs, un-insured loss, credit risk, operating risk, management of growth, changes in tax, environmental and other legislation, and other risks and uncertainties set forth in our publicly filed materials.

This MD&A has been reviewed by the Board of Directors of Tree Island 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. EBITDA is a measure used by many investors to compare companies on the basis of ability to generate cash flows from operations. EBITDA is not a measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. We believe that EBITDA is an important supplemental measure for evaluating our performance. You are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS, nor should it be used as an indicator of performance, cash flows from operating, investing and financing activities, as a measure of liquidity or cash flows. Our method of calculating EBITDA may differ from methods used by other issuers and, accordingly, our EBITDA may not be comparable to similar measures presented by other issuers.

3 TREE ISLAND STEEL LTD.

Since 1964, Tree Island has been making products from steel wire for a diverse range of customers and applications. Tree Island Steel Ltd., following a conversion from an income trust to a corporate entity, was incorporated under the laws of Canada on August 2, 2012, and the units of the income fund were converted to common shares in Tree Island Steel Ltd.

There were 29,267,030 Shares outstanding as of September 30, 2018 and as of November 2, 2018 there were 29,216,645 Shares outstanding.

3.1 ORGANIZATIONAL STRUCTURE

Our corporate structure has the following primary entities: Tree Island Industries Limited ("TI Canada") which is our Canadian operating company as well as the ultimate parent company to our operations in the United States which are managed through our U.S. operating subsidiary, Tree Island Wire (USA) Inc. ("TI USA").

3.2 PRODUCTS

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

We market our products under the following brands:

TREE ISLAND STEEL®

HALSTEEL® THE BEST GUN NAILS IN THE WORLD

K-LATH®

TI WIRE

TOUGHSTRAND FENCE PRODUCTS FOR PROFESSIONAL FARMERS AND RANCHERS

TrueSpec® NAIL IDENTIFICATION SYSTEM

Our manufactured products offer: consistent, high quality that meet or exceed customers' needs, ASTM standards and applicable codes; broad range of applications; short lead times; technical support and excellent customer service.

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 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
Agricultural	Tree Island®, Tough Strand®	Game fence and farm fence Vineyard wire and barbed wire	Agriculture, farming	North America

3.4 SEASONALITY

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

4 2018 BUSINESS OVERVIEW AND DEVELOPMENT

4.1 BUSINESS OVERVIEW

Our third quarter and year-to-date financial results strengthened despite significant challenges and lower sales volumes resulting from U.S. imposition of tariffs on imported steel wire products. Improved average product selling prices and our strategic shift to higher-margin products, which are less susceptible to trade impacts and market competition, were key factors in our ability to respond successfully. We also took the difficult but necessary step to realign our production levels on account of the reduced volumes in the third quarter which impacted staffing levels in our production facilities.

The imposition of Section 232 tariffs by the United States government resulted in a change in customer purchasing behaviour, which impacted our Industrial products sales volume. The decline in revenues in this market segment was offset by higher average selling prices.

For Q3 2018, revenue amounted to $55.8 million, which was in-line with the same period last year. Gross profit earned during the quarter was $6.9 million compared to $2.3 million in the same period last year, an increase of 201.4%. The Company's continuous focus on operational efficiency, improved average selling prices and adjustments made to production level along with the improved product mix were key factors. Gross profit margin in the quarter was 12.4% compared to 4.1% in the same period last year. EBITDA for the quarter was $3.4 million, compared to a loss of $1.5 million during the same period in 2017.

For the nine-month period ended September 30, 2018 total revenues of $190.4 million was 5.7% higher than the same period last year on account of improved average selling prices in relation to cost of raw materials. In combination with our commitment on operational efficiency, gross profit earned for 2018 year-to-date amounted to $22.1 million and the gross profit margin was 11.6%, compared to the gross profit earned in the corresponding period last year of $15.7 million with a gross profit margin of 8.7%. EBITDA during the nine-month period of 2018 amounted to $12.3 million.

Going forward, indicators for our Industrial end-markets have been cautious as Section 232 tariffs and various trade actions on both sides of the border continue to be disruptive to the industry. The sentiment in our other markets is also mixed, along with seasonal slowing in residential construction. We will continue to monitor and implement operational changes as needed in this evolving and fluid business environment.

4.2 Trade Action Review

4.2.1 U.S. Section 232 Trade Expansion Act

As of March 23, 2018, certain steel products imported into US are subject to additional import duties of 25%. The United States determined Canada, Mexico and the member countries of the European Union would no longer receive an exemption for the Section 232 tariff of 25% on steel products. As a result, effective June 1, 2018, the 25% tariff applies to certain steel products imported into the United States.

Due to limited availability and domestic sourcing options in the U.S for certain items, Tree Island has purchased imported raw materials into the United States that are subject to the import duty of 25%. Up to September 30, 2018, exposure and financial impact to Tree Island has been mitigated by price increases on the impacted end products to counter the costs associated with the import tariffs.

Certain products produced in Canada and sold to U.S. customers are impacted by the Section 232 tariffs , principally bright and galvanized wire in our Industrial market segment. Tree Island is passing through the Section 232 tariffs on sales of impacted products to U.S. customers. Tree Island has taken operational actions to adjust production levels to align with the lower demand. These actions helped to mitigate the decrease in sales volume.

4.2.2 Canadian Counter-Tariffs on Steel and Aluminum Products

In response to the actions by the U.S. measures, Canada imposed similar tariffs and surtaxes against imports of steel, aluminum, and other products. These import tariffs will only apply to goods originated from the United States and took effect on July 1, 2018.

Due to limited availability and domestic sourcing options in Canada for certain items, Tree Island has imported raw materials into Canada that are subject to the Canadian import duty of 25%. Management is evaluating the extent to which it will continue to import these items from the U.S. while these tariffs are in place. The Company does not have any significant sales into Canada from its U.S. subsidiaries that would be impacted by the Canadian import tariffs.

4.2.3 Canadian Safeguard on Steel

The Canadian government issued provisional safeguard measures imposing quotas for 200 days on the import of seven classes of steel goods: (1) energy tubular; (2) heavy plate; (3) hot-rolled sheet; (4) pre-painted steel; (5) concrete reinforcing bar; (6) wire rod; and (7) stainless steel wire. Tree Island is evaluating the provisional safeguards and is working with the Canadian government on communicating Tree Island's business interests.

In conjunction with the provisional safeguards, the Canadian government has directed the Canadian International Trade Tribunal ("CITT") to conduct an inquiry into and report on the importation of those seven classes of steel goods noted above. The purpose of this inquiry is to determine whether any of the above-mentioned goods imported into Canada are considered to cause serious injury or threat to Canadian producers of like or directly competitive goods.

Imports from the United States, Israel and other CIFTA beneficiaries, such as Chile and Mexico (with the exception of energy tubular and wire rod classes of goods) are excluded from the Tribunal's inquiry. Imports of energy tubular and wire rod from Mexico are within the scope of the Tribunal's inquiry. If it makes an affirmative determination for any class of goods, the Tribunal is being directed to recommend the most appropriate remedy to address, over a period of three years, in accordance with Canada's rights and obligations under international trade agreements.

Declarations and undertakings are scheduled for October 29, 2018. A report, including any recommendations is scheduled to be completed by April 3, 2019.

Tree Island at this time cannot determine whether the CITT review will have an impact on Tree Island's Canadian raw material supply chain and purchasing programs.

4.2.4 United States Mexico Canada Agreement ("USMCA")

The USMCA is a pending free trade agreement between Canada Mexico, and the United States. It is a result of the 2017-2018 renegotiation of NAFTA (North American Free Trade Agreement) by its member states. On October 1, 2018, the three countries formally agreed to terms with final ratification and implementation pending.

Steel tariffs imposed by Section 232 are still in place despite reaching a new agreement. There is no assurance that USMCA will have a negative or positive effect on the Company's ability to source or sell its products into the U.S. market.

4.2.5 U.S. Trade Case Against Carbon and Certain Alloy Steel Wire Rod

On March 28, 2017 a petition was submitted to the U.S. Department of Commerce and U.S. International Trade Commission initiating a trade case against imports of wire rod into the U.S. from ten countries on behalf of U.S.

domestic producer plaintiffs Gerdau, Nucor, Keystone and Charter Steel. The countries investigated were Belarus, Italy, Russia, South Africa, South Korea, Spain, Turkey, Ukraine, United Arab Emirates and the United Kingdom. The petition was accepted for further investigation on April 18, 2017 and the preliminary determination was made on May 12, 2017. The U.S. International Trade Commission confirmed the final determination on import wire rod duties against all ten countries as of May 1, 2018. Tree Island did not purchase any rod from those countries under investigation.

5 RESULTS FROM OPERATIONS

($'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	55,846	55,643	190,424	180,144
Cost of sales	(48,014)	(52,530)	(165,691)	(161,953)
Depreciation	(903)	(814)	(2,589)	(2,448)
Gross profit	6,929	2,299	22,144	15,743
Selling, general and administrative expenses	(4,379)	(3,872)	(12,714)	(12,417)
Operating income (loss)	2,550	(1,573)	9,430	3,326
Foreign exchange gain (loss)	(77)	(737)	298	(701)
Gain (loss) on sale of property, plant and equipment	(2)	(41)	2	(115)
Other Expenses	(39)	-	(104)	-
Changes in financial instruments recognized at fair value	(123)	248	(89)	504
Financing expenses	(850)	(758)	(2,492)	(2,194)
Income (loss) before income taxes	1,459	(2,861)	7,045	820
Current income tax (expense) recovery	(311)	-	(311)	(2)
Deferred income tax (expense) recovery	(125)	709	(1,814)	(478)
Net income (loss)	1,023	(2,152)	4,920	340
Operating income (loss)	2,550	(1,573)	9,430	3,326
Add back depreciation	903	814	2,589	2,448
Foreign exchange gain (loss)	(77)	(737)	298	(701)
EBITDA[1]	3,376	(1,496)	12,317	5,073
Net income (loss) per share - basic ($/share)	0.03	(0.07)	0.17	0.01
Dividends per share ($/share)	0.02	0.02	0.06	0.06

Financial Position as at:	September 30, 2018	December 31, 2017
Total assets	165,704	133,681
Total non-current financial liabilities	22,330	18,356

[1] *See definition of EBITDA in Section* 2 *NON-IFRS MEASURES*.

6 COMPARISON OF RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

($'000 unless otherwise stated)	**Q3 2018**	**Q3 2017**	**Variance Fav/(Unfav)**	
SALES	55,846	55,643	203	0.4%

Revenues for the quarter were in-line with the prior year as a result of higher average selling prices over the prior year offset by lower volumes primarily in the Residential market, on account of actions taken to improve product mix offering, and lower demand from U.S. customers in the Industrial market due to steel import tariffs.

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

	Three Months Ended September 30,					
	2018		2017		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
Industrial	18,082	32.4%	19,035	34.2%	(953)	(5.0%)
Residential	17,850	32.0%	19,673	35.4%	(1,823)	(9.3%)
Commercial	15,338	27.5%	11,946	21.5%	3,392	28.4%
Agricultural	4,576	8.2%	4,989	9.0%	(413)	(8.3%)
Total revenue	55,846	100.0%	55,643	100.0%	203	0.4%

Revenues generated in the U.S. and Canada were in-line with the same period last year as a result of higher average prices relative to last year.

Revenue by Location
($'000 unless otherwise stated)

	Three Months Ended September 30,					
	2018		2017		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	36,773	65.8%	36,404	65.4%	369	1.0%
Canada	17,872	32.0%	17,281	31.1%	591	3.4%
International	1,201	2.2%	1,958	3.5%	(757)	(38.7%)
Total	55,846	100.0%	55,643	100.0%	203	0.4%
Average C$/US$	1.3067		1.2529			

($'000 unless otherwise stated)	**Q3 2018**	**Q3 2017**	**Variance Fav/(Unfav)**	
COST OF SALES	48,917	53,344	4,427	8.3%

The cost of goods sold (including depreciation) decreased due a reduction in sales volume and our focus on improving profitability of the product mix.

($'000 unless otherwise stated)	**Q3 2018**	**Q3 2017**	**Variance Fav/(Unfav)**	
GROSS PROFIT	6,929	2,299	4,630	201.4%

Gross profit for the three months amounted to $6.9 million versus $2.3 million during the same period in 2017. The increase in gross profit is primarily a result of improved profitability through better product mix and from price increases implemented to offset the increase in raw material input costs and tariffs.

($'000 unless otherwise stated)	**Q3 2018**	**Q3 2017**	**Variance Fav/(Unfav)**	
SG&A EXPENSES	4,379	3,872	(507)	(13.1%)

SG&A expenses are higher than the prior year on account of higher consultation and legal expenses incurred relating to trade actions and higher compensation expenses.

($'000 unless otherwise stated)	**Q3 2018**	**Q3 2017**	**Variance Fav/(Unfav)**	
EBITDA	3,376	(1,496)	4,872	325.7%

EBITDA earned for the quarter is inclusive of $77 thousand foreign exchange loss in the quarter. The increase in EBITDA is primarily a result of improved product mix and improved profitability from price increases implemented to offset the increase in raw material input prices during the quarter.

($'000 unless otherwise stated)	**Q3 2018**	**Q3 2017**	**Variance Fav/(Unfav)**	
FINANCING EXPENSES	850	758	(92)	(12.1%)

The interest costs on our credit facilities has increased on account of higher average balances as well as increases in interest rates in the period.

Financing Expenses
($'000 unless otherwise stated)

	Three Months Ended September 30,			
			Variance Fav / (Unfav)	
	2018	2017	Amount	%
Non-cash financing expenses	229	248	19	7.7%
Interest on senior credit facility	412	282	(130)	(46.1%)
Other interest and financing costs	152	216	64	29.6%
Deferred financing costs	57	12	(45)	(375.0%)
Total financing expenses	850	758	(92)	(12.1%)

($'000 unless otherwise stated)	**Q3 2018**	**Q3 2017**	**Variance Fav/(Unfav)**	
FOREIGN EXCHANGE GAIN (LOSS)	(77)	(737)	660	89.6%

Our Canadian operation, whose functional currency is Canadian dollars has a portion of its assets, liabilities, sales and expenses denominated in currencies other than the Canadian dollar, in particular the U.S. dollar. With raw material costs being denominated in U.S. dollars, having a significant portion of our sales also being denominated in U.S. dollars creates a natural partial hedge. Foreign currency forward contracts are used to manage a portion of the remaining currency risk. Foreign exchange gains and losses are unpredictable in nature and therefore can vary significantly over time. As at September 30, 2018, the total notional value of U.S. dollar currency forward contracts outstanding was US$2.3 million.

($'000 unless otherwise stated)	**Q3 2018**	**Q3 2017**	**Variance Fav/(Unfav)**	
INCOME TAX EXPENSE	(436)	709	(1,145)	(161.5%)

In Q3 2018, income tax expense is $0.4 million compared to tax recovery of $0.7 million for Q3 2017. The income tax expense is based on a statutory rate of 27% for Canadian taxable income and 21% for U.S. based taxable income applied to the income of the respective subsidiaries before taxes, with adjustments for permanent differences between accounting and taxable income.

($'000 unless otherwise stated)	Q3 2018	Q3 2017	Variance Fav/(Unfav)	
NET INCOME (LOSS)	1,023	(2,152)	3,175	147.5%

The increase in net income over the prior year is attributable to the higher operating income in the quarter compared to prior year arising from improved profit margins.

7 COMPARISON OF RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017

($'000 unless otherwise stated)	YTD 2018	YTD 2017	Variance Fav/(Unfav)	
SALES	190,424	180,144	10,280	5.7%

The increase in year-to-date revenues over the prior year by 5.7% is attributable to the price increases implemented to offset the increase in raw material input costs and tariffs. This helped to mitigate in part the lower volumes to U.S. customers in the Industrial market due to steel import tariffs.

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

	Nine Months Ended September 30,					
	2018		2017		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
Industrial	64,139	33.7%	62,979	35.0%	1,160	1.8%
Residential	61,206	32.1%	58,405	32.4%	2,801	4.8%
Commercial	40,422	21.2%	34,336	19.1%	6,086	17.7%
Agricultural	24,657	12.9%	24,424	13.6%	233	1.0%
Total revenue	190,424	100.0%	180,144	100.0%	10,280	5.7%

Revenues generated in the U.S. and Canada increased over the same period last year primarily as a result of higher prices relative to last year.

Revenue by Location
($'000 unless otherwise stated)

	Nine Months Ended September 30 ,					
	2018		2017		Variance	
	Revenue	% of Total	Revenue	% of Total	Amount	%
United States	120,003	63.0%	112,796	62.6%	7,207	6.4%
Canada	65,389	34.4%	60,530	33.6%	4,859	8.0%
International	5,032	2.6%	6,818	3.8%	(1,786)	(26.2%)
Total	190,424	100.0%	180,144	100.0%	10,280	5.7%
Average C$/US$	1.2867		1.3069			

($'000 unless otherwise stated)	YTD 2018	YTD 2017	Variance Fav/(Unfav)	
COST OF SALES	168,280	164,401	(3,879)	(2.4%)

The cost of goods sold (including depreciation) increased relative to last year due to increased costs of raw materials, for which price increases have been implemented to counteract the impact on profitability. The cost of conversion, as a percentage of revenues, is in-line with that of prior year.

($'000 unless otherwise stated)	**YTD 2018**	**YTD 2017**	**Variance Fav/(Unfav)**	
GROSS PROFIT	22,144	15,743	6,401	40.7%

Gross profit for the nine months amounted to $22.1 million versus $15.7 million during the same period in 2017 due to the increases of average selling prices year-to-date and improved product mix. Gross margin for the nine months is 11.6% compared to 8.7% for the year prior.

($'000 unless otherwise stated)	**YTD 2018**	**YTD 2017**	**Variance Fav/(Unfav)**	
SG&A EXPENSES	12,714	12,417	(297)	(2.4%)

SG&A expenses are consistent when compared to prior year with the increase related to higher costs for compensation and expenses associated with the recent trade actions.

($'000 unless otherwise stated)	**YTD 2018**	**YTD 2017**	**Variance Fav/(Unfav)**	
EBITDA	12,317	5,073	7,244	142.8%

EBITDA earned for the nine months is inclusive of the foreign exchange gain of $298 thousand in the period. The increase in EBITDA is primarily a result of the higher gross profit margins.

($'000 unless otherwise stated)	**YTD 2018**	**YTD 2017**	**Variance Fav/(Unfav)**	
FINANCING EXPENSES	2,492	2,194	(298)	(13.6%)

The interest costs on our credit facilities has increased on account of higher average balances as well as increases in interest rates in the period.

Financing Expenses
($'000 unless otherwise stated)

	Nine Months Ended September 30,			
			Variance Fav / (Unfav)	
	2018	2017	Amount	%
Non-cash financing expenses	704	827	123	14.9%
Interest on senior credit facility	1,074	765	(309)	(40.4%)
Other interest and financing costs	634	566	(68)	(12.0%)
Deferred financing costs	80	36	(44)	(122.2%)
Total financing expenses	2,492	2,194	(298)	(13.6%)

($'000 unless otherwise stated)	**YTD 2018**	**YTD 2017**	**Variance Fav/(Unfav)**	
FOREIGN EXCHANGE GAIN (LOSS)	298	(701)	999	142.5%

Our Canadian operation, whose functional currency is Canadian dollars has a portion of its assets, liabilities, sales and expenses denominated in currencies other than the Canadian dollar, in particular the U.S. dollar. With raw material costs being denominated in U.S. dollars, having a significant portion of our sales also being denominated in U.S. dollars creates a natural partial hedge. Foreign currency forward contracts are used to manage a portion of the remaining currency risk. Foreign exchange gains and losses are unpredictable in nature and therefore can vary significantly over time. As at September 30, 2018, the total notional value of U.S. dollar currency forward contracts outstanding was US$2.3 million.

($'000 unless otherwise stated)	**YTD 2018**	**YTD 2017**	**Variance Fav/(Unfav)**	
INCOME TAX EXPENSE	(2,125)	(480)	(1,645)	(342.7%)

For the nine months ended September 30, 2018 an income tax expense of $2.1 million was booked compared to tax expense of $0.5 million for the same period in 2017. The income tax expense is based on a statutory rate of 27% for Canadian taxable income and 21% for U.S. based taxable income applied to the income of the respective subsidiaries before taxes, with adjustments for permanent differences between accounting and taxable income.

($'000 unless otherwise stated)	**YTD 2018**	**YTD 2017**	**Variance Fav/(Unfav)**	
NET INCOME	4,920	340	4,580	1,347.1%

The increase in net income over the prior year is attributable to the higher operating income year-to-date compared to prior year arising from improved profit margins.

8 FINANCIAL CONDITION AND LIQUIDITY

8.1 WORKING CAPITAL

Working Capital
($'000 unless otherwise stated)

	As at September 30,	
	2018	2017
Cash	2,456	1,436
Accounts receivable	31,408	29,778
Inventories	80,530	64,747
Other current assets	5,095	4,711
Total current assets	119,489	100,672
Senior credit facility	(47,199)	(40,439)
Accounts payable and accrued liabilities	(29,627)	(16,448)
Dividends payable	(585)	(611)
Other current liabilities	(456)	(280)
Current portion of long term debt	(4,038)	(3,534)
Total current liabilities	(81,905)	(61,312)
Net working capital	37,584	39,360

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 have arrangements with our key suppliers to provide us with financing for the purchase of the raw materials needed for our operations.

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

Accounts payable as at September 30, 2018 was $13.2 million more than last year, primarily reflecting the increase in raw material costs relative to last year.

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 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.

8.2 CASH FLOW

Cash Flow
($'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cash provided by (used in) operating activities	2,889	(1,315)	12,198	5,363
Working capital adjustments	(9,768)	2,812	(16,960)	(3,442)
Net cash provided by (used in) operating activities	(6,879)	1,497	(4,762)	1,921
Net cash provided by (used in) investing activities	(1,078)	(772)	(5,565)	(5,956)
Advance on (repayment of) senior term loans	3,927	(434)	3,055	(1,313)
Repayment of long-term debt	(468)	(450)	(1,392)	(2,082)
Other payables	293	(152)	441	(4)
Interest paid	(574)	(463)	(1,705)	(1,288)
Deferred financing expenses	(183)	-	(183)	-
Advance on (repayment of) senior revolving facility	6,868	888	13,731	12,661
Dividend payment	(587)	(615)	(1,771)	(1,851)
Share buyback	(287)	(589)	(1,061)	(1,946)
Net cash provided by (used in) financing activities	8,989	(1,815)	11,115	4,177
Exchange rate changes on foreign cash balances	(14)	(34)	17	(57)
Increase (decrease) in cash balances	1,018	(1,124)	805	85

For the three and nine months ended September 30, 2018, there was a net increase in cash. The net cash used in investing activities for the three and nine months ended September 30, 2018 was for capital maintenance activities and capital expenditures for manufacturing equipment.

8.3 SENIOR CREDIT FACILITY

On July 1, 2018, the Company renewed its senior secured committed banking facility, now maturing in June of 2023, which enables the Company to borrow up to $80.0 million in Canadian and/or U.S. funds. Interest payable on funds borrowed in Canadian currency is at variable rates based on the Canadian Dollar Offered Rate (“CDOR”) for Canadian dollar banker’s acceptance. Interest payable on funds borrowed in U.S. currency is at variable rates based on the London Interbank Offered Rate (“LIBOR”) for U.S. dollar deposits. For the revolving facility, up to $60 million may be borrowed at any time in Canadian and/or U.S. dollars with the amount advanced under the revolving facility limited to a defined percentage of inventories, accounts receivable, machinery and equipment, and real estate, less certain reserves. In addition, up to $20 million may be borrowed as term debt, in Canadian and/or U.S. dollars for financing existing machinery and equipment and future capital expenditures.

The existing term debts applied against the Senior Credit Facility was incorporated into a single term loan of $10 million, denominated in Canadian dollars on July 1, 2018, referred to as “Fixed Asset Term Loan”. An additional $10 million is available to finance future capital expenditures, to be denominated in either Canadian or U.S. dollars and referred to as “Capex Term Loans”. On September 24, 2018, US$2.9 million was applied against the “Capex Term Loan” for financing a new welded wire mesh machine in our U.S. Operations.

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

As at September 30, 2018 the availability was in excess of the Availability Test and the Company was in compliance with its covenants on the senior credit facility.

8.4 LONG TERM DEBT AGREEMENTS

On June 11, 2012, Tree Island entered into a Second Amendment to the long-term debt agreement (“Agreement"). 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, of which $7.8 million is outstanding as at September 30, 2018. Interest, which began accruing in June 2017, is non-compounding. The interest owed is payable over a four year period beginning June 2024 (see Note 9 in the interim financial statements).

9 CAPITAL EXPENDITURES AND CAPACITY

For the three months ended September 30, 2018, we made capital expenditures of $1.9 million and for the year-to-date we made capital expenditures of $6.5 million. These expenditures were for capital maintenance activities and commissioning manufacturing equipment. As noted in section 10 of this MD&A there are a further $0.6 million in capital equipment commitments in 2018. The capital assets we have committed to are expected to be delivered in the fourth quarter of 2018 with commissioning of the equipment generally taking between one month to three months after arrival.

10 CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As of September 30, 2018, 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.

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

	2018	2019	2020	2021	2022	Thereafter	Total
Production materials	15,870	5,721	-	-	-	-	21,591
Machinery and equipment	66	503	-	-	-	-	569
Operating leases	776	2,774	2,659	2,633	2,504	17,180	28,526
Total commitments	16,712	8,998	2,659	2,633	2,504	17,180	50,686
Senior revolving facility	47,199	-	-	-	-	-	47,199
AP and accrued liabilities	29,627	-	-	-	-	-	29,627
Other current liabilities	298	-	-	-	-	-	298
Dividends	585	-	-	-	-	-	585
Senior term loans	447	1,965	1,965	1,965	1,965	5,331	13,638
Long-term debt	475	2,443	1,871	1,377	464	4,838	11,468
Total financial liabilities	78,631	4,408	3,836	3,342	2,429	10,169	102,815
Total obligations and commitments	95,343	13,406	6,495	5,975	4,933	27,349	153,501

The production materials include raw materials, such as wire rod and zinc, and finished goods. The raw materials are used in the day-to-day operations of our manufacturing facilities and are in the normal course of our business activities. Finished goods are purchased for resale without further processing and are also in the normal course of our business activities. All committed production materials are to be delivered prior to the end of Q1 2019.

From time to time, we make investments to update, replace or make additions to our existing capital assets, which includes, but is not limited to, the buildings we occupy and capital equipment. These investments are in the normal course of our business activity. For the capital assets we have committed to purchase but have not yet received, amounts remaining to be paid are purchase commitments. All capital asset commitments amounts are expected to be paid by the end of Q1 2019.

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.

The Company enters into U.S. dollar currency forward contracts for periods consistent with a portion of U.S. dollar currency transaction exposures, generally from one to three months. These are not designated as cash flow, fair value or net investment hedges. As of September 30, 2018, the total notional value of U.S. dollar currency forward contracts outstanding was US$2.3 million and the fair value mark to market loss on the contracts were immaterial.

11 SUMMARY OF QUARTERLY FINANCIAL RESULTS

The table below provides selected quarterly financial information for the eight most recent fiscal quarters to September 30, 2018. Sales volume in the fourth quarter of the year has traditionally been the lowest in the year due to the seasonality of our business and the markets we sell to. Quarter-over-quarter results may also be impacted by unusual or infrequently occurring items.

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

	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017	Mar 31, 2017	Dec 31, 2016
Revenue	55,846	68,087	66,491	54,561	55,643	61,455	63,040	45,903
Gross profit	6,929	8,505	6,703	2,452	2,299	5,943	7,495	5,296
Foreign exchange gain (loss)	(77)	256	119	119	(737)	(61)	97	(282)
EBITDA	3,376	5,448	3,488	1,932	(1,496)	2,375	4,187	1,031
Net income (loss)	1,023	2,789	1,103	(1,974)	(2,152)	735	1,750	(705)
Net income (loss) per unit - basic	0.03	0.09	0.04	(0.07)	(0.07)	0.04	0.06	(0.02)

Commentary:

- The rapid rise in raw material costs had a negative impact on the gross profit and EBITDA for most of 2017.
- The average prices of finished good products increased month-over-month to counter inflationary cost of raw materials during 2018.

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

12 ACCOUNTING POLICIES AND STATEMENTS

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

Our significant accounting policies are described in Note 3 of the December 31, 2017 audited consolidated financial statements, the Annual Information Form for the year ended December 31, 2017 and Note 3 to the September 30, 2018 interim unaudited condensed consolidated financial statements.

12.1 CRITICAL ACCOUNTING ESTIMATES

The areas that we consider to have critical accounting estimates are: financial instruments valued at fair value through profit and loss, inventory valuation, allowance for doubtful accounts, property, plant and equipment, and income taxes. These critical estimates and the judgments involved are discussed further in the audited consolidated financial statements for December 31, 2017 (Note 3).

13 RELATED PARTY TRANSACTIONS

13.1 TRANSACTIONS WITH ASSOCIATED COMPANIES

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

Based on Tree Island Steel's outstanding Shares as at November 2, 2018, Futura owns 29.9% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of CanWel Building Materials Group Ltd. ("CanWel"). For the three and nine months ended September 30, 2018, Tree Island sold, net of rebates, approximately $0.7 million and $3.1 million ($0.6 million and $2.5 million in 2017) of goods to CanWel and trade accounts receivable owing from CanWel as at September 30, 2018 was approximately $0.2 million (approximately $0.2 million in 2017). Outstanding trade accounts receivable from CanWel at period end are unsecured, interest free and settlement occurs in cash.

13.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three and nine months ended September 30, 2018 was approximately $0.5 million and $1.5 million respectively (approximately $0.5 million and $2.2 million in 2017) which includes wages, salaries, other compensation paid in the period (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 RISKS AND UNCERTAINTIES

Investment in Tree Island Steel is subject to a number of risks. Our income is dependent upon the wire products business, which is susceptible to a number of risks. Risks pertaining to current economic conditions are discussed in the section above under the heading "*2018 Business Overview and Development*". A detailed discussion of our significant business risks is provided in the 2017 Annual Information Form under the heading "*Risk Factors*" which can be found at www.sedar.com.

15 DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

Our Chief Executive Officer and Chief Financial Officer certified the appropriateness of the financial disclosures in the interim financial report together with the other financial information included in the interim filings for the period ended September 30, 2018. These executives also certified that they are responsible for the design of disclosure controls and procedures and internal control over financial reporting. There have been no changes in internal control over financial reporting during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Company's Board of Directors and Audit Committee reviewed and approved the September 30, 2018 unaudited interim condensed consolidated financial statements and this MD&A prior to its release.

INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018 and 2017

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

November 2, 2018

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

	As at September 30, 2018	December 31, 2017
Cash	2,456	1,651
Accounts receivable *(Note 5)*	31,408	26,147
Inventories (*Note 6)*	80,530	59,992
Prepaid expenses	5,095	3,421
Income taxes recoverable	-	148
Current assets	119,489	91,359
Property, plant and equipment *(Note 7)*	45,930	41,690
Deferred income tax asset	96	563
Other non-current assets	189	69
Total assets	165,704	133,681
Senior revolving facility *(Note 8.1)*	47,199	33,468
Accounts payable and accrued liabilities	29,627	18,272
Income taxes payable	158	-
Other current liabilities	298	178
Dividends payable	585	593
Current portion of long-term borrowing *(Notes 8.2, 9)*	4,038	3,545
Current liabilities	81,905	56,056
Senior term loans *(Note 8.2)*	11,718	8,808
Long-term debt *(Note 9)*	5,641	6,381
Other non-current liabilities	1,665	1,186
Deferred income tax liability	3,306	1,981
Total liabilities	104,235	74,412
Shareholders' equity	61,469	59,269
Total liabilities and shareholders' equity	165,704	133,681

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

Approved on behalf of Tree Island Steel Ltd.

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Sales	55,846	55,643	190,424	180,144
Cost of sales *(Note 6)*	(48,014)	(52,530)	(165,691)	(161,953)
Depreciation	(903)	(814)	(2,589)	(2,448)
Gross profit	6,929	2,299	22,144	15,743
Selling, general and administrative expenses	(4,379)	(3,872)	(12,714)	(12,417)
Operating income (loss)	2,550	(1,573)	9,430	3,326
Foreign exchange gain (loss)	(77)	(737)	298	(701)
Gain (loss) on sale of property, plant and equipment	(2)	(41)	2	(115)
Other expenses	(39)	-	(104)	-
Changes in financial liabilities at fair value	(123)	248	(89)	504
Financing expenses *(Note 10)*	(850)	(758)	(2,492)	(2,194)
Income (loss) before income taxes	1,459	(2,861)	7,045	820
Current income tax recovery (expense) *(Note 13)*	(311)	-	(311)	(2)
Income tax recovery (expense) *(Note 13)*	(125)	709	(1,814)	(478)
Net income (loss)	1,023	(2,152)	4,920	340
Net income (loss) per share *(Note 0)*	0.03	(0.07)	0.17	0.01
Dividends per share	0.02	0.02	0.06	0.06
Weighted average number of shares *(Note 0)*	29,327,529	30,711,062	29,473,611	30,825,595

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss) for the year	1,023	(2,152)	4,920	340
Unrealized income (loss) on FX translation	(101)	(472)	104	(793)
Comprehensive income (loss)	922	(2,624)	5,024	(453)

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

($'000 unless otherwise stated)

	Shareholders' Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as at December 31, 2017	225,977	(163,600)	(3,108)	59,269
Repurchase of shares	(279)	-	-	(279)
Net income (loss)	-	1,105	-	1,105
Dividends	-	(591)	-	(591)
Other comprehensive income (loss)	-	-	105	105
Balance as at March 31, 2018	225,698	(163,086)	(3,003)	59,609
Repurchase of shares	(495)	-	-	(495)
Net income (loss)	-	2,792	-	2,792
Dividends	-	(587)	-	(587)
Other comprehensive income (loss)	-	-	100	100
Balance as at June 30, 2018	225,203	(160,881)	(2,903)	61,419
Repurchase of shares	(287)	-	-	(287)
Net income (loss)	-	1,023	-	1,023
Dividends	-	(585)	-	(585)
Other comprehensive income (loss)	-	-	(101)	(101)
Balance as at September 30, 2018	224,916	(160,443)	(3,004)	61,469
Balance as at December 31, 2016	230,423	(159,528)	(2,322)	68,573
Repurchase of shares	(1,349)	-	-	(1,349)
Net Income (loss)	-	1,750	-	1,750
Dividends	-	(615)	-	(615)
Other comprehensive income (loss)	-	-	(84)	(84)
Balance as at March 31, 2017	229,074	(158,393)	(2,406)	68,275
Repurchase of shares	(8)	-	-	(8)
Net Income (loss)	-	735	-	735
Dividends	-	(615)	-	(615)
Other comprehensive income (loss)	-	-	(237)	(237)
Balance as at June 30, 2017	229,066	(158,273)	(2,643)	68,150
Repurchase of shares	(589)	-	-	(589)
Net Income (loss)	-	(2,152)	-	(2,152)
Dividends	-	(611)	-	(611)
Other comprehensive income (loss)	-	-	(472)	(472)
Balance as at September 30, 2017	228,477	(161,036)	(3,115)	64,326

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

INTERIM UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

($'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	1,023	(2,152)	4,920	340
Depreciation	903	814	2,589	2,448
Changes in financial liabilities recognized at fair value	123	(248)	89	(504)
Loss (gain) on sale of property, plant and equipment	2	2	(3)	49
Amortization and write-off of deferred financing	57	12	80	36
Non-cash accretion of long term debt	229	165	704	714
Net financing costs	564	581	1,708	1,444
Deferred income tax expense (recovery)	125	(709)	1,814	478
Exchange revaluation of foreign denominated debt	(137)	220	297	358
Working capital adjustments				
Accounts receivable	4,806	1,719	(5,260)	(6,036)
Inventories	(15,414)	1,272	(20,567)	591
Accounts payable and accrued liabilities	882	(1,293)	10,308	2,506
Prepaid expenses	(534)	1,067	(1,655)	(475)
Income and other taxes	311	-	311	(90)
Other	181	47	(97)	62
Net cash provided by (used in) operating activities	(6,879)	1,497	(4,762)	1,921
Proceeds on sale of property, plant and equipment	4	21	4	25
Purchase of property, plant and equipment	(1,082)	(793)	(5,569)	(5,981)
Net cash provided by (used in) investing activities	(1,078)	(772)	(5,565)	(5,956)
Term loans - advance (repayment)	3,927	(434)	3,055	(1,313)
Repayment of long-term debt	(468)	(450)	(1,392)	(2,082)
Other financing liabilities	293	(152)	441	(4)
Interest paid	(574)	(463)	(1,705)	(1,288)
Deferred financing fees	(183)	-	(183)	-
Increase (decrease) of senior revolving facility	6,868	888	13,731	12,661
Dividend paid	(587)	(615)	(1,771)	(1,851)
Repurchase of common shares	(287)	(589)	(1,061)	(1,946)
Net cash provided by (used in) financing activities	8,989	(1,815)	11,115	4,177
Effect of exchange rate change on cash	(14)	(34)	17	(57)
Increase (decrease) in cash	1,018	(1,124)	805	85
Cash - beginning of period	1,438	2,560	1,651	1,351
Cash - end of period	2,456	1,436	2,456	1,436

See accompanying Notes to the Interim Unaudited Condensed Consolidated Financial Statements

1 NATURE OF BUSINESS

These interim unaudited condensed consolidated financial statements of Tree Island Steel Ltd. ("Tree Island Steel " or the "Company") for the quarter ended September 30, 2018 were authorized for issue in accordance with a resolution of the Board of Directors on November 2, 2018.

Tree Island Steel is the successor to Tree Island Wire Income Fund and was incorporated under the laws of Canada on August 2, 2012 to affect the conversion from an income trust to a corporate entity. The units of Tree Island Wire Income Fund were converted into common shares of the Company ("Shares") upon conversion. The Company is headquartered at 3933 Boundary Road, Richmond, British Columbia, Canada and the Shares are publicly traded on the Toronto Stock Exchange ("TSX") under the symbol TSL.

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

2 BASIS OF PREPARATION

The interim condensed consolidated financial statements as at and for the three and nine months ended September 30, 2018 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, 2017 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, 2017.

4 FUTURE IFRS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Tree Island prepares its financial statements in accordance with IFRS standards. Tree Island is in the process of assessing whether there will be any significant changes to its consolidated financial statements upon adoption of any new standards, interpretations or amendments. The new standards that may have an impact on the Company's reporting requirements include:

IFRS 16 Leases
IFRS 16 was issued in January 16, 2016 and provides guidance on how leases are to be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize a lease as both an asset and a liability for all leases unless the lease term is twelve (12) months or less or the underlying asset has a low value. This standard is a significant change for how a lessee will recognize a lease from the standard it replaces, IAS 17. The accounting of leases by lessors under the new standard remains substantially unchanged from IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019.

The Company is in the process of a comprehensive evaluation of the impacts of IFRS 16 on its accounting policies and financial statements. At this time, the Company does not plan to adopt the new standard early and will adopt the standard effective January 01, 2019. The Company expects to recognize lease liabilities and right-of-use assets in place of operating leases previously expensed.

At this time, the Company is currently compiling and analyzing data relating to existing contracts that may contain right-of-use assets and lease liabilities. These include rental and services contracts that may contain embedded leases for property, plant and equipment. At this time, the Company anticipates its total assets and total liabilities will increase along with increases to depreciation and interest accounts, and reduction in operating expenses. However, the Company has yet to quantify the effects of the new standard. The process of implementing the new standard and finalizing the assessments will extend into Q4 2018.

5 ACCOUNTS RECEIVABLE

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 12. The maximum credit risk that Tree Island was exposed to by way of its accounts receivable is equal to the net amount of $31.4 million as at September 30, 2018 ($26.1 million as at December 31, 2017).

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

($'000 unless otherwise stated)

	As at September 30, 2018	As at December 31, 2017
Current	26,975	23,590
30 - 60 days past due	2,013	1,255
61 - 90 days past due	1,201	265
Over 91 days past due	1,677	1,375
Total accounts receivable	31,866	26,485
Allowance for doubtful accounts	(458)	(338)
Net accounts receivable	31,408	26,147

At the end of each reporting period, a review of the provision for bad debt 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. Accounts receivables with related parties are discussed in Note 12.1.

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

($'000 unless otherwise stated)

	As at September 30, 2018	As at December 31, 2017
Opening balance – beginning of period	338	259
Additions during the period	113	88
Reversals during the period	5	10
Payments	(2)	(12)
Foreign exchange revaluation	4	(7)
Closing balance – end of period	458	338

See Note 15 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

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 the three and nine months period ended September 30, 2018 and 2017. The reserve for slow moving inventory as at September 30, 2018 was $1.8 million ($1.5 million at September 30, 2017).

Tree Island had the following categories of inventory:

($'000 unless otherwise stated)

	As at September 30, 2018	As at December 31, 2017
Raw materials	29,156	16,529
Finished and semi-finished products	36,480	29,216
Consumable supplies and spare parts	14,894	14,247
Total inventory	80,530	59,992

For the three and nine months period ended September 30, 2018 and 2017, Tree Island recognized, in income, inventory costs for the following:

($'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Opening inventory	65,117	54,426	59,992	54,467
Raw material purchases	46,812	22,720	133,778	81,238
Finished goods purchased for resale	2,190	3,716	6,051	7,882
Conversion costs	14,425	22,189	46,400	68,887
Closing inventory	(80,530)	(50,521)	(80,530)	(50,521)
Cost of sales	48,014	52,530	165,691	161,953

7 PROPERTY, PLANT AND EQUIPMENT

The carrying value of long-lived assets is reviewed when there are indicators of impairment. 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.

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

($'000 unless otherwise stated)

	Land & Improvement	Building & Improvement	Machinery & Equipment	Capital in Progress	Total
Cost					
As at December 31, 2016	9,835	43,433	29,550	1,076	83,894
Additions	-	1,464	1,804	2,871	6,139
Disposals	-	(7)	(298)	-	(305)
Foreign exchange translation	(140)	(564)	(496)	(38)	(1,238)
As at December 31, 2017	9,695	44,326	30,560	3,909	88,490
Additions	-	465	1,992	3,988	6,445
Disposals	-	-	(34)	-	(34)
Foreign exchange translation	64	294	239	51	648
As at September 30, 2018	9,759	45,085	32,757	7,948	95,549
Depreciation and impairment					
As at December 31, 2016	8	31,253	13,021	-	44,282
Depreciation for the period	16	1,262	2,252	-	3,530
Disposals	-	(7)	(227)	-	(234)
Foreign exchange translation	7	(277)	(508)	-	(778)
As at December 31, 2017	31	32,231	14,538	-	46,800
Depreciation for the period	12	944	1,633	-	2,589
Disposals	-	-	(28)	-	(28)
Foreign exchange translation	(7)	134	131	-	258
As at September 30, 2018	36	33,309	16,274	-	49,619
Net book value as at					
December 31, 2017	9,664	12,095	16,022	3,909	41,690
September 30, 2018	9,723	11,776	16,483	7,948	45,930

8 SENIOR CREDIT FACILITY

On July 1, 2018, 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") which matures in June of 2023, may be used for Tree Island's financing requirements in Canadian and/or U.S. dollars, and comprises of the following:

- $60 million of revolving credit facility;
- $10 million "Fixed Asset Term Loan" applied against existing term loans; and
- $10 million "Capex Term Loan" to finance future capital expenditures.

8.1 Senior Credit Facility

The amount advanced under the Senior Credit Facility at any time is limited to a defined percentage of inventories, accounts receivable, machinery and equipment, and real estate, less certain reserves. The Senior Credit Facility is secured by a first charge over Tree Island's assets supported by the appropriate guarantees, pledges and assignments, and requires that certain covenants be met by Tree Island.

The Senior Credit Facility includes a $10.0 million Letter of Credit sub-facility which enables TI Canada and TI USA to open documentary and standby letters of credit for raw material purchases. There was a $39k Letter of Credit outstanding as at September 30, 2018.

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. 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.

Interest payable on funds borrowed in Canadian currency is at variable rates based on the Canadian Dollar Offered Rate ("CDOR") for Canadian dollar banker's acceptance. Interest payable on funds borrowed in U.S. currency is at variable rates based on the London Interbank Offered Rate ("LIBOR") for U.S. dollar deposits.

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

($'000 unless otherwise stated)

	As at September 30, 2018	As at December 31, 2017
Revolving portion of the senior credit facility	47,199	33,468
Deferred financing costs	(189)	(69)
Total	47,010	33,399

The revolving portion of the Senior Credit Facility denominated in U.S. dollars as at September 30, 2018 is $21.4 million ($20.4 million at September 30, 2017).

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

As at September 30, 2018, the availability was in excess of the Availability Test and the Company was in compliance with its financial covenants on the Senior Credit Facility.

8.2 Senior Term Loans

Under the terms of the Senior Credit Facility, the Company has designated portions up to a total of $20 million facility as two term loans denominated in either Canadian or U.S. dollars, and is available for existing machinery and equipment and future capital expenditures. The existing term debts applied against the Senior Credit Facility was incorporated into a single term loan of $10 million, denominated in Canadian dollars on July 1, 2018, referred to as "Fixed Asset Term Loan". An additional $10 million is available to finance future capital expenditures, to be denominated in either Canadian or U.S. dollars and referred to as "Capex Term Loans". On September 24, 2018, US$2.9 million was applied against the second term loan of the Senior Credit Facility for financing a new concrete mesh machine in our U.S. Operations.

The following amounts are outstanding under the Senior Term Loans:

($'000 unless otherwise stated)

	As at September 30, 2018	As at December 31, 2017
Senior term loans - beginning of period	10,546	12,369
Principal payments	(1,018)	(1,749)
Principal settlement	(9,565)	-
New Term Loan advanced	13,758	-
Principal payments – new term loan facilities	(119)	-
Foreign exchange revaluation	37	(74)
Senior term loans - end of period	13,639	10,546
Less: current portion	(1,921)	(1,738)
Total term loans	11,718	8,808

9 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. The principal is payable over a 10 year amortization period. The interest is non-compounding at a rate of 4%, commenced accruing as of 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$100k in years 1 and 2, US$110k in years 3 and 4, US$120k in years 5, 6 and 7, and US$190k in years 8, 9, 10 and US$90k in years 11, 12 and 13. Present value of the debt was determined using discounted cash flows and a credit adjusted discount rate of 9%. 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 U.S. dollars.

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

($'000 unless otherwise stated)

	As at September 30, 2018	As at December 31, 2017
Beginning of period	8,187	10,256
Payments	(1,392)	(2,542)
Foreign exchange revaluation	258	(601)
Accretion of debt discount	704	1,074
End of period	7,757	8,187
Less: current portion	(2,117)	(1,806)
Net long-term debt	5,641	6,381

In addition under the terms of this long-term debt agreement, Tree Island is required to make an accelerated payment of $0.5 million on the principal outstanding within 120 days of any fiscal year end in which EBITDA exceeds a specified amount.

10 FINANCING EXPENSES

($'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Non-cash accretion of debt discount and interest on long term debt	229	248	704	827
Interest on senior credit facility	412	282	1,074	765
Other interest and financing costs	152	216	634	566
Amortization of deferred financing costs	57	12	80	36
Total	850	758	2,492	2,194

11 SHAREHOLDERS' CAPITAL

Tree Island is authorized to issue an unlimited number of Shares. The Shares have no par value. There were no Shares issued and 382,769 Shares were cancelled in the nine months ended September 30, 2018. Shares issued and outstanding are as follows:

($'000 except for Shares)

	Shares	Gross	Issuance Cost[2]	Net
Shareholders' capital - December 31, 2016	31,064,573	241,823	11,400	230,423
Repurchase of common shares	(1,414,774)	(4,446)	-	(4,446)
Shareholders' capital - December 31, 2017	29,649,799	237,377	11,400	225,977
Repurchase of common shares	(382,769)	(1,061)	-	(1,061)
Shareholders' capital - September 30, 2018	29,267,030	236,316	11,400	224,916

[2] *Issuance costs were incurred as a result of the November 2002 Initial Public Offering and October 2004 Secondary Offering.*

11.1 NORMAL COURSE ISSUER BID

The Company has an ongoing normal course issuer bid (the "Bid"). The previous Bid was effective from September 21, 2017 to September 20, 2018 to purchase up to 1,500,000 Shares. The Company renewed the Bid, effective September 21, 2018 and expiring September 20, 2019. The renewed Bid allows the Company to purchase up to 1,460,000 Shares in the period. Tree Island has no obligation to purchase any Shares under the Bid.

For the period January 1, 2018 to September 20, 2018 the Company purchased 362,169 Shares under the previous Bid at a total cost of $1.0 million (at an average price of $2.77 per Share). Under the current Bid from September 21, 2018, the Company purchased 20,600 at a total cost of $0.1 million (at an average price of $2.80 per Share). All 382,769 Shares purchased were cancelled prior to September 30, 2018. Subsequent to September 30, 2018, 50,385 Shares were purchased at $2.51 per Share for a total value of $0.1 million. All 50,385 Shares were cancelled.

12 RELATED PARTY TRANSACTIONS

12.1 TRANSACTIONS WITH ASSOCIATED COMPANIES

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

Based on Tree Island Steel's outstanding Shares as at November 2, 2018, Futura owns 29.9% of the fully diluted Shares of the Company.

In addition, Mr. Doman is Chairman and CEO of CanWel Building Materials Group Ltd. ("CanWel"). For the three and nine months ended September 30, 2018, Tree Island sold, net of rebates, approximately $0.7 million and $3.1 million ($0.6 million and $2.5 million in 2017) of goods to CanWel and trade accounts receivable owing from CanWel as at September 30, 2018 was approximately $0.2 million (approximately $0.2 million in 2017). Outstanding trade accounts receivable from CanWel at period end are unsecured, interest free and settlement occurs in cash.

12.2 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Included in the definition of key management for purposes of disclosure of related party transactions are members of Board of Directors and officers of Tree Island Steel. Amounts for key management personnel for the three and nine months ended September 30, 2018 was approximately $0.5 million and $1.5 million (approximately $0.5 million and $2.2 million in 2017) which includes wages, salaries, other compensation paid in the period (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.

13 INCOME TAXES

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

13.1 INCOME TAX EXPENSE

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

($'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Current tax expense	(311)	-	(311)	(2)
Deferred tax expense	(125)	709	(1,814)	(478)
Total recorded in the Statement of Operations	(436)	709	(2,125)	(480)

14 FINANCIAL INSTRUMENTS

14.1 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

($'000 unless otherwise stated)

	As at September 30, 2018		As at December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash investments	2,456	2,456	1,651	1,651
Accounts receivable	31,408	31,408	26,147	26,147
Total financial assets	33,864	33,864	27,798	27,798
Senior revolving facility	47,199	47,199	33,468	33,468
Accounts payable and accrued liabilities	29,627	29,627	18,272	18,272
Senior term loans	13,639	13,639	10,546	10,546
Long-term debt	7,757	7,700	8,187	7,920
Foreign exchange forward contracts	23	23	-	-
Commodity purchase contract embedded derivative	-	-	67	67
Total financial liabilities	98,245	98,188	70,540	70,273

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 senior term loan, and long-term debt are based on estimated market interest rate on similar borrowings. The fair value of the senior term loan approximate fair value as the interest

rates approximate market. A one percent (1%) change in the market interest rate would change the fair value of long term debt by $0.1 million;

- Fair value of the commodity purchase contract embedded derivatives are estimated using observable spot rates for zinc: and
- Fair value of the forward exchange 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.

14.2 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 (indicated by parentheses in the table below) 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)

	Level 1	Level 2
Senior revolving facility	-	47,199
Senior term loans	-	13,639
Long-term debt	-	7,700
Foreign exchange forward contract	-	23

15 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.

15.1 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.

15.2 LIQUIDITY RISK

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

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

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

The table below summarizes the future undiscounted contractual cash flow requirements for financial liabilities (including scheduled interest payments on interest bearing liabilities) as at September 30, 2018 and December 31, 2017:

($'000 unless otherwise stated)

	Carrying Amount	Contractual Cash Flow	Less Than 1 Year	1 – 2 Years	Greater Than 2 Years
Senior revolving facility	47,199	47,199	47,199	-	-
Accounts payable and accrued liabilities	29,627	29,627	29,627	-	-
Senior term loans	13,639	13,638	1,921	3,930	7,787
Long-term debt	7,757	11,468	2,117	4,314	5,037
As at September 30, 2018	98,222	101,932	80,864	8,244	12,824
Senior revolving facility	33,468	33,468	33,468	-	-
Accounts payable and accrued liabilities	18,272	18,272	18,272	-	-
Senior term loans	10,546	10,546	1,738	8,808	-
Long-term debt	8,187	12,502	1,806	4,198	6,498
As at December 31, 2017	70,473	74,788	55,284	13,006	6,498

15.3 FOREIGN CURRENCY RISK

The significant market risk exposures affecting the financial instruments are those related to foreign currency exchange rates and interest rates. For the period ending September 30, 2018, a $0.01 increase (decrease) in the Canadian dollar to U.S. dollar exchange rate will increase (decrease) net comprehensive income by $25 thousand.

Tree Island's U.S. 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 U.S./Canadian dollar exchange rate. The Company enters into U.S. dollar currency forward contracts for periods consistent with a portion of U.S. dollar currency transaction exposures, generally from one to three months. These are not designated as cash flow, fair value or net investment hedges. As of September 30, 2018, the total notional value of U.S. dollar currency forward contracts outstanding was US$2.3 million and the fair value mark to market loss on the contracts were immaterial.

15.4 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 $0.5 million annually. Tree Island does not use derivative instruments to manage the interest rate risk.

15.5 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 contracts to purchase a portion of the zinc to be used. These are not designated as cash flow, fair value or net investment hedges. As of September 30, 2018 the fair value of zinc purchase contracts was a notional amount of $0.4 million and the mark to market gain on the contracts was immaterial.

Due to limited availability and sourcing options for certain items, Tree Island has imported steel products that are subject to an import duty of 25%. Up to September 30, 2018, exposure and financial impact to Tree Island is not material as price increases have been implemented for the impacted steel products to counter the costs associated with the import tariffs.

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 and 9.

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

($'000 unless otherwise stated)

	As at September 30, 2018	As at December 31, 2017
Total shareholders' equity	61,469	59,269
Senior revolving facility	47,199	33,468
Senior term loans	13,639	10,546
Long-term debt	7,757	8,187
Total capital	130,064	111,470

17 NET INCOME PER SHARE

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

($'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss) for the period	1,023	(2,152)	4,920	340
Weighted average number of shares outstanding:	29,327,529	30,711,062	29,473,611	30,825,595
Net income (loss) per share ($/share)	0.03	(0.07)	0.17	0.01

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, if applicable, 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 September 30, 2018 there are no instruments issued that could be dilutive.

The Company has repurchased and cancelled 382,769 Shares in the nine months ended September 30, 2018 (Note 11).

18 PROVISIONS AND COMMITMENTS

18.1 LITIGATION AND CLAIMS

From time to time, Tree Island is party to certain legal actions and claims. As of September 30, 2018 there are no actions or claims that individually, or in the aggregate, is expected to have a material adverse effect on its financial position, statement of operations or cash flows.

18.2 PURCHASE COMMITMENTS

As at September 30, 2018, Tree Island's wholly owned subsidiaries have committed to production material purchases (including finished goods) totalling $21.6 million ($22.8 million – September 30, 2017) and capital equipment purchase commitments of $0.6 million ($3.6 million – September 30, 2017). The committed product material purchases, which are to be delivered before the end of Q1 2019, and capital equipment purchases, which are to be delivered before the end of Q1 2019, are in the normal course of our business activity.

19 SEGMENTED INFORMATION

19.1 MARKET SEGMENTS

Revenues for each group for the three months ended September 30, 2018 and 2017 were as follows:

($'000 unless otherwise stated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Industrial	18,082	19,035	64,139	62,979
Residential	17,850	19,673	61,206	58,405
Commercial	15,338	11,946	40,422	34,336
Agricultural	4,576	4,989	24,657	24,424
Total revenue	55,846	55,643	190,424	180,144

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 and agricultural. 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
United States	36,773	36,404	120,003	112,796
Canada	17,872	17,281	65,389	60,530
International	1,201	1,958	5,032	6,818
Total revenue	55,846	55,643	190,424	180,144

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)

	September 30, 2018	December 31, 2017
United States	16,655	12,315
Canada	29,464	29,444
Total non-current assets	46,119	41,759

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

Joe Downes

Leadership Team:

Dale R. MacLean
President and Chief Executive Officer

Remy Stachowiak
Chief Operating Officer

Nancy Davies
Chief Financial Officer and Vice President, Finance

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 or
amahdavi@treeisland.com

Auditors:

KPMG LLP
Vancouver, B.C.