TREE ISLAND WIRE INCOME FUND

Q1 2011

Report to Unitholders
for the period ended
March 31, 2011

TREE ISLAND WIRE INCOME FUND

FUND PROFILE

Launched on November 12, 2002, Tree Island Wire Income Fund owns 100% of Tree Island Industries Ltd. The Fund is listed on the Toronto Stock Exchange (listing symbol TIL.UN).

The Fund has Convertible Debentures listed on the Toronto Stock Exchange (listing symbol TIL.DB).

Tree Island Profile

Headquartered in Richmond, British Columbia, Tree Island Industries Ltd. produces wire products for a diverse range of construction, agricultural, manufacturing and industrial applications. Its products include bright wire, stainless steel wire and galvanized wire; a broad array of fasteners, including packaged, collated and bulk nails; stucco reinforcing products, engineered structural mesh, fencing and other fabricated wire products. The Company markets these products under the Tree Island, Halsteel, K-Lath, Industrial Alloys, TI Wire, Tough Strand and Select brand names. Tree Island also owns and operates a Hong Kong-based company that assists the international sourcing of products to Tree Island and its customers.

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TO OUR UNITHOLDERS

In the first quarter of 2011, our financial results strengthened as we grew market share in key end-markets, increased product prices in response to higher raw material costs, and benefited from cost savings resulting from tight management of our business and a stronger Canadian dollar. Driven by increased raw material costs and constrained supply, steel costs increased sharply in the first quarter of 2011. In an attempt to recover these higher costs, we, along with our competitors, implemented a series of product price increases during the first quarter and will continue working to align product prices with raw material costs through the second quarter.

For the three months ended March 31, 2011, we generated revenues of $38.9 million, an increase of $4.4 million, or 12.8%, from the same period in 2010 the result of higher sales volumes and higher selling prices offset by the negative impact of a stronger Canadian dollar on our US dollar denominated revenues. Gross profit increased by $2.0 million to $4.4 million, and gross profit per ton increased to $146 per ton, from $86 per ton a year ago and EBITDA for the first quarter of 2011 was $2.0 million, compared to $0.3 million in Q1 2010. The continued improvement in gross profit, gross profit per ton and EBITDA reflects Tree Island's ongoing focus on more profitable products, higher selling prices, and a continued focus on cost control.

We remain cautious because of the mixed market conditions in North America and globally through the remainder of the year. The US residential construction market remains at historically low levels, with weather-related delays in construction activity exacerbating conditions in many regions. However, demand from other end markets, including commercial construction, industrial/OEM and agriculture continues to show signs of improvement and we are focused on growing market share for a wide range of our products.

On June 2, 2011, we announced that Dale MacLean was appointed President and Chief Executive Officer of Tree Island Industries Ltd. effective July 18, 2011. He will also be appointed as a member of the Fund's Board of Trustees effective on that date. We are very pleased to have Dale join the executive team as Tree Island's new President and CEO. Dale MacLean brings to Tree Island an extensive knowledge of marketing, sales, operations and supply chain logistics. I will provide assistance over the coming months to ensure a smooth transition to new leadership and will continue as a member of the Fund's Board of Trustees.

In closing, I would like to thank our employees for continuing to build Tree Island's reputation for product quality and service leadership in these challenging times. To our customers, suppliers and investors, I extend my sincere thanks for working with us through the challenges and retaining your faith in our future. I believe we are moving forward on a more stable footing and with better prospects of success.

Theodore (Ted) Leja

President and CEO Tree Island Industries
Trustee, Tree Island Wire Income Fund

MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2011 and 2010

The Management's Discussion and Analysis includes the following sections:

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The following is a discussion of the financial condition and results of operations of Tree Island Wire Income Fund (the "Fund") and its wholly owned operating subsidiary Tree Island Industries Limited ("Tree Island" or the "Company"). This discussion is current to June 9, 2011 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2011. The Fund's condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements including IAS 34 Interim Financial Reporting and IFRS 1 First Time Adoption of International Financial Reporting Standards and are reported in Canadian dollars. They do not include all of the information required for full annual financial statements. The 2010 prior period comparative financial information throughout this report has been restated in accordance with IFRS; however, 2009 information is presented in accordance with Canadian GAAP and has not been restated.

Additional information relating to the Fund, including the audited consolidated financial statements, prepared in accordance with Canadian GAAP, and Annual Information Form ("AIF") for the year ended December 31, 2010, can be found at www.sedar.com or on the Fund's website at www.treeisland.com

1. FORWARD-LOOKING STATEMENTS AND RISK

This management's discussion and analysis includes forward-looking information with respect to the Fund and Tree Island, 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 contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Although we believe that expectations reflected in forward-looking statements are reasonable, such statements involve risks and uncertainties, including the risks and uncertainties discussed under the heading "Risks Relating to the Company's Business" in the Fund's AIF for the year ended December 31, 2010.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the statements. Such risks and uncertainties include, but are not limited to: general economic conditions and markets and, in particular, the impact of the current economic uncertainties, impact of recent trade cases, risks associated with operations such as competition, dependence on the construction industry, market conditions for our products, supplies of and costs for our raw materials, dependence on key personnel, labour relations, regulatory matters, environmental risks, the successful execution of acquisition and integration strategies and other strategic initiatives, foreign exchange fluctuations, the effect of leverage and restrictive covenants in financing arrangements, the cost and availability of capital, the possibility of deterioration in our working capital position, the impact on liquidity if we were to go offside of covenants in our debt facilities, the impact that changes in supplier payment terms or slow payment of accounts receivable could have on our liquidity, product liability, the ability to obtain insurance, energy cost increases, changes in tax legislation, other legislation and governmental regulation, changes in accounting policies and practices including the transition to IFRS, operations in a foreign country, and other risks and uncertainties set forth in our publicly filed materials.

This management's discussion and analysis has been reviewed by the Fund's board of trustees, and its Audit Committee, and contains information that is current as of the date of this management's discussion and analysis, 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 the Fund 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 laws.

2. NON-IFRS MEASURES

References in this MD&A to "EBITDA" are to operating profit plus depreciation 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 convertible instruments and loss on renegotiated debt. EBITDA is a measure used by many investors to compare issuers 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 in evaluating the Fund's 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.

References in this MD&A are made to "Standardized Distributable Cash" and "Adjusted Distributable Cash" which are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. Canadian open-ended income trusts, such as this Fund, use Standardized Distributable Cash and Adjusted Distributable Cash as indicators of financial performance and ability to fund distributions. We define Standardized Distributable Cash as net cash from operating activities less all capital expenditures. We define Adjusted Distributable Cash as Standardized Distributable Cash plus the change in non-cash operating assets and liabilities, plus Non-maintenance Capital expenditures, plus for the year ended December 31, 2006, pre-tax proceeds on the sale of a property option, plus for the 2009 the pre-tax proceeds on the sale of surplus land (the tax provision for these proceeds on sale is included in the net cash provided from operating activities). Changes in non-cash operating assets and liabilities and Non maintenance Capital expenditures are added back in the calculation of Adjusted Distributable Cash because they are funded through the Fund's committed credit facilities. We define Maintenance Capital expenditures as cash outlays required to maintain our plant and equipment at current operating capacity and efficiency levels. Non-maintenance Capital expenditures are defined as cash outlays required to increase business operating capacity or improve operating efficiency, and are also referred to as profit improvement capital.

Our Adjusted Distributable Cash may differ from similar computations as reported by other entities and, accordingly, may not be comparable to distributable cash as reported by such entities. We believe that in addition to net income, Adjusted Distributable Cash is a useful supplemental measure that may assist investors in assessing the return on their investment in Units.

3. THE FUND AND TREE ISLAND

3.1 About the Fund

The Fund was launched on November 12, 2002 with the completion of an initial public offering. There were 22,872,209 Units of the Fund outstanding as of March 31, 2011 and 22,872,209 as of June 9, 2011. There were 107,532 Phantom Units issued under the Fund's long-term incentive plan as at March 31, 2011. Each Phantom Unit is convertible, subject to vesting conditions, into one Unit. The Fund holds a 100% ownership interest in Tree Island and is set-up as a trust on corporation structure.

During 2009 and the early part of 2010, the Fund completed a recapitalization of the business referred to in this MD&A as the Recapitalization Transaction. As part of this, on November 26, 2009 the Fund issued convertible debentures ("Debentures") by way of a private placement which was then followed by a public offering of Debentures with the same terms and conditions in January 2010. In total, 197,500 Debentures with a face value of $100 each were issued.

Each $100 Debenture is convertible into 200 Fund Units at the option of the Debenture holder. As at March 31, 2011, the total number of Debentures remaining outstanding is 193,846.

In addition, as part of the same private placement transaction mentioned above, the Fund issued 4,875,000 warrants (the "Warrants") with an expiry of November 26, 2014 to certain investors. The warrants allow the holder to purchase, for a period of five years from the closing of the private placement, one Unit at an exercise price of $0.57. No warrants have been exercised since issuance.

3.2 About Tree Island

Markets and Products

Tree Island supplies a diverse range of steel wire and fabricated steel wire products to customers in five key markets: residential construction, commercial construction, agricultural, industrial, original equipment manufacturers ("OEM") and specialty applications.

Our product lines include bright and galvanized carbon wire; stainless steel wire; packaged, collated and bulk nails; stucco products, including woven mesh and expanded metal lath; fencing and other fabricated wire products; engineered structural mesh; and a diverse array of complementary products. We market these products to customers in Canada, the United States and internationally.

The following summarizes our key product groups and the end-use markets we serve with each:

MARKETS	PRODUCTS	SPECIFIC END USES
Residential Construction	Collated, bulk and packaged nails, stucco reinforcing mesh and expanded metal lath.	Construction and renovation for new and existing homes
Commercial Construction	Welded wire reinforcement mesh, concrete reinforcing products, and stucco reinforcing mesh	Commercial construction, mining, infrastructure projects
Industrial/OEM	Low carbon wire (bright/galvanized/annealed) High carbon wire (bright/galvanized/annealed) Hi-tensile baling wire	Wire fabricating, industrial applications, OEM manufacturing (i.e. mattresses, inner springs, tires), forestry, recycling
Agricultural	Hi-tensile game fence, farm fence, vineyard wire, barbed wire, bailing wire, vinyl coated wire	Agriculture, farming
Specialty	Spring wire, cold heading wire, shaped wire, stainless specialty alloy bar, rod and wire	Consumer products, industrial applications, telecommunications, aerospace, automotive, oil industry

Seasonality

Our operations are impacted by the seasonal nature of the various industries we serve, primarily the Canadian 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 consumer activities.

Product Strategy

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 for our customers needs. We achieve this by manufacturing most of our products at our own manufacturing facilities, while outsourcing others from qualified manufacturers.

Our traditional market emphasis has been western North America where the Tree Island, Halsteel, K-Lath, TI Wire and Industrial Alloys brands have an excellent reputation.

Premium Brand

We manufacture our premium, branded products internally in our North American facilities, targeting them to customers that seek value and reliable high performance. Our Premium brands are designed to create a high level of customer satisfaction and offer:

- Consistent, high quality standards that meet customers' needs, ASTM standards and applicable codes
- Broad range of products
- Short lead times
- Technical support and reliable service

PREMIUM BRANDS	PRODUCTS
Tree Island	Bright and galvanized wire, nails, welded wire mesh, fencing and stucco reinforcing
Halsteel	Collated nails produced in the United States
K-Lath	Wide range of stucco reinforcing products
TI Wire	Bright wire, welded wire mesh and cold heading wire
Industrial Alloys	Stainless steel wire and bars
Tough Strand	Agricultural fence products including Hi-tensile game fence, farm fence, vineyard wire, barbed wire, vinyl coated wire

Select Brand

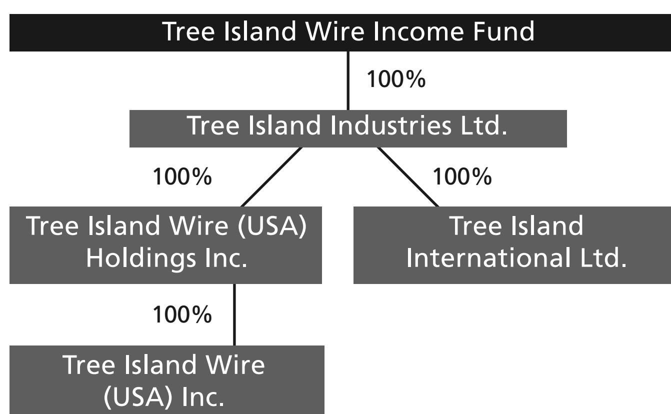
Most of our Select brand products are externally manufactured, and are limited to high-volume commodity items. Products within this group meet general industry specifications but are not customized to individual customer requirements. Select brand products allow us to enhance our relationship with those customers that require a diverse product line including competitively priced commodity products. These products typically create complementary pull through for our Premium brands.

Direct Ship

As a service to our customer, we use our network of suppliers world-wide to source commodity products not manufactured by Tree Island for our customers. These products may not fall within our ongoing long-term product strategy.

Corporate Structure

Our corporate structure has three primary entities: Tree Island Industries Ltd. which includes our Canadian operation as well as is the parent company to our operations in the USA, Tree Island Wire (USA) Inc., and our Asian operations, Tree Island International Ltd ("TI International"), structured as follows:



4.DEVELOPMENTS AND FIRST QUARTER 2011 BUSINESS OVERVIEW

Appointment of CEO

On June 2, 2011, the Fund announced the retirement of Ted Leja and appointment of Dale MacLean, as the President and Chief Executive Officer effective July 18, 2011. He will also be appointed as a member of the Fund's Board of Trustees effective on that date.

Mr. MacLean brings extensive knowledge of marketing, sales, operations and supply chain logistics. Previously, Mr. MacLean served as Executive Vice President and General Manager of Taymor Industries, a leading supplier of decorative and builders' hardware to the North American building products market. In this position, he worked with many of the same clients and distribution channels that Tree Island currently serves. Mr. MacLean's career also includes over two decades with CN Rail and BC Rail where he held progressively senior positions in sales, marketing, customer service and operations management. Prior to joining Taymor, Mr. MacLean held responsibility for BC Rail's $325 million Forest Products, Bulk and Intermodal commercial portfolios as Vice President Marketing and Sales. Mr. MacLean is an honors graduate of Seneca College and holds a Masters of Business Administration degree from the University of Western Ontario.

Mr. Leja will provide assistance over the coming months to ensure a smooth transition to new leadership and will continue as a member of the Fund's Board of Trustees.

Summary of Results

Our financial results strengthened in the first quarter of 2011 as we grew market share in key end-markets, increased product prices in response to higher raw material costs, and benefited from cost savings resulting from tight management of our business and a stronger Canadian dollar.

For the three months ended March 31, 2011, the Fund reported revenues of $38.9 million, compared to $34.5 million during the same period in 2010 and sales volumes of 29,948 tons, compared to 27,886 tons in 2010. These gains were achieved despite market conditions that remained challenging with continued signs of weakness. According to the US Census Bureau, first quarter housing starts in the key Western US region were close to 23,000, the lowest quarterly level since 1959. We were able to offset this impact with market share gains for some of our key residential construction products and improved sales to the commercial construction, industrial/OEM, agricultural and specialty products sectors.

Gross profit also improved, increasing $2.0 million to $4.4 million (2010 - $2.4 million), while gross profit per ton increased 69.8% to $146 per ton (2010 - $86 per ton). These gains reflect our ongoing focus on profitability through careful management of working capital and cash flow and tight control of overall costs. The improvement in gross profit, together with the ongoing focus on cost management, contributed to a $1.7 million increase in first quarter EBITDA to $2.0 million from $0.3 million during the same period last year. These improvements also contributed to the $2.6 million increase in Adjusted Net Income (Loss) for the period to a positive $1.4 million versus a loss of $1.2 million in Q1 2010.

Wire Rod Prices

Driven by increased raw material costs and constrained supply, steel costs increased sharply in the first quarter of 2011. North American steel suppliers announced successive price increases, which combined, amounted to a 20% increase since the start of the year. In an attempt to recover these higher costs, we, along with our competitors, implemented a series of product price increases during the first quarter and will continue working to align product

prices with raw material costs through the second quarter. As part of our strategy for managing rising rod costs, we are also sourcing wire rod from multiple vendors and striving for quick turnover of our inventories.

Cost Management

We continued to tightly monitor and control our manufacturing and imported finished goods costs during the first quarter, while also strictly enforcing a number of cost savings measures throughout our operations. Measures include the decision not to pay bonuses under our variable compensation plan for management and staff, applying restrictions on staff salaries and ongoing monitoring of our operating costs.

Amendment of Forbearance Agreements

In 2009, as part of the Recapitalization Transaction, the Fund, through its operating subsidiaries, entered into forbearance and payment agreements (the "Forbearance Agreements") with its significant trade creditors, and their insurers, to restructure approximately $40.4 million of trade payables owing under certain purchase contracts. The original repayment term was through to December 31, 2013.

In the first quarter of 2011, to allow the Fund improved ability to manage its cash flows in the near term, these Forbearance Agreements were amended and the term was extended for an additional year with reductions in certain of the monthly payments during the term. The principal payments over the original and amended terms are as follows:

Year	Amended Agreement $000's	Original Agreement $000's
2011	$ 2,387	$ 4,774
2012	4,774	15,494
2013	13,099	15,522
2014	15,530	–
	$ 35,790	$ 35,790

Remediation on surplus lands sold in 2009

Tree Island disposed of surplus lands in July 2009. As part of the purchase and sale agreement, $1.5 million was held back from the proceeds of the sale in 2009 to cover the remediation costs and obtain a Certificate of Compliance. If remediation was not completed by the end of the one-year period the purchaser could use any remaining funds to obtain the Certificate of Compliance; however, they have not exercised this option.

Costs incurred for the remediation amounted to approximately $0.8 million as at the end of the first quarter and an additional $0.2 million has been incurred subsequent to the quarter-end.

During the first quarter of 2011, we completed the remediation of the surplus lands as set out in the remediation plan agreed to with the purchasers. The application for Certificate of Completion has been submitted for review and approval. The Fund is expecting to obtain a Certificate of Compliance during 2011 and we believe that the $1.5 million holdback will be sufficient to cover any remaining costs of the remediation and application for the Certificate of Compliance.

At the time of the sale of the surplus land, the Fund recognized a gain excluding the $1.5 million holdback. Upon completion and issuance of a Certificate of Compliance the accounting for the disposal will be finalized and a gain or loss will be recognized for the difference between the $1.5 million holdback and the total costs incurred of the environmental remediation.

Outlook

Our outlook remains cautious with the expectation of mixed market conditions through the remainder of the year. The US residential construction market remains at historically low levels, with weather-related delays in construction starts exacerbating conditions in many regions. However, demand from other end markets, including commercial construction, industrial/OEM and agriculture continues to show signs of improvement and we are focused on growing market share for a wide range of our products.

Raw material costs are expected to continue increasing in the second quarter, with wire rod prices continuing to climb. To date, the impact of higher raw material costs has been in part offset by the positive impact of a higher Canadian dollar on our US dollar denominated raw material purchases and by our own efforts to increase prices for finished goods in line with the higher costs. Going forward, we will continue working to keep selling prices aligned with costs, although there can be no certainty that our price increases will be fully realized. To help minimize our exposure to raw material price volatility, we will also continue to practice very tight management of our inventories.

Subsequent to the quarter-end, the US government announced two trade action reviews: one related to certain galvanized wire imported from China and Mexico and another related to certain nails imported from the United Arab Emirates. We are monitoring both cases closely, however, we cannot reasonably estimate the impact of these trade actions until the determination is announced in the fall of 2011.

Overall, we will continue to manage the business with tight control of costs and working capital and a strong focus on improving profitability. We will also continue with our successful efforts to strengthen customer relationships and build market share in selected sectors.

5. RESULTS FROM OPERATIONS

($000's except for tonnage and per unit amounts)

		Three Months Ended March 31		
Summary of Results		**2011**		**2010**
Sales Volumes – Tons (1)		*29,948*		*27,886*
Revenue	$	38,944	$	34,532
Cost of Goods Sold		(33,887)		(30,708)
Depreciation		(677)		(1,420)
Gross Profit	$	4,380	$	2,404
Selling, General and Administrative Expenses		(3,085)		(3,563)
Operating Income (Loss)	$	1,295	$	(1,159)
Foreign Exchange Gain (Loss)		418		(557)
Financing Expenses		(2,066)		(3,834)
Changes in fair value on convertible instruments		(892)		636
Loss on renegotiated debt		(3,234)		–
Loss before income taxes		(4,479)		(4,914)
Income Tax Recovery		440		2,377
Net Loss	$	(4,039)	$	(2,537)
EBITDA (2)				
Operating Income (Loss)	$	1,295	$	(1,159)
Add back Depreciation		677		1,420
EBITDA		1,972		261
Foreign Exchange Gain (loss)		418		(557)
Adjusted EBITDA	$	2,390	$	(296)
Net Loss	$	(4,039)	$	(2,537)
Adjustment for significant non-cash items				
Non-cash financing expenses		1,326		1,937
Non-cash loss on renegotiated debt		3,234		–
Changes in fair value of convertible instruments		892		(636)
Adjusted Net Income (Loss) (2)	$	1,413	$	(1,236)
Per Unit				
Net loss per unit - basic and fully diluted	$	(0.18)	$	(0.12)
Standardized Distributable Cash per Unit - Basic and Fully Diluted (2)	$	(0.17)	$	(0.43)
Adjusted Distributable Cash per Unit - Basic and Fully Diluted (2)	$	0.03	$	0.00
Per Ton				
Gross Profit per Ton	$	146	$	86
EBITDA per Ton (2)	$	66	$	9
Adjusted EBITDA per Ton (2)	$	80	$	(11)

Financial Position		**As at March 31, 2011**		**As at December 31, 2010**
Total Assets	$	94,694	$	87,450
Total non-current financial liabilities	$	41,536	$	36,321

(1) Sales volumes exclude tons which were processed as part of tolling arrangements

(2) See definition of EBITDA, Adjusted Net Income (Loss), Standardized Distributable Cash and Adjusted Distributable Cash in the Section 2. Non-IFRS Measures

6. COMPARISON OF RESULTS FOR THREE MONTHS ENDED MARCH 31, 2011 AND 2010

The results for the three months ended March 31, 2011 are prepared in accordance with IFRS and the 2010 prior period comparative financial information has been restated in accordance with IFRS. For further information on the transition to IFRS, please refer to Section 11 of this management discussion and analysis as well as Note 23 of the Fund's consolidated interim financial statements for March 31, 2011.

Revenue

For the three months ended March 31, 2011, we generated revenues of $38.9 million, an increase of $4.4 million, or 12.8%, from the same period in 2010. The improvement in revenue primarily reflects higher sales volumes, higher selling prices and increased tolling revenue. The gains were partially offset by the negative impact of a stronger Canadian dollar on our US dollar denominated revenues. During the first three months of 2011, the average exchange rate for the Canadian dollar was 5.3% stronger than in Q1 2010. Had exchange rates for the Canadian dollar remained consistent with the first quarter of 2010, our Q1 2011 revenues would have been approximately $1.2 million higher.

Sales volumes for the first quarter 2011 increased by 7.4% to 29,948 tons, from 27,886 tons during the same period in 2010. The gains reflect the success of our "Back to Basics" strategy, which focuses on building market share by providing customers with a broad range of high-quality products, ongoing product innovation and high levels of customer service.

These strategies helped us expand first quarter sales of our fastener and stucco products, which in turn, contributed to stable sales volumes to the residential construction market. This was achieved despite a 22.3% year-over-year drop Western US housing starts. Our volumes to the commercial construction sector grew by a more significant 51.4 % primarily driven by increased sales of construction fabric and concrete reinforcing products to the mining sector. Industrial/OEM market volumes improved by 11.0%, reflecting increased high carbon galvanized wire volumes to the recycling industry, and sales volumes to the agricultural sector increased by 9.4%, despite weather-related delays in the growing season. First quarter 2011 sales of specialty products increased by 499 tons year-over-year as US demand for stainless steel products increased. Volumes of tolled baling wire also increased by 56.2% to 3,778 tons in the first quarter of 2011, compared to the same period in 2010. International trading sales decreased by 85.7% to 266 tons year over year, reflecting the discontinuation of certain projects in our Asian subsidiaries.

Sales volumes by market were as follows:

		Three Months Ended March 31, 2011		Three Months Ended March 31, 2010
Market	**Tons (000's) (2)**	**% of Sales Volumes**	**Tons (000's) (2)**	**% of Sales Volumes**
Residential Construction	8.4	28.1%	8.4	30.1%
Commercial Construction	5.6	18.7%	3.7	13.3%
Industrial/OEM	11.1	37.2%	10.0	35.8%
Agricultural	3.5	11.7%	3.2	11.5%
Specialty	1.0	3.3%	0.5	1.8%
International (1)	0.3	1.0%	2.1	7.5%
Total	29.9	100.0%	27.9	100.0%

(1) International includes Tree Island International trading sales and does not include North American import sales, which are reflected in our sales volumes to other markets.

(2) Sales volumes exclude tons which were processed as part of tolling arrangements.

The share of sales volumes from our import and trading activities, compared to the share of sales from products manufactured at our domestic manufacturing facilities, was as follows:

		Three Months Ended March 31, 2011		Three Months Ended March 31, 2010
Market	**Tons (000's)**	**% of Sales Volumes**	**Tons (000's)**	**% of Sales Volumes**
North American Manufactured	28.1	94.0%	23.1	82.8%
Imported & Trading	1.8	6.0%	4.8	17.2%
Total	29.9	100.0%	27.9	100.0%

During the first quarter, sales volumes of our North American manufactured products increased both in total tons and as a percentage of total sales volumes. The significant increase in manufactured product volumes relative to import and trading product volumes reflects our increased emphasis on manufacturing as a core competency and our efforts to increase throughput at our North American manufacturing operations. By contrast, combined import and trading sales declined to 1,809 tons in Q1 2011 from 4,771 tons in Q1 2010, represented a smaller percentage of the total sales at 6.0% in 2011 compared to 17.2% in 2010. Going forward, we will continue to review and optimize the mix of manufactured versus imported products as we work to enhance profitability and provide our customers with value and the specific products they need.

Cost of Goods Sold

Cost of goods for the first quarter of 2011 increased by approximately $3.2 million from the same period in 2010. This increase in cost of goods sold reflects increased sales volumes together with higher raw material costs and the continuing impact of suboptimal utilization of our manufacturing facilities. Although North American prices for carbon rod increased significantly in the first quarter of 2011, our average cost of carbon rod (representing 53.5% of total cost of goods sold) increased by only 2.9% when compared to the same period in 2010. This reflects strategic purchases and tight management of our raw material inventories. As well, because carbon rod is usually transacted in US dollars, the cost of carbon rod for our Canadian operations was positively impacted by the stronger Canadian dollar.

Stainless steel costs (representing 7.5% of total cost of goods sold) increased by 25.7% on a per-ton basis, compared to 2011 and the cost of zinc (representing 4.1% of total cost of goods sold) increased by 35.6% on a per-pound basis, compared to 2010.

Gross Profit

During the first quarter of 2011, gross profit improved by $2.0 million, to $4.4 million, while gross profit per ton increased by $60 per ton to $146 per ton, compared to the same period in 2010. The increase in gross profit and gross profit per ton primarily reflects higher sales volumes together with the net benefit of a stronger Canadian dollar on US dollar-denominated costs incurred by our Canadian operations. As well gross profit has been impacted positively by a decrease in depreciation expense as a result of a comprehensive review of our property, plant and equipment in the first quarter and resulting extension of the remaining useful lives of certain of our manufacturing equipment and buildings.

Expenses

Selling, general and administrative ("SG&A") expenses decreased to $3.1 million in the first quarter of 2011, a reduction of $0.5 million, or 13.4%, compared to the same period in 2010. The reduction in SG&A expense reflects cost savings measures implemented during 2009 and 2010 and the positive impact of the stronger Canadian dollar on expenses at our US operations.

EBITDA

EBITDA for the first quarter of 2011 was $2.0 million, compared to $0.3 million in Q1 2010. The $1.7 million improvement reflects our focus on profitable markets and products, tight management of costs and increased volume through our manufacturing facilities.

Adjusted EBITDA, which excludes foreign exchange gains and losses in the period, was $2.4 million compared to a loss of $0.3 million in the equivalent period in 2010.

Financing Expenses

For the three month ended March 31, 2011, financing expenses decreased by $1.8 million to $2.1 million. The components of financing expense are below:

	Three months ended March 31 2011	Three months ended March 31 2010
Non-cash accretion of debt discount and interest on long term debt and Convertible Debentures	$ 1,326	$ 1,937
Cash interest on debentures	489	96
Interest on Senior Credit Facility	90	225
Other interest and financing costs	99	97
Financing transaction costs and amortization of deferred financing costs	62	1,479
	$ 2,066	$ 3,834

The decrease is primarily due to a decrease financing transaction costs and amortization of deferred financing fees of $1.4 million primarily due in 2010 to expensing of $0.3 million of transaction costs relating to the issuance of Debentures in the quarter and the remaining amortization of $0.9 million of deferred financing fees associated with our previous senior credit facilities whose term ended in March 2010. The reduction in interest cost on our Senior Credit Facility of $0.1 million was the result of a lower outstanding loan balance during the period. The decrease from the prior year in the non-cash accretion on our long term debt and Debentures of $0.6 million is due to amendments of our Forbearance Agreements which resulted in a change of accounting and consequent reduction in discount rate from approximately 22% to 13%. For further information on the change of accounting on the Forbearance Agreements, see the discussion regarding the Loss on Renegotiated Debt below and Note 11 of the March 31, 2011 interim condensed consolidated financial statements.

The overall decrease was offset by an increase in the cash interest on the Debentures of $0.4 million which is due to

the fact in the prior quarter the Debentures issued under the rights offering were only outstanding for a portion of that quarter.

Changes in Fair Value on convertible instruments

Under IFRS, certain of our financial instruments are recorded at fair market value and are re-measured each period. These instruments are the conversion feature on the Debentures, change of control option and warrants issued as part of the Recapitalization Transaction. The change in fair value for the three months ended March 31, 2011 was a loss of $0.9 million versus a gain of $0.6 million in the prior period. The fair market value of these financial liabilities is based on an option pricing model with a volatility assumption of 42% and a risk free rate of 2.95% and incorporates the market value of the Fund's units and as such the fair value of these instruments will fluctuate with the changes in the Fund's unit price or in the risk free rate.

Loss on renegotiated debt

For accounting purposes, it was determined that the January 31, 2011 amendment to the Forbearance Agreements resulted in an exchange of debt instruments with substantially different terms. As a result, in the period ended March 31, 2011 the Forbearance Agreements were accounted for as an extinguishment of the original financial liabilities and recognition of new financial liabilities at their present value resulting in a loss on renegotiation of debt of $3.2 million. Present value was determined using discounted cash flows and credit adjusted discount rate of 13%. 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 Forbearance Agreement.

Foreign Exchange

We reported a gain on foreign exchange of $0.4 million in the first quarter of 2011, compared to a loss of $0.6 million in Q1 2010. This improvement resulted from the strengthening of the Canadian dollar against the US dollar. Foreign exchange gains and losses are unpredictable in nature and therefore can be expected to vary significantly from period-to-period and over time.

Income Taxes

We recorded a Q1 2011 income tax recovery of $0.4 million, compared to an income tax recovery of $2.4 million in Q1 2010. The income tax recovery represents a deferred income tax recovery of $0.6 million (Q1 2010 - $1.2 million recovery) and a current income tax expense of $0.1 million (Q1 2010 - $1.1 million recovery). The income tax recovery was based on the statutory tax rate of 26.5% (2010 – 28.5%) applied to the income of subsidiaries before taxes, with adjustments for permanent differences between accounting and taxable income.

Net Loss

We reported a net loss of $4.0 million in the first quarter of 2011 (2010 - net loss of $2.5 million), or a loss of $0.18 per unit basic and diluted (2010 - net loss of $0.12 per unit basic and diluted). The increase in the net loss primarily reflects the loss on renegotiation of debt of $3.2 million, a loss recognized for the change in fair value of convertible instruments of $0.9 million (2010 – gain of $0.6 million). These were offset by an increase in EBITDA to $2.0 million (2010 – $0.2 million), decrease in financing expense to $2.1 million (2010 - $3.8 million) and a foreign exchange gain of $0.4 million (2010 - loss of $0.6 million) and a tax recovery of $0.4 million (2010 - income tax recovery of $2.4 million).

Adjusted Net Income (Loss)

Adjusted for the impact of certain non-cash items recognized in net income, the Adjusted Net Income (Loss) was income $1.4 million versus a loss of $1.2 million in the prior period. The increase in Adjusted Net Income reflects the increase in EBITDA of $1.7 million, decrease in depreciation of $0.7 million, increase in foreign exchange of $1.0 million, decrease in financing transaction costs of $1.4 million, decrease in interest on Senior Credit Facility of $0.2 million, offset by the increase in cash interest paid on Debentures of $0.4 million and decrease in income tax recovery of $2.0 million from the same period in the prior year.

7. FINANCIAL CONDITION AND LIQUIDITY

7.1. Working Capital

Our business requires an ongoing investment in working capital, comprised primarily of accounts receivable, inventories and offset by credit in the form of accounts payable, interest payable, income taxes 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 residential construction, commercial construction and agricultural markets are seasonal in nature. As a result, sales and working capital requirements may be higher in the first and second quarters when demand is historically highest. A summary of the composition of our working capital during the periods ended March 31, 2011 and December 31, 2010 is provided on the following page:

($ 000's)	March 31 2011	December 31 2010
Investment in working capital assets		
Cash	$ 3,112	$ 5,634
Accounts Receivable	17,721	9,698
Inventories	34,072	30,878
Other current assets	2,250	2,917
	$ 57,155	$ 49,127
Less current liabilities		
Senior Credit Facility	(2,203)	–
Accounts Payable & Accrued Liabilities	(19,149)	(13,329)
Other current liabilities	(2,403)	(2,242)
Current portion of long-term debt	(3,255)	(5,271)
Net investment in working capital	$ 30,145	$ 28,285

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 revolving credit line 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 avail ourselves of vendor credit where possible and on advantageous terms.

We manage our inventories, our largest working capital asset, in part by purchasing raw materials more frequently and in smaller quantities than in past years with an emphasis on a continuous inflow of inventories to meet our production needs. Making smaller and more frequent purchases, typically located closer to our manufacturing facilities, enables us to hold less inventory at a cost more closely related to the current market price. We have also established processes to regularly adjust the levels of finished goods stocked in our warehouses to satisfy customer needs balanced with the desire to minimize inventories on hand.

Our second largest working capital asset is our accounts receivable. We manage our accounts receivable and the related credit risk by selling to well-established customers of high-credit quality as much as possible. 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 should thresholds in these areas be reached, appropriate precautions are taken to improve collectability. We maintain provisions for potential credit losses (allowance for doubtful accounts) and any such losses to date have been within management's expectations.

7.2. Liquidity and Capital

Cash Flow

Following is a summary of our cash flow for the three months ended March 31, 2011 and 2010 ($000's – bracketed figures indicate use of cash):

	Three months ended March 31 2011	Three months ended March 31 2010
Net cash provided by (used in) operating activities	$ 884	$ 123
Change in non-cash operating assets and liabilities	$ (4,660)	$ (9,518)
Net cash used for investing activities	$ (109)	$ (20)
Net cash provided by (used for) financing activities		
Amounts drawn from the Senior Credit Facility	2,148	3,072
Repayment of long-term debt	(729)	(826)
Financing transaction costs incurred	–	(396)
Issuance of debentures (net of transaction costs)	–	9,519
	$ 1,419	$ 11,369
Exchange rate changes on foreign cash balances	(56)	(102)
(Decrease)/Increase in cash balances	$ (2,522)	$ 1,852

During the first quarter 2011, $0.9 million of cash was generated in operating activities compared to $0.1 million in the same period of the prior year. This is primarily the result of increased EBITDA in 2011. In Q1 2011, $4.7 million of cash was consumed for working capital as compared to $9.5 million in 2010. Investing activities consumed small amounts of cash in both periods for capital expenditures.

During the first quarter 2011 and 2010 periods, financing activities provided $1.4 million and $11.4 million respectively. In 2011, the Fund drew $2.1 million from its revolving credit facilities for day-to-day operations and also repaid $0.7 million in long-term debt. In the comparative period for 2010, the Fund, as described previously in this MD&A, completed the Recapitalization Transaction and received net proceeds of $9.5 million on the issuance of Debentures under a rights offering. These funds were applied to our Senior Credit Facility. In addition, at the end of the first

quarter of 2010, the Fund had drawn $3.1 million on its revolving credit facilities primarily as a result of cash requirements for day-to-day operations, had repaid $0.8 million of long-term debt and incurred $0.4 million of financing costs in relation to obtaining the new Senior Credit Facility which is discussed below.

Senior Credit Facility

On March 25, 2010, the Fund entered into new senior revolving credit facilities. The three-year, $35 million Senior Credit Facility replaced the Fund's existing credit facilities. Under the terms of the Senior Credit Facility, up to $35 million may be borrowed for operating requirements in Canadian and US currency. Interest is charged at variable rates based on the Canadian and/or US prime rate and the Canadian B.A. and/or Euro dollar rate. The Senior Credit Facility matures on March 25, 2013.

The Senior Credit Facility is in the nature of a revolving loan and the Fund expects that it is sufficient to accommodate its daily operating needs. The credit available at any given time under the Senior Credit Facility is limited to the amount of the calculated borrowing base, less a minimum availability of $2.5 million.

The Senior Credit facility has defined covenants, primarily a quarterly test whereby the Fund is required to meet a defined fixed charge coverage ratio if the availability on the Senior Credit Facility falls below $7.5 million. In addition, there are other restrictive covenants that limit the discretion of our management with respect to certain business matters. As at March 31, 2011 the Fund was in compliance with its financial and other covenants on the Senior Credit Facility.

For more details on the Senior Credit Facility please refer to Note 9 of the Fund's condensed consolidated interim financial statements for March 31, 2011.

Debentures Financing

As part of the Recapitalization Transaction, between Q4 2009 and the early part of 2010 we raised a total of $19.75 million through the issuance of Debentures offered through a private placement and rights offering. The proceeds after transaction costs of $2.2 million were applied to our credit facilities at the time. The Debentures are issued in $100 increments and pay interest quarterly, 30 days in arrears, at a stated rate of 10%. They mature on November 26, 2014 and are convertible into units at $0.50. No Debentures were converted during the first quarter of 2011 (2010 – four $100 Debentures were converted into 800 units).

Long-term Incentive Plan

Subject to vesting conditions determined by the Board of Trustees, the Phantom Units can be exchanged by holders at any time for Units of the Fund to be issued from treasury for no further consideration. When the Fund pays distributions, distributions on vested and unvested Phantom Units are paid in additional Phantom Units.

During the three months ended March 31, 2011, no Phantom units were granted to employees under the plan and 10,548 Phantom Units were converted into Units of the Fund. The maximum number of Units reserved for issuance pursuant to awards of Phantom Units is 500,000.

7.3. Standardized Distributable Cash

To provide a transparent measure of cash available for distribution to unitholders that would be comparable between entities and consistent over time, the Canadian Institute of Chartered Accountants ("CICA") has recommended the use of Standardized Distributable Cash. Standardized Distributable Cash is defined as net cash from operating activities less all capital expenditures, less restrictions on distributions arising from compliance issues with financial covenants and less any minority interests. References in this MD&A to Standardized Distributable Cash is in all material respects in accordance with the recommendations provided in CICA's publication Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities: Guidance on Preparation and Disclosure.

Standardized Distributable Cash for the three months ended March 31, 2011 and 2010 was calculated as follows ($000's except for unit, per unit and % amounts):

	Three months ended March 31 2011	Three months ended March 31 2010
Net Cash Provided from (Used in) Operating Activities	$ (3,776)	$ (9,395)
Capital Expenditures	(109)	(20)
Standardized Distributable Cash	*$ (3,885)*	*$ (9,415)*
Distributions Paid or Payable	$ –	$ –
Weighted Average Units Issued and Outstanding		
Basic	22,863,913	22,038,853
Fully Diluted	22,863,913	22,038,853
Standardized Distributable Cash per Unit (1)		
Basic	(0.1699)	
(0.4272)		
Fully Diluted	(0.1699)	
(0.4272)		
Distributions Paid or Payable per Unit - Basic and Fully Diluted	$ –	$ –
Standardized DistributionPayout %	0%	0%

(1) Standardized Distribution payout percentage is calculated as distributions paid or payable per Unit, divided by standardized distributable cash per Unit.

The Standardized Distributable Cash generated since inception is as follows ($000's except for % amounts):

	Since Inception
Standardized Distributable Cash Generated Since Inception (1)	$174,874
Distributions Paid or Payable Since Inception	$ 158,997
Standardized Distribution Payout % Since Inception (1)	91%

(1) Pre tax proceeds from the sale of a property option in 2006 of $5,264 previously included in Standardized Distributable Cash generated Since Inception have been excluded from the calculation of Standardized Distributable Cash generated Since Inception and Standardized Distribution Payout % Since Inception.

We believe that the calculation of Standardized Distributable Cash distorts the Fund's quarter-to-quarter distributable cash and payout ratios, given that our non-cash operating working capital fluctuates significantly as a result of the seasonality of our business. As a result, we believe that our historical measure of Adjusted Distributable Cash, which excludes the impact of changes in non-cash working capital, is a better measure for determining our operating performance. Accordingly, a calculation and discussion of Adjusted Distributable Cash is provided in the following section.

7.4. Adjusted Distributable Cash and Distributions

Historically, our policy was to make equal monthly distributions to unitholders based on our estimate of the annual Adjusted Distributable Cash available for distribution. The amount of Adjusted Distributable Cash available for distribution was based on the Adjusted Distributable Cash generated, after allowances for cash redemption of units and any reserve deemed prudent by the Trustees of the Fund. Distributions were declared to unitholders of record on the last business day of each month. Distributions were payable on the 15th day (or closest business day following) of the month following the declaration. Due to the impact of the global economic crisis, limited credit availability and cash constraints, the Fund reduced distributions in November 2008 and subsequently suspended them in January 2009. Adjusted Distributable Cash for the three months ended March 31, 2011 and 2010 was calculated as follows ($000's except for unit, per unit and % amounts):

	Three months ended March 31 2011	Three months ended March 31 2010
Standardized Distributable Cash	$ (3,885)	$ (9,415)
Change in Non-cash Operating Assets & Liabilities	4,660	9,518
Non-maintenance Capital Expenditures	1	(3)
Adjusted Distributable Cash (1)	*$ 776*	*$ 100*
Distributions Paid or Payable	$ –	$ –
Weighted Average Units Issued and Outstanding		
Basic	22,863,913	22,038,853
Fully Diluted	22,863,913	22,038,853
Adjusted Distributable Cash per Unit		
Basic	$ 0.0339	$ 0.0045
Fully Diluted	$ 0.0339	$ 0.0045
Distributions Paid or Payable per Unit – Basic & Fully Diluted	$ –	$ –
Adjusted Distribution Payout %	0%	0%

(1) Adjusted distribution payout percentage is calculated as distributions paid or payable per Unit, divided by adjusted distributable cash per Unit.

For the period ended March 31, 2011, we reported total positive Adjusted Distributable Cash of $0.8 million (Q1 2010 – $0.1 million), or ($0.0339) per unit (Q1 2010 – ($0.0045) per unit).

The Adjusted Distributable Cash generated since inception is as follows ($000's except for % amounts):

	Since Inception
Adjusted Distributable Cash Generated Since Inception	$ 135,011
Distributions Paid or Payable Since Inception	$ 158,997
Adjusted Distribution Payout % Since Inception	118%

7.5. Utilization of Distributable Cash

For the three months ended March 31, 2011, no distributions were declared or paid out of cash generated by the Fund.

8. CAPITAL EXPENDITURES & CAPACITY

For the period ended March 31, 2011, we made capital expenditures of $0.1 million (Q1 2010 - $0.02 million), made up of Maintenance Capital in 2011. We reduced our planned capital expenditures for the 2011 fiscal year to a level which we believe will be sufficient to maintain the existing productive capacity of our manufacturing operations. Non-maintenance Capital is funded out of our Senior Credit Facility and maintenance capital is funded from cash generated by operations. We anticipate that we will continue to have sufficient capacity to meet projected future demand.

9. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

We have an ongoing and renewing tolling agreement for contract manufacturing whereby our customer retains ownership of the raw materials and finished goods and we charge the customer a tolling fee for processing the raw material into finished goods, thereby reducing our working capital requirements.

The fund has leases for facilities and equipment that are considered to be operating leases for accounting purposes and as such are not recorded on the statement of financial position. The Fund does not have any leases that would be considered finance leases.

In addition, as of March 31, 2011, 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

	Remainder of 2011	2012	2013	2014	2015	Thereafter	Total
Commitments							
Wire Rod Purchases	$ 1,599	$ –	$ –	$ –	$ –	$ –	$ 1,599
Finished Goods	1,941	–	–	–	–	–	1,941
Operating Lease Agreements	1,856	1,530	817	748	758	674	6,383
	5,396	1,530	817	748	758	674	9,923
Financial Liabilities							
Revolving Credit	2,203	–	–	–	–	–	2,203
Accounts Payable	19,411	–	–	–	–	–	19,411
Long-term debt	2,236	4,664	12,801	24,275	–	–	$ 43,976
Debentures	1,454	1,932	1,932	21,132	–	–	$ 26,450
Total	$ 30,700	$ 8,126	$ 15,550	$ 46,155	$ 758	$ 674	$101,963

10. SUMMARY OF QUARTERLY FINANCIAL INFORMATION

The table below provides selected quarterly financial information for the eight most recent fiscal quarters to March 31, 2011. Information for 2011 and 2010 are presented in accordance with IFRS; however, the 2009 information is presented in accordance with Canadian GAAP and has not been restated to be in accordance with IFRS. This information reflects all adjustments of a normal, recurring nature which are, in our opinion, necessary to present fairly the results of operations for the periods presented ($000's, except tons and per unit amounts). Fourth quarter results are traditionally lower than the other quarters due to the seasonality of our business. Quarter-over-quarter results may also be impacted by unusual or infrequently occurring items. These financial results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

($000's, except tons and per unit amounts)	Mar 31 2011	Dec 31 2010	Sep 30 2010	June 30 2010	Mar 31 2010	Dec 31 2009(1)	Sep 30 2009(1)	Jun 31 2009(1)
Sales Volumes – Tons (2)	*29,948*	*20,565*	*23,192*	*27,732*	*27,886*	*21,171*	*31,565*	*41,092*
Revenue	38,944	27,746	31,392	38,742	34,532	26,740	38,456	47,430
Gross Profit	4,380	509	(488)	3,844	2,404	(3,378)	(1,718)	(8,985)
EBITDA	1,972	(320)	(2,173)	2,286	261	(5,514)	(5,303)	(13,501)
Foreign Exchange Gain (Loss)	418	763	710	(759)	(557)	150	1,162	2,115
Adjusted EBITDA	2,390	443	(1,463)	1,527	(296)	(5,364)	(4,141)	(11,386)
Net Income (Loss)	(4,039)	(2,734)	(5,459)	(1)	(2,537)	13,294	(1,625)	(20,923)
Net Income (Loss) per Unit – Basic	(0.18)	(0.12)	(0.24)	0.00	(0.12)	0.60	(0.07)	(0.95)
Gross Profit per Ton	*146*	*25*	*(21)*	*139*	*86*	*(160)*	*54*	*(219)*
EBITDA per Ton	66	(16)	(94)	78	9	(260)	(168)	(329)
Distributions Paid or Payable	–	–	–	–	–	–	–	–

(1) Information for 2009 is presented in accordance with Canadian GAAP.
(2) Sales volumes exclude tons which are part of tolling arrangements.

- Q1 2009: The decline in steel values, together with weaker market demand and pricing resulting from the global recession, necessitated a decrease in cash distributions effective in November 2008, followed by a suspension of cash distributions beginning in January 2009.
- Q1 2009: Continued erosion in the price of steel led to a further reduction in the value of our raw material and finished goods inventories. Based on raw material prices at that time, the negative impact to future earnings was estimated to be in the range of $7 to $8 million. In accordance with prior Canadian GAAP, we wrote down $2.6 million of this overvaluation at the end of the first quarter of 2009 in order to adjust inventory values to net realizable value.
- Q2 2009: Further deterioration in the price of steel led to an additional reduction in the value of our raw material and finished goods inventories. In accordance with prior Canadian GAAP, we recorded a write down of $0.9 million of this overvaluation at the end of the second quarter of 2009 in order to adjust inventory values to net realizable value.
- Q3 2009: Declines in the price of steel led to a further reduction in the value of certain of our finished goods inventories. In accordance with prior Canadian GAAP, we recorded a write down of $0.5 million inventory values to net realizable value.
- Q2 2010: Our "Back to Basics" strategy, the focus on profitability and cost control continued to result in improved profitability and EBITDA for the quarter despite reduced volumes.
- Q3 2010: Continued weakness in the economy and in particular many of our key markets, impacted our Q3 sales compounded by our decision to focus working capital on higher-margin product lines rather than higher volume product lines, and by customers in certain markets took action to reduce inventories in line with low demand.
- Q4 2010: Continuing weakness in our key markets resulted in lower volumes compared to the same quarter in the prior year. However, the focus on profitability and cost control helped mitigate the negative impact.

11. ACCOUNTING POLICIES AND ESTIMATES

The Fund's significant accounting policies are contained in Note 2 of the condensed consolidated interim financial statements for the three months ended March 31, 2011. Certain of these policies involve critical accounting estimate because that require the Fund 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. The Fund evaluates these estimates and assumptions regularly.

Critical Accounting Estimates

The areas that we consider to have critical accounting estimates are: going concern, valuation of financial instruments, inventory valuation, allowance for doubtful accounts, income taxes, and property, plant and equipment. These critical estimates and the judgments involved are discussed further in the Fund's interim consolidated financial statements for the three months ended March 31, 2011 (Note 4).

Property, plant and equipment

During the first quarter of 2011, the Fund conducted a comprehensive review of its property, plant and equipment remaining useful lives. As a result of this review, for certain equipment and property, the estimated useful lives were extended ranging between 3 to 17 years. This change in estimate has been accounted for prospectively from January 1, 2011 and has resulted in depreciation reducing by approximately $0.7 million for the quarter.

Price Risk on Convertible Instruments

Our results of operations are exposed to changes in our unit price because the conversion feature and warrants are valued at fair value which will vary with changes in the Fund's unit price and changes in the risk free rate. The table below describes potential risks:

	Warrants	Conversion Feature
Increase (decrease) to net income of a $0.01 increase in the Fund's unit price	(24)	(164)
Increase (decrease) to net income of a 1% increase in the risk free rate	(20)	(128)

Adoption of International Financial Reporting Standards ("IFRS")

The Fund has adopted IFRS effective January 1, 2011 and prepared comparative financial information using IFRS for the year ended December 31, 2010. Prior to the adoption of IFRS, the Fund prepared its consolidated financial statements under Canadian GAAP.

While the adoption of IFRS has not changed the actual cash flows of the Fund, the adoption has resulted in significant changes to the reported financial position and results of operations of the Fund. Reconciliations between IFRS and Canadian GAAP have been prepared for the comparative 2010 periods to reconcile the financial position, unitholders' equity, statement of operations and comprehensive income.

These reconciliations and description of the impact of the conversion to IFRS are available in the Fund's March 31, 2011 interim condensed consolidated financial statements (Note 23). Below is a summary of the more significant changes.

Property, plant and equipment ("PPE")

As a result of one of the available transitional elections upon adoption of IFRS, the Fund elected to value machinery and equipment on transition at fair value which then becomes the deemed cost on which to amortize/depreciate in future periods. This resulted in an increase to the carrying value of the PPE of $0.8 million as at the transition date and the resulting adjustment being charged to retained earnings and a minimal change to depreciation for Q1 2010.

Fund units and instruments convertible into Fund units

Under Canadian GAAP, the Fund's units were classified as equity. Upon transition to IFRS, the equity classification of the units was evaluated because the units can be redeemed at the option of the holder subject to certain terms and restrictions (see Note 14 of the March 31, 2011 condensed interim financial statements). Based on IAS 32, the units meet the conditions for equity classification and therefore continue to be classified as equity under IFRS. However, other instruments that are convertible into Fund units do not qualify for this exemption and are discussed below.

Convertible Debentures

The Fund has issued Convertible Debentures which are considered to be compound instruments and under Canadian GAAP the proceeds received were bifurcated to record the fair value of the associated elements which included the embedded financial derivative for the change of control premium, the conversion feature and any warrants issued

with the residual being allocated to the debt portion of the Convertible Debentures. Transaction costs were allocated pro rata between the elements of the Convertible Debentures. The Convertible Debentures and change of control option were classified as financial liabilities and the conversion feature and warrants were classified as equity.

Under IFRS, the Convertible Debentures continue to be considered compound instruments and the original determination of fair values at issuance are consistent between Canadian GAAP and IFRS. The accounting and classification of the Convertible Debentures and of the change of control premium have not changed on conversion to IFRS. However, the conversion feature and warrants under IFRS are classified as financial liabilities and fair value is re-measured at each reporting period with changes in fair value being recorded in the statement of operations. Under Canadian GAAP, the conversion feature and warrants were recorded in unitholders' equity net of allocated transaction costs. Under IFRS, as a result of being classified as financial liabilities, the associated transactions costs have been expensed when incurred. At the transition date, the transaction costs related to the conversion feature and warrants from the Convertible Debentures of $0.3 million issued in 2009 have been adjusted to retained earnings and for the three months ending March 31, 2010 the transaction costs of $0.3 million relating to the conversion feature and warrants from the Convertible Debentures issued in January 2010 have been charged to financing expenses in the restated statement of operations.

This change in classification of the conversion feature and warrants and resulting recognition of fair value changes in the statement of operations will result in increased volatility of net income and earnings per share. This has resulted in a loss of $0.9 million in Q1 2011 versus a gain of $0.6 million on the revaluation of these instruments to fair value at each period end.

Deferred gain on sale of option

In 2006 the Fund sold a purchase option on its leased property in Pomona, California. The net pre-tax cash proceeds received on the sale was $5.3 million. The sale was treated as a sale and lease back under Canadian GAAP and the gain was deferred and amortized over the ten year life of the new lease.

Under IAS 17, the Pomona option sale would have been accounted for as a gain at the time of the transaction. As such, retained earnings as at January 1, 2010 has been adjusted for the balance of the deferred gain of $3.3 million under Canadian GAAP and for the three months ended March 31, 2011, the amount of deferred gain recognized under Canadian GAAP in the statement of operations of $0.1 million has been reversed.

12. RELATED PARTY TRANSACTIONS

One of the investors in the Recapitalization Transaction, The Futura Corporation ("Futura"), is considered to be a related party to the Fund because of their ownership interest and holding two positions on the Board of Trustees. Futura has purchased $5 million of Convertible Debentures and was issued 1,875,000 warrants as part of the Recapitalization Transaction. During the period ended March 31, 2011, Futura received interest settled in cash of $0.1 million (2010 - $0.1 million) on the Convertible Debentures at the stated rate of interest.

As well, the Fund sells products to subsidiaries of a company controlled by Futura, Canwel Building Materials Group Ltd. ("Canwel"), which amounted to, net of rebates, $1.8 million (2010 - $2.3 million) during the period and trade accounts receivable owing from Canwel is $0.6 million as at March 31, 2011. These transactions are in the normal course and are recorded at terms equivalent to an arm's length transaction. Outstanding trade accounts receivable from Canwel at period end are unsecured, interest free and settlement occurs in cash.

13. RISKS AND UNCERTAINTIES

Investment in the Fund is subject to a number of risks. Cash distributions to unitholders are dependent upon the ability of Tree Island to pay its interest and principal obligations under the notes, and to declare and pay dividends in respect of the voting common shares. Tree Island's income is dependent upon the fabricated wire products business, which is susceptible to a number of risks. A detailed discussion of our significant business risks is provided in the Fund's 2010 Annual Information Form under the heading "Risk Factors" which can be found at www.sedar.com. There have been no changes to these risks in the first quarter 2011 from those discussed in the Fund's 2010 Annual Information Form other than as discussed below.

Trade Actions

Subsequent to the quarter-end, the US government announced two trade action reviews: one related to certain galvanized wire imported from China and Mexico and another related to certain nails imported from the United Arab Emirates. We are monitoring both cases closely, however, we cannot reasonably estimate the impact of these trade actions until the determination is announced in the fall of 2011. These actions could have a material negative impact on our financial results.

14. 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 also 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 March 31, 2011. 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 March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The Fund's Board of Trustees and Audit Committee reviewed and approved the March 31, 2011 unaudited interim condensed consolidated financial statements and this management's discussion and analysis prior to its release.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Canadian dollars) (unaudited)

	March 31 2011	December 31 2010	January 1 2010
Assets			
Current			
Cash	$ 3,112	$ 5,634	$ 4,153
Accounts receivable (Note 6)	17,721	9,698	9,064
Income and other taxes receivable	56	56	6,121
Inventories (Note 7)	34,072	30,878	33,626
Prepaid expenses	2,194	2,861	3,113
	57,155	49,127	56,077
Property, plant and equipment (Note 8)	36,978	37,752	43,867
Other non-current assets	561	571	1,453
	$ 94,694	$ 87,450	$ 101,397
Liabilities			
Current			
Senior Credit Facility (Note 9)	$ 2,203	$ -	$ 3,730
Accounts payable and accrued liabilities	19,149	13,329	18,521
Income taxes payable	2,283	2,141	2,342
Other current liabilities	120	101	76
Fair value of convertible instruments (Note 10)	3,545	2,653	4,204
Current portion of long-term debt (Note 11)	3,255	5,271	3,030
	30,555	23,495	31,903
Convertible Debentures (Note 10)	13,376	13,108	5,716
Long-term debt (Note 11)	27,767	22,802	23,435
Other non-current liabilities	393	411	203
Deferred income taxes	197	779	2,091
	72,288	60,595	63,348
Contingent liabilities and commitments (Note 20)			
Unitholders' Equity	22,406	26,855	38,049
	$ 94,694	$ 87,450	$ 101,397

Approved on behalf of Tree Island Wire Income Fund

[Signed] *[Signed]*

"Theodore (Ted) Leja" "Amar Doman"
Trustee Trustee

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(in thousands of Canadian dollars, except units and per-unit amounts) (unaudited)

	Three months ended March 31 2011	Three months ended March 31 2010
Sales	$ 38,944	$ 34,532
Cost of goods sold (Note 7)	33,887	30,708
Depreciation	677	1,420
Gross profit	4,380	2,404
Selling, general and administrative expenses	3,085	3,563
Operating income (loss)	1,295	(1,159)
Foreign exchange gain (loss)	418	(557)
Changes in financial liabilities recognized at fair value	(892)	636
Loss on renegotiated debt	(3,234)	–
Financing expenses (Note 12)	(2,066)	(3,834)
Loss before income taxes	(4,479)	(4,914)
Income tax recovery (Note 16)	440	2,377
Net loss for the period	$ (4,039)	$ (2,537)
Net loss per unit		
Basic	$ (0.18)	$ (0.12)
Diluted	$ (0.18)	$ (0.12)
Weighted-average number of units (Note 19)		
Basic	22,863,913	22,038,853
Diluted	22,863,913	22,038,853

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(in thousands of Canadian dollars) (unaudited)

	Three months ended March 31 2011	Three months ended March 31 2010
Net loss for the period	$ (4,039)	$ (2,537)
Other comprehensive loss		
Unrealized loss on translating financial statements of subsidiary operations	(414)	(75)
Comprehensive loss for the period	$ (4,453)	$ (2,612)

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of Canadian dollars) (unaudited)

	Unitholders' Capital	Contributed Surplus	Accumulated Earnings (Deficit)	Distributions	Accumulated Other Comprehensive Loss	Total
Balance as at December 31, 2010	$ 211,460	$ –	$ (25,038)	$ (159,248)	$ (319)	$ 26,855
Conversion of phantom units (Note 13)	4	–	–	–	–	4
Net Loss	–	–	(4,039)	–	–	(4,039)
Other comprehensive income	–	–	–	–	(414)	(414)
Balance as at March 31, 2011	$ 211,464	$ –	$ (29,077)	$ (159,248)	$ (733)	$ 22,406
Balance as at January 1, 2010	$ 211,125	$ –	$ (13,828)	$ (159,248)	$ –	$ 38,049
Conversion of phantom units (Note 13)	3	–	–	–	–	3
Net Loss	–	–	(2,537)	–	–	(2,537)
Other comprehensive income	–	–	–	–	(75)	(75)
Balance as at March 31, 2010	$ 211,128	$ –	$ (16,365)	$ (159,248)	$ (75)	$ 35,440

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of Canadian dollars) (unaudited)

	Three months ended March 31 2011	Three months ended March 31 2010
Cash flows from operating activities		
Net loss for the period	$ (4,039)	$ (2,537)
Items not involving cash		
Depreciation	677	1,420
Fair value changes on convertible instruments	892	(636)
Amortization and write-off of deferred financing	–	1,184
Loss on renegotiated debt	3,234	–
Non cash accretion of debt discount	1,457	1,937
Deferred income tax (recoveries)	(583)	(1,248)
Unit-based compensation	4	3
Exchange revaluation on foreign denominated debt	(758)	–
	884	123
Change in non-cash operating assets and liabilities (Note 22)	(4,660)	(9,518)
Net cash (used in) provided by operating activities	(3,776)	(9,395)
Cash flows from investing activities		
Purchase of property, plant and equipment	(109)	(20)
Net cash provided by investing activities	(109)	(20)
Cash flows from financing activities		
Issuance of Convertible Debentures, net of transaction costs	–	9,519
Repayment of long-term debt	(729)	(826)
Financing transaction costs incurred	–	(396)
(Repayment of) advance on revolving credit	2,148	3,072
Net cash (used in) provided by financing activities	1,419	11,369
Effect of exchange rate changes on cash	(56)	(102)
(Decrease) increase in cash	(2,522)	1,852
Cash, beginning of period	5,634	4,153
Cash, end of period	$ 3,112	$ 6,005
Supplemental cash flow information:		
Interest paid	$ 659	$ 356
Income taxes	$ –	$ –

See accompanying Notes to the Interim Condensed Consolidated Financial Statements

1. NATURE OF BUSINESS

Nature of Business

These condensed consolidated interim financial statements of the Fund for the period ended March 31, 2011 were authorized for issue in accordance with a resolution of the Trustees on June 9, 2011.

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of British Columbia pursuant to a Declaration of Trust dated September 30, 2002 and headquartered in Richmond, British Columbia, Canada. Each unitholder participates pro rata in distributions of net earnings and, in the event of termination of the Fund, participates pro rata in the net assets remaining after satisfaction of all liabilities. The Fund's Units are publicly traded on the TSX.

The Fund owns 100% of the common shares of Tree Island Industries Ltd. ("TII" or "Tree Island"). Tree Island supplies a diverse range of steel wire and fabricated steel wire products to customers in Canada, the United States and Asia.

The Fund's operations are impacted by the seasonal nature of the various industries, 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 consumer activities.

Recapitalization and Liquidity

Through the later half of 2009 and the first quarter of 2010, the Fund completed a recapitalization of the business (the "Recapitalization Transaction"). This included issuing 10% second lien convertible debentures ("Convertible Debentures") on November 26, 2009 by means of a private placement with three investors for $9,750 ("Private Placement") followed subsequently, in January 2010, with a successful public rights offering for an additional $10,000 (Note 10). The Fund, through its operating subsidiaries, also entered into forbearance and payment agreements ("Forbearance Agreements") with the Fund's significant trade creditors pursuant to which the Fund has restructured $40,435 of trade payables through deferred payment arrangements extending to December 31, 2014 (Note 11). The Fund has also entered into new senior credit facilities for a maximum facility of $35 million with a new lender ("Senior Credit Facility") which are further described in Note 9.

In January 2011, the Fund amended the principal repayment schedule under the Forbearance Agreements. The new payment terms are further described in Note 11.

With the Senior Credit Facility of $35 million, working capital of $27 million, amended Forbearance Agreements and cash flow forecasts projected through 2011, the Fund believes there is sufficient capital to continue as a going concern. The accompanying condensed consolidated interim financial statements have been prepared assuming the Fund will be able to maintain sufficient capital or obtain new sources of capital to continue as a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These condensed consolidated interim financial statements do not include any adjustments relating to the amounts and classifications of recorded asset and liabilities that might be necessary should the Fund be unable to continue as a going concern.

2. BASIS OF PREPARATION

Basis of Presentation

The Canadian Accounting Standards Board (AcSB) requires all public companies to adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, replacing Canadian generally accepted accounting principles ("GAAP"), for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As a result, the Fund has adopted IFRS on January 1, 2011 and prepared comparative financial information under IFRS.

The impact of the transition from Canadian GAAP to IFRS is explained in Note 23. IFRS 1 First-Time Adoption of IFRS has been applied.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain

financial liabilities categorized as fair value through profit or loss. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed consolidated interim financial statements were prepared in accordance with IAS 34 Interim Financial Reporting and IFRS 1 First Time Adoption of International Financial Reporting Standards. They do not include all of the information required for full annual financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Fund and TII, and TII's wholly-owned subsidiaries, Tree Island Wire Holdings (USA) Inc. ("TIWH") and Tree Island Wire (USA) Inc. ("TIW"), Tree Island International Ltd. ("TI International") and its subsidiaries General Industries & Products International Trade (Tianjin) Co. Ltd. ("GIP") and Tianjin S G United Wire Co Ltd. ("Shoutung"). Intercompany accounts and transactions have been eliminated on consolidation.

Functional and Presentation Currency

The functional and presentation currency of the Fund and its subsidiary Tree Island is the Canadian Dollar. The functional currencies of Tree Island's subsidiaries are: TIW and TIWH is the US Dollar; TI International is the US dollar and GIP and Shoutung have a functional currency of RMB. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate on the date of the transaction.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Fund and its subsidiaries to all periods presented including the opening balance sheet at January 1, 2010 (Note 23) for purposes of transition to IFRS.

(a) Revenue recognition

The Fund recognizes revenue on the sale of goods when the significant risks and rewards of ownership pass to the buyer which is considered to be when legal title passes to customers, the revenue can be reliably measured and collectability is reasonably assured. Revenue related to contract manufacturing is recognized at the point at which the items are ready to ship to the customer, the revenue can be reliably measured and collectability is reasonably assured. For both the sale of goods and contract manufacturing, revenue is stated net of early payment discounts, rebates granted and costs to ship product to customer locations if incurred by the Fund.

(b) Cash

Cash is comprised of cash balances, net of outstanding items in deposit and disbursement accounts, cash balances in excess of revolving credit outstanding on the Senior Credit Facility and cash on hand.

(c) Inventories

Finished, semi-finished products, raw materials, and consumable supplies and spare parts inventories are stated at the lower of weighted average cost and net realizable value. Cost for finished and semi-finished products includes direct costs incurred in production including direct labour, materials, freight, depreciation and amortization and directly attributable overhead costs based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs to sell. Consumable supplies and spare parts are inventories that are expected to be consumed in operations.

(d) Property, plant and equipment and depreciation

As part of the transition to IFRS, the Fund has elected under IFRS 1 to value machinery and equipment on transition at fair value which then becomes the deemed cost on which to amortize/depreciate in future period which is further described in Note23. Land, building and improvements continue to be valued at cost less accumulated amortization and/or impairment losses recognized. Assets acquired or constructed after the transition date are recorded at historic cost including borrowing costs for long-term construction projects if the recognition criteria are met.

No depreciation is charged on capital projects during the period of construction. Regular repair and maintenance costs are recognized in the income statement as incurred.

Depreciation is determined using the straight-line method over the estimated useful lives of the depreciable assets. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Depreciation methods, asset residual values and useful lives are reviewed annually and

adjusted prospectively as required.

Depreciation is calculated over the following rates:

Land	not depreciated
Buildings and improvements	19 to 30 years
Machinery and equipment	3 to 15 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of operations when the asset is derecognized.

(e) Impairment of Non-Financial Assets

Impairment Charges

The Fund performs annual impairment tests on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment-loss, if any, is determined as the excess of the carrying value of the asset over its recoverable amount, and is charged to income.

The Fund assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Fund estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, fair value is based on quoted market prices, prices for similar assets or other valuation techniques.

The impairment analysis contains estimates due to the inherently speculative nature of forecasting long-term estimated cash flows and determining the ultimate useful lives of assets. If any of these estimates change, future net cash flows from the assets could be lower which would result in additional impairment. As well, as much as practicable third party valuators are used to provide fair values which also contain assumptions concerning current market information for similar or same assets and if applicable functional and economic obsolescence.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of operations in those expense categories consistent with the function of the impaired asset.

Reversal of Previous Impairments

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Fund estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of operations.

(f) Financial instruments and risks

Financial Assets

The Fund classifies, at recognition, its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The financial assets are classified depending on the purpose for which the financial assets were acquired. The Fund currently has the following types of financial assets:

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through profit or loss. Transaction costs are expensed when incurred.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Loans and receivables are comprised of trade and other receivables.

The Fund assesses at each reporting date whether there is objective evidence that financial assets under loans and receivables are impaired. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter bankruptcy or other financial reorganization. Impaired loans and receivables are charged to the statement of operations as bad debts and an allowance for doubtful accounts is recognized.

Financial Liabilities

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and financial liabilities at fair value through profit and loss.

(i) *Borrowings and other financial liabilities*

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date and recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of operations over the period to maturity using the effective interest method.

Financial liabilities include revolving credit, accounts payable and accrued liabilities, Convertible Debentures, long-term debt and other non-current financial liabilities that are not considered derivative financial liabilities.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of operations as a gain or loss on renegotiated debt.

(ii) *Financial liabilities at fair value through profit and loss*

Financial liabilities at fair value through profit and loss are initially recognized at their fair value on the date the contract or transaction is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized through the statement of operations. Financial liabilities at fair value through profit and loss include the change in control premium, conversion feature and warrants associated with the Convertible Debentures.

(g) Convertible Debentures

The Convertible Debentures are compound instruments and the proceeds received are bifurcated to record the fair value of the associated elements which include the embedded financial derivative for the change of control premium, the conversion feature and warrants issued with the residual being allocated to the Convertible Debentures. Transaction costs are allocated pro rata between the elements of the Convertible Debentures.

The fair value of the change of control premium is determined using a probability weighted future cash flow stream and is recorded as a financial liability. The probability of change of control is based on management's best estimate of the likelihood of a change of control event occurring during the term of the Convertible Debentures. The change of control premium is revalued at each reporting date, with changes in the fair value recorded as charges or credits to financing expense.

The fair value of the conversion feature and warrants is determined using an option pricing model that takes into account assumptions on volatility of the Fund's units and risk-free interest rates of return. The conversion feature and warrants are classified as financial liabilities and the related transaction costs have been expensed when incurred.

The residual amount recorded for the Convertible Debentures is at a discount from the face amount and this discount, together with the stated interest on the Convertible Debentures and associated transaction costs, are amortized as a charge to financing expense over the life of the instrument using the effective interest method.

Upon exercise of Convertible Debentures or warrants, the related portions of the financial liabilities for all the elements are derecognized, the units are recorded in capital at the exercise price and any difference is recorded as a gain or loss in the statement of operations.

(h) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and are classified as either finance or operating. Leases that transfer substantially all the benefits and risks of ownership of the leased item to the Fund are accounted for as finance leases. Assets under finance lease would be accounted for as assets and amortized over the lesser of the estimated useful life or the lease term. A finance lease obligation would be recognized to reflect the present value of future lease payments and the finance element of the lease payments would be charged to income over the term of the lease. Currently, the Fund does not have any leases that would be considered a finance lease.

Operating lease payments are recognized as an operating expense in the income statement on a straight line basis over the term of the lease.

(i) Provisions

General

Provisions are recognized when the Fund has an obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Fund expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is significant, the provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Asset Decommissioning and Retirement Obligations

The Fund recognizes obligations associated with the retirement of property, plant and equipment that result from the acquisition, construction, development or normal operations of the assets. These obligations, if material, are recorded at fair value and capitalized and depreciated as part of the cost of the related asset. Management has determined that the Fund does not have any material asset retirement obligations.

Restructuring Provisions

Restructuring provisions are recognized when the plan is approved and notification has been made to those affected. The provision could include costs for severance and other restructuring costs.

Onerous Contracts

An onerous contract is one whereby the unavoidable costs of meeting the obligation exceed the expected economic benefits. Costs associated with non-cancellable lease obligations relating to the exiting of an activity or location that do not qualify for treatment as discontinued operations are accrued as a provision for an onerous contract.

(j) Post-retirement benefits

The Fund has three defined contribution pension plans. The cost of defined contribution pensions is expensed as earned by employees.

(k) Taxes

The Fund follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable in the current year. Deferred income tax assets or liabilities are calculated using substantively enacted tax rates in effect in the periods that the temporary differences are expected to reverse. The effect of the change in income tax rates on deferred income tax assets and liabilities is recognized in income in the period the change occurs.

Revenues, expenses and assets are recognized net of the amount of refundable sales tax, except for transactions incurred by the Fund itself for which the sales tax is not refundable.

(l) Phantom Units

The Fund maintains a Long-Term Incentive Plan which grants Phantom Units that appreciate or depreciate with increases or decrease in the market price of the Fund's units. Phantom Units granted are considered to be in respect of future services. Vested Phantom Units may be converted to regular units of the Fund at any time after vesting. Upon conversion, Phantom Units are exchanged for Units issued from treasury for no further consideration.

The Phantom Units are considered to be financial liabilities and are accounted for under IFRS 2 as cash-settled awards whereby the outstanding Phantom Units are accounted for at fair value at each reporting period and changes in fair value are recognized in compensation expense. As there is no exercise price, the fair value of the Phantom Units is considered to be the market price for the Fund units. The changes in fair value for unvested awards are recognized over the vesting period and the changes in fair value of vested awards are recognized in full each period until converted to units or forfeited.

Phantom Units that expire or are forfeited before vesting are derecognized as a financial liability and the balance is recorded as a reduction of employee benefits expense in the period.

(m) Net income (loss) per unit

Basic net income (loss) per unit is calculated by dividing net income (loss) by the weighted-average number of units outstanding during the period. Diluted net income (loss) per unit is calculated by factoring in the impact of dilutive instruments, including Phantom Units, the conversion of debentures to units using the "if-converted" method, and warrants using the treasury stock method which assumes that the proceeds from in-the-money warrants are used to repurchase units at the average market price during the period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant areas that involve estimates include the assessment are listed below:

Going Concern

In the context of the current economic climate especially in the United States and the mixed economic conditions in our principal markets in both Canada and the United States management has assessed the entity's ability to continue as a going concern. Management has forecasted the Fund's financial results and cash flows for fiscal 2011. The forecasts are based on management's best estimates of operating conditions in the context of management's best estimates of the current economic climate. The judgments and assumptions that can most directly impact these forecasts are the expected sales volumes and prices realized, costs of raw materials and in particular carbon rod, costs of imported finished goods, foreign exchange fluctuations, and collectability rates on accounts receivables.

With $35 million Senior Credit Facility, working capital of $28 million and forecasts projecting forward through 2011, the Fund believes there is sufficient capital to continue as a going concern. The assumptions and estimates used to make this conclusion are based on the available information and management's best estimates of future earnings, cash flows and working capital turnover.

Financial instruments valued at fair value through profit and loss

The Fund 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, using, to the extent possible, observable market-based inputs.

Inventory valuation

Under IFRS, inventories must be recognized at the lower of cost or their Net Realizable Value ("NRV") which is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. IFRS requires that the estimated NRV be based on the most reliable evidence available at the time the estimates are made of the amounts that inventories are expected to realize

The measurement of an inventory write-down to NRV is based on our best estimate of the NRV and of our expected future sale or consumption of our inventories. Due to continued uneven economic activity, continued volatility in certain product group sales prices and the commodity nature of our significant raw materials, there is uncertainty as to whether the NRV of the inventories will remain consistent with those used in our assessment of NRV at period end. As a result there is the risk that a write-down of on-hand and unconsumed inventories could occur in future periods. Also, a certain portion of inventory may become damaged or obsolete. A slow moving reserve is recorded, as required, based on an analysis of the length of time product has been in inventory and historical rates of damage and obsolescence.

Allowance for doubtful accounts

It is possible that a certain portion of required customer payments will not be made, and as such an allowance for these doubtful accounts is maintained. The allowance is based on estimation of the potential of recovering the accounts receivable and incorporates current and expected collection trends. The estimates will change, as necessary, to reflect market or specific industry risks as well as known or expected changes in the customers financial position.

Property, Plant and Equipment

Property, plant and equipment comprises a large component of the total assets of the Fund and as such the capitalization of costs, the determination of estimated recoverable amounts and the estimates of useful lives of these assets have a significant effect on the Fund's financial results.

Management uses the best available information to identify the point at which a development project is capitalized. Changing assumptions about future selling prices of products, exchange rates, and production costs may change the estimate of the useful life of these assets and as a result the amount of depreciation or amortization recognized.

The carrying value of long-lived assets is reviewed annually. The impairment analysis contains estimates that can change due to the inherently speculative nature of forecasting long-term estimated cash flows and determining the ultimate useful lives of assets. If any of these estimates change significantly, future net cash flows from the property, plant and equipment could be lower or higher which would result in additional impairment or reversal of impairments recognized in prior periods. As well, as much as practicable, third party valuators are used to provide fair values which also contain assumptions concerning current market information for similar or same assets and if applicable functional and economic obsolescence.

During the first quarter of 2011, the Fund conducted a comprehensive review of its property, plant and equipment remaining useful lives. As a result of this review, for certain equipment and property, the estimated useful lives were extended ranging between 3 to 17 years. This change in estimate has been accounted for prospectively from January 1, 2011 and reduced depreciation by approximately $0.7 million in the quarter.

Income taxes

At each balance sheet date, a deferred income tax asset would be recognized for all deductible temporary differences, unused tax losses and income tax reductions, but only to the extent that it is probable. The determination of this requires significant judgment. This evaluation includes review of: (1) the ability to carry back operating losses to offset taxes paid in prior years; (2) the carry forward periods of the losses; (3) an assessment of the excess of fair value over the tax basis of the Fund's net assets, and, (4) prudent and feasible corporate actions with respect to repatriation of foreign earnings. If based on this review, it is not probable such assets will be realized then no deferred income tax asset is recognized.

5. FUTURE IFRS STANDARDS AND INTERPETATIONS ISSUED BUT NOT YET EFFECTIVE

Unless otherwise indicated below, the Fund 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, it the Fund does not plan to early adopt any of these new standards, interpretations, or amendments.

IFRS 7 - On October 7, 2010, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off-balance sheet activities. The amendments are intended to provide users of financial statements additional information regarding financial assets (for example, securitizations), including the possible effects of risks that remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. These amendments are to be applied for annual periods beginning on or after July 1, 2011, with earlier application permitted.

IFRS 9 – Financial Instruments was issued in November 2009. This Standard is the 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 the Fund's accounting for its financial assets. The Standard is not applicable until annual periods beginning on or after January 1, 2013, but is available for early adoption.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including 'special purpose entities,' or 'structured entities' as they are now referred to in the new standards. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Therefore, IFRS 10 may change which entities are within a group. The Standard is not applicable until annual periods beginning on or after January 1, 2013, but is available for early adoption.

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgments made to determine whether it controls another entity. The Standard is not applicable until annual periods beginning on or after January 1, 2013, but is available for early adoption.

IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The disclosure requirements are substantial. IFRS 13 is not applicable until annual periods beginning on or after January 1, 2013 and will be adopted prospectively.

6. ACCOUNTS RECEIVABLE

Below is the composition and aging of the Fund's accounts receivable at each period end:

	March 31 2011	December 31 2010	January 1 2010
Accounts Receivable			
Up to date	$ 15,337	$ 7,158	$ 6,906
Under 30 days past due	2,361	2,296	1,893
30-60 days past due	180	358	349
61-90 days past due	11	151	62
Over 91 days past due	705	709	1,160
	18,594	10,672	10,370
Allowance for doubtful accounts	(873)	(974)	(1,306)
Balance, end of period	$ 17,721	$ 9,698	$ 9,064

The maximum credit risk that the Fund is exposed to by way of its accounts receivable is equal to the carrying amount of $17,721 as at March 31, 2011. The Fund has concentrations of credit risk relating to receivables derived from the Western United States. As at March 31, 2011, this exposure was $7.4 million in accounts receivables for which $0.7 million has been provided for in the allowance for doubtful accounts.

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 which will be paid by customers after the balance sheet 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 income statement. 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.

	March 31 2011	December 31 2010
Opening Balance	$ 974	$ 1,306
Additions during the period	18	405
Reversals during the period	(84)	(568)
Write-offs during the period	(17)	(133)
Foreign exchange revaluation	(18)	(36)
Balance, end of period	$ 873	$ 974

7. INVENTORIES

The Fund had the following categories of inventory as at:

	March 31 2011	December 31 2010	January 1 2010
Raw materials	$ 9,414	$ 7,458	$ 6,686
Finished and semi finished products	17,277	15,763	19,128
Consumable supplies and spare parts	7,381	7,657	7,812
	$ 34,072	$ 30,878	$ 33,626

At each period end, the Fund reviews the ending inventories on hand to determine if a writedown to net realizable value is required. The Fund has recognized a cumulative charge over the three month period of $nil (2010 - $103) in cost of goods sold to writedown inventories to net realizable value. In the three months ended March 31, 2011 and 2010, the Fund has recognized, in income, inventory costs for the following:

	Three months ended March 31 2011	Three months ended March 31 2010
Opening inventory	$ 30,878	$ 33,626
Raw material purchases	27,431	24,704
Finished goods purchased for resale	118	2,850
Conversion costs	9,532	9,689
Writedown	–	(103)
Inventories, closing	(34,072)	(40,058)
Cost of goods sold	$ 33,887	$ 30,708

8. PROPERTY PLANT AND EQUIPMENT

	Land & improvements	Building & improvements	Machinery & equipment	Construction in progress	Total
Cost					
As at January 1, 2010	$ 9,177	$ 38,959	$ 17,609	$ 195	$ 65,940
Additions	–	–	115	(158)	(43)
Foreign currency translation	(72)	(275)	(165)	–	(512)
As at December 31, 2010	$ 9,105	$ 38,684	$ 17,559	$ 37	$ 65,385
Additions	–	–	–	114	114
Foreign currency translation	(32)	(121)	(162)	–	(315)
As at March 31, 2011	$ 9,073	$ 38,563	$ 17,397	$ 151	$ 65,184
Accumulated depreciation					
As at January 1, 2010	$ –	$ 20,993	$ 1,080	$ –	$ 22,073
Additions	–	2,982	2,801	–	5,783
Foreign currency translation	–	(223)	–	–	(223)
As at December 31, 2010	$ –	$ 23,752	$ 3,881	$ –	$ 27,633
Additions	–	349	338	–	687
Foreign currency translation	–	(107)	(7)	–	(114)
As at March 31, 2011	$ –	$ 23,994	$ 4,212	$ –	$ 28,206
Net book values as at:					
January 1, 2010	$ 9,177	$ 17,966	$ 16,529	$ 195	$ 43,867
December 31, 2010	$ 9,105	$ 14,932	$ 13,678	$ 37	$ 37,752
March 31, 2011	$ 9,073	$ 14,569	$ 13,185	$ 151	$ 36,978

The Fund reviews the carrying value of its long-lived assets annually. Where the carrying value of the assets is not expected to be recoverable from future cash flows, they are written down to fair value. In 2010, the Fund had reviewed certain idled machinery and equipment at its operations in China and concluded that impairment was indicated and likely and as a result an impairment charge $105 was recognized in 2010.

9. SENIOR CREDIT FACILITY

On March 25, 2010, the Fund entered into a three year, $35 million senior secured revolving credit facility, ("Senior Credit Facility") with Wells Fargo Capital Finance Corporation. Under the terms of the Senior Credit Facility, up to $35 million may be borrowed for operating requirements in Canadian and US currency. Interest is charged at variable rates based on the Canadian and/or US prime rate and the Canadian B.A. and/or Euro dollar rate. The Senior Credit Facility matures on March 25, 2013.

The amount available under the Senior Credit Facility is limited to the amount of the calculated borrowing base less a minimum availability of $2,500. The borrowing base is calculated as 85% of eligible receivables, plus the lesser of (a) 85% of the net orderly liquidation value of inventory and (b) 65% of eligible inventory.

The Senior Credit Facility has financial tests and other covenants with which the Fund and its subsidiaries must comply. Quarterly, the Fund 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 $7,500. As well, the Senior Credit Facility contains restrictive covenants that limit the discretion of the Fund's management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of TII and TIW to incur additional indebtedness, to create liens or other encumbrances, to pay dividends or make certain other payments (Note 11), investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity.

As at March 31, 2011 the Fund was in compliance with all of its financial covenants on the Senior Credit Facility.

The Fund had the following amounts outstanding on its revolving lines of credit:

	March 31 2011	December 31 2010	January 1 2010
Senior Credit Facility (1)	$ 2,203	$ –	$ 3,730
Deferred financing costs (2)	(555)	(571)	(884)
	$ 1,648	$ (571)	$ 2,846

(1) The portion of the Senior Credit Facility denominated in US dollars is $nil (Dec 31, 2010 - $nil; Jan 1, 2010 - $2,314)

(2) Deferred financing costs are included in other non-current assest on the statement of financial condition.

The Senior Credit Facility is collateralized by a first charge over the Fund's assets including, first charge on the real and personal property of TII, TIW and TI International as well as guarantees, pledges and assignments between the Fund's subsidiaries. All existing and after-acquired real and personal property of the Fund and its subsidiaries are pledged as collateral against the Senior Credit Facility.

10. CONVERTIBLE DEBENTURES

As part of the Recapitalization Transaction, on November 26, 2009, the Fund completed a private placement with certain investors to issue an aggregate of $9,750 principal amount of Convertible Debentures along with 4,875,000 warrants (see Note 14). In the first quarter of 2010, an additional $10,000 in Convertible Debentures were issued through a rights offering to unitholders. All Convertible Debentures have the same rights and terms governed by those described in the trust indenture regardless of when they were issued.

The Convertible Debentures mature on November 26, 2014 and are convertible into units at $0.50. The conversion price is subject to change based on certain events described in the trust indenture. The Convertible Debentures are subordinated debt until all outstanding commitments on the Senior Credit Facility have been fully settled. If a change of control event occurs, as defined in the trust indenture, the Fund is required to offer to purchase the outstanding Convertible Debentures for 110% of the principal owing. The Fund has the option to redeem the Convertible Debentures at par after November 26, 2012 and up to the day prior to maturity so long as the weighted average trading price per unit for the 30 consecutive days prior to redemption is not greater than 150% of the conversion price and no event of default has occurred.

The Convertible Debentures pay interest quarterly, 30 days in arrears, at a stated rate of 10%. Interest is payable in cash unless the Fund is restricted from doing so under certain circumstances (an "Interest Block Condition"). An Interest Block Condition can be triggered by certain events including the Fund being in default under its Senior Credit Facility or the aggregate borrowing availability under the Senior Credit Facility on the date interest is payable and for a period of 30 days prior is below $5,500. If the quarterly interest cannot be paid in cash then the interest payable, subject to regulatory approval, can be settled by issuing additional Convertible Debentures equal to the amount of the interest owed; or, defer payment of interest. Deferred interest will accrue additional interest at 10% per annum until paid in full.

The Convertible Debentures are classified as a liability, less fair values allocated to the conversion feature, to the change of control premium and to the warrants issued. As a result, the recorded liability for the Convertible Debentures is lower than its face value which is characterized as the debt discount. Using the effective interest rate method and the 21.9% rate implicit in the calculation, the debt discount, together with the stated interest and associated transaction costs, are amortized as interest expense over the life of the Convertible Debentures.

The conversion feature, change of control option and warrants are classified as financial liabilities under IAS 32 and are accounted for at fair value. Changes in fair value are recognized in the statement of operations at each period end. Fair value is determined using an option pricing model with a volatility assumption of 42% and a risk free rate of 2.95%. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome.

The allocation of fair values of the Convertible Debentures at issuance is outlined in the table below:

	Rights Offering January 29 2010	Private Placement November 26 2009	Total
Face value of Convertible Debentures issued	$ 10,000	$ 9,750	$ 19,750
Less allocation of fair value to:			
Conversion feature (1)	(2,739)	(2,341)	(5,080)
Change of control premium	(162)	(158)	(320)
Warrants (2)	–	(902)	(902)
Carrying value of Convertible Debentures on issue	7,099	6,349	13,448
Financing costs allocated to debt component	(767)	(750)	(1,517)
Net debt component of Convertible Debentures on issue	6,332	5,599	11,931

(1) The transaction costs associated with the conversion feature were $297 and charged to financing costs in 2010.

(2) No warrants were issued on the Rights Offering.

The carrying value of the Convertible Debentures at period end is:

	March 31 2011	December 31 2010
Opening carrying value	$ 13,108	$ 5,716
Net debt component issued in the period	–	6,332
Accretion of debt discount for the period	757	2,769
Payment of interest in cash	(489)	(1,478)
Conversion of debentures to Fund units (1)	–	(231)
Carrying value at period end	$ 13,376	$ 13,108

(1) During the year ended December 31, 2010, $365 principal value of Convertible Debentures were converted to 730,400 units resulting in an increase to Unitholder's Capital of $326 (net of the proprotion of issuance costs of $39) offset by charges of $231 from Convertible Debentures, $6 from Change of Control, and $89 from Conversion Feature.

The fair values and change for the other elements are:

Fair Value		Conversion Feature		Warrants		Change of Control Option		Total
January 1, 2010	$	3,055	$	991	$	158	$	4,204
Addition on Rights Offering	$	2,739	$	–	$	162	$	2,901
Change in fair value		(3,743)		(709)		–		(4,452)
December 31, 2010		2,051		282		320		2,653
Change in fair value		781		111		–		892
March 31, 2011	$	2,832	$	393	$	320	$	3,545

11. LONG TERM DEBT

	Year of Maturity (1)		March 31 2011		December 31 2010
Forbearance Agreements - beginning of period	2014	$	27,538	$	25,324
Renegotiation of debt			3,234		–
Payments			(583)		(2,483)
Foreign exchange revaluation			(590)		(1,300)
Accretion of debt discount			1,058		5,997
Forbearance Agreements - end of period			30,657		27,538
Other long-term debt	2011		365		535
			31,022		28,073
Less current portion (1)			(3,255)		(5,271)
		$	27,767	$	22,802

(1) The Forbearance Agreements were amended on January 31, 2011 to extend the repayment term by one year so that they now mature in 2014. The current portion as at December 31, 2010 is based on the previous terms of the agreements.

In 2009 as part of the Recapitalization Transaction, the Fund entered into five Forbearance Agreements with two significant trade creditors. Subsequently, on January 31, 2011, the Fund and the holders of the Forbearance Agreements agreed to amend the agreements by extending the schedule of repayment of principal by an additional year so that the term of the agreements now ends on December 31, 2014. The other terms and conditions within the original Forbearance Agreements remain in place. The comparison of the amended schedule of principal repayments to the original principal payment schedule is as follows:

		Amended		Original
2011	$	2,387	$	4,774
2012		4,774		15,494
2013		13,099		15,522
2014		15,530		–
	$	35,790	$	35,790

For accounting purposes, it was determined that the January 31, 2011 amendment resulted in an exchange of debt instruments with substantially different terms. As a result, in the period ended March 31, 2011 the Forbearance Agreements were accounted for as an extinguishment of the original financial liabilities and the recognition of new financial liabilities at their present value resulting in a loss on renegotiation of debt of $3,324. Present value was determined using discounted cash flows and credit adjusted discount rate of 13%. 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 Forbearance Agreements.

Interest accrues at a rate of 7% per annum compounded annually beginning November 2010 and is payable at maturity. On event of default and acceleration of payment under the Convertible Debentures, the holders of the Forbearance Agreements are entitled to $3 million of any net proceeds that are received by the Trustee of the Convertible Debentures.

Approximately $33.9 million of the principal under the Forbearance Agreements is denominated in US dollars.

The Forbearance Agreements include a provision for early payment of a portion of the principal outstanding if certain conditions are met. The provisions would not become effective until year-end 2011 and if the conditions are met, payable the following year. At this point, management cannot reasonably estimate the probability of the provisions for early payment occurring and as a result it has not been factored in to the present value calculations.

12. FINANCING EXPENSES

	Three months ended March 31 2011	Three months ended March 31 2010
Non-cash accretion of debt discount and interest on long term debt and Convertible Debentures	$ 1,326	$ 1,937
Cash interest on Convertible Debentures	489	96
Interest on Senior Credit Facility	90	225
Other interest and financing costs	99	97
Financing transaction costs and amortization of deferred financing costs	62	1,479
	$ 2,066	$ 3,834

13. PHANTOM UNITS

The Fund has a long-term incentive plan that grants Phantom Units to certain executives and management personnel. The Phantom Units are accounted for at fair value and are measured at each reporting date taking into account the terms and conditions that the Phantom Units were granted.

The change in fair value related to Phantom Units for three months ended March 31, 2011 was $4 (2010 - $3). The expense is included in selling, general and administrative expense. A summary of the Fund's Phantom Units changes during the periods ended is as follows:

	Three months ended March 31 2011		Three months ended March 31 2010	
	Vested	**Unvested**	**Vested**	**Unvested**
Balance, beginning of period	63,999	54,081	42,787	45,832
Granted	–	–	–	50,000
Additional earned in respect of distributions	–	–	–	–
Vested	16,581	(16,581)	–	–
Forfeited	–	–	–	–
Converted	(10,548)	–	(5,681)	–
Balance, end of period	70,032	37,500	37,106	95,832

14. UNITHOLDER'S CAPITAL

Fund Units

An unlimited number of Fund units may be issued by the Fund pursuant to the Fund's Declaration of Trust. Each unit is transferable and represents an equal, undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. All units are of the same class with equal rights and privileges and are not subject to future calls or assessments. Each unit entitles the holder to one vote at all meetings of unitholders. Fund units are redeemable at any time at the option of the holder at a price based on market value as defined in the trust agreement, subject to a maximum of $50,000 in cash redemption by the Fund in any one month. The limitations may be waived at the discretion of the Trustees of the Fund. Redemption in excess of these amounts, assuming no waiver of the limitation, shall be paid by way of pro-rata distribution of TII securities held by the Fund. Based on IAS 32, the units meet the conditions set out in paragraphs 16A and 16B for equity classification. However, other instruments that are convertible into Fund units do not qualify for this exemption and are discussed in Note 10.

During the period, the Fund had the following Unit transactions:

	Units	Gross	Issuance Costs	Net
Unitholders' capital - December 31, 2010	22,861,661	$ 222,860	$ 11,400	$ 211,460
Conversion of Phantom Units	10,548	4	–	4
Unitholders' capital - March 31, 2011	22,872,209	$ 222,864	$ 11,400	$ 211,464

	Units	Gross	Issuance Costs	Net
Unitholders' capital - January 1, 2010	22,112,489	$ 222,525	$ 11,400	$ 211,125
Conversion of Phantom Units	5,681	3	–	3
Unitholders' capital - March 31, 2010	22,118,170	$ 222,528	$ 11,400	$ 211,128

Warrants

As part of the Recapitalization Transaction, the Fund issued 4,875,000 warrants, with an expiry of November 26, 2014, to certain investors. The warrants have an exercise price of $0.57 and expire November 26, 2014. No warrants have been exercised since issuance. As discussed in Note 10, the warrants are measured at fair value at each period end.

15. RELATED PARTY TRANSACTIONS

Transactions with associated companies

One of the investors in the Recapitalization Transaction, The Futura Corporation ("Futura"), is considered to be a related party to the Fund because of their ownership interest and holding two positions on the Board of Trustees. Futura has purchased $5,000 of Convertible Debentures and was issued 1,875,000 warrants as part of the Recapitalization Transaction. During the period ended March 31, 2011, Futura received interest settled in cash of $123 (2010 - $104) on the Convertible Debentures at the stated rate of interest.

As well, the Fund sells products to subsidiaries of a company controlled by Futura, Canwel Building Materials Group Ltd. ("Canwel"), which amounted to, net of rebates, $1,807 (2010 - $2,319) during the period and trade accounts receivable owing from Canwel is $647 as at March 31, 2011. These transactions are in the normal course and are recorded at terms equivalent to an arm's length transaction. Outstanding trade accounts receivable from Canwel at period end are unsecured, interest free and settlement occurs in cash.

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 the Fund and officers of Tree Island. Short term employee benefits for key management personnel was $343 (2010 - $534) which includes wages, salaries, unit-based compensation and social security contributions, paid annual and sick leave, vehicle costs and bonuses. It also includes Trustees fees for members of the Board.

Post Retirement Benefits

The Fund has three defined contribution pension plans for the benefit of all eligible personnel employed by the Fund's subsidiaries. Contributions made by the Fund's subsidiaries amounted to $285 for the three months ended March 31, 2011 (2010 - $324). Funding obligations are satisfied upon making contributions.

16. INCOME TAXES

Income tax obligations relating to distributions from the Fund are the obligations of the unitholders and, accordingly, no provision for income taxes on the income of the Fund has been made. A provision for income taxes is recognized for TII and its wholly-owned subsidiaries, as TII and its wholly-owned subsidiaries are subject to tax.

Deferred Tax Assets

The Fund has concluded that it is not probable that the benefits of recognized deferred income tax assets will be realized prior to their expiry and therefore, no deferred tax assets have been recognized on the consolidated balance sheets.

Income Tax (expense) Recovery

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

	Three months ended March 31 2011	Three months ended March 31 2010
Current tax (expense) recovery	$ (143)	$ 1,129
Deferred tax recovery	583	1,248
	$ 440	$ 2,377

The expense or recovery of income taxes varies from the amount that would be expected if computed by applying the Canadian federal and provincial and US federal and state statutory income tax rates to the income before income taxes as shown in the following table:

	Three months ended March 31 2011	Three months ended March 31 2010
Loss before provision for income taxes	$ (4,479)	$ (4,914)
Income of the Fund subject to tax in the hands of the recipient	1,295	(1,148)
Loss of wholly-owned subsidiary companies before income taxes	(3,184)	(6,062)
Tax Rate	26.5%	28.5%
Expected recovery of income taxes	$ 844	$ 1,728
Increased (Reduced) by:		
Revisions of prior period estimates	(123)	143
Items not taxable	(7)	(5)
Foreign withholding tax	–	–
Differential tax rates on U.S. and Chinese subsidiaries	60	333
Reduction (increase) in statutory future income tax rate	(54)	72
Future income tax valuation allowance	(1,103)	(1,403)
Other	823	1,509
Income tax (expense) recovery	$ 440	$ 2,377

Taxation of the Trust

In 2006 the Canadian federal government announced proposed legislation to tax distributions made by income trusts. This legislation has received royal assent and as a result income trusts will be subject to tax at corporate rates on the taxable portion of their distributions and unitholders will be taxed as if they have received a dividend equal to the taxable portion of their distributions beginning in 2011.

In 2009, rules were enacted to facilitate the conversion of trusts, such as the Fund, into corporations without undue income tax consequences (generally effective for conversions that occur after July 13, 2008 and before 2013). The Fund will be evaluating the merits and costs of conversion into a corporation to take advantage of the transitional rules.

17. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The Fund 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, using, to the extent possible, observable market-based inputs.

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 Fund's market assumptions).

The three levels of fair value estimation are:

Level 1 – quoted prices in active markets for identical instruments.

Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant and significant value drivers are observable in active markets.

Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The following tables summarize the bases used to measure certain financial liabilities at fair value through profit and loss. The Fund does not have any financial assets valued at fair value through profit and loss. Financial liabilities carried at fair value have been classified into three levels based upon a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

			March 31, 2011		December 31, 2010		January 1, 2010	
	Fair Value Category	Classification(3)	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial Liabilities:								
Change of control premium	Level 3	HFT	$ 320	$320	$320	$320	$158	$158
Long-term debt (1)	Level 2	OFL	31,022	31,022	30,360	28,073	26,465	26,465
Convertible Debentures (2)	Level 1	OFL	15,840	13,376	18,415	13,108	5,716	5,716
Conversion feature	Level 2	HFT	2,832	2,832	2,051	2,051	3,055	3,055
Warrants	Level 2	HFT	393	393	282	282	991	991
Total Financial Liabilities			$50,407	$47,943	$51,428	$43,834	$36,385	$36,385

(1) Fair value on the Company's long-term debt is based on estimated market interest rate on similar borrowings. A 1% change in the market interest rate could change the fair value by $814

(2) Convertible Debentures began trading on the TSX in the first quarter of 2010 and the fair value disclosed is based on the closing price at period end less the fair values of the conversion feature, warrants, and change of control premium.

(3) Held for Trading ("HFT"), Other Financial Liabilities ("OFL")

Risk exposure and management

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

Credit Risk

The Fund is exposed to credit losses in the event of non-payment of accounts receivable of its subsidiaries' 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. The Fund establishes guidelines for customer credit limits and should thresholds in these areas be reached, appropriate precautions are taken to improve collectability. The Fund maintains provisions for potential credit losses (allowance for doubtful accounts) and any such losses to date have been within management's expectations.

Liquidity risk

Liquidity arises from the Fund's financial obligations and in the management of its assets, liabilities and capital structure. The Fund regularly manages this risk by evaluating its 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) at March 31, 2011:

	Carrying Amount	Contractual Cash Flow	Less than 1 Year	1-2 Years	3 Years
Senior Credit Facilities (Note 9)	$ 2,203	$ 2,203	$ 2,203	$ –	$ –
Accounts payable	19,149	19,149	19,149	–	–
Long-term Debt (Note 11)	27,767	43,976	2,236	17,465	24,275
Convertible Debentures (Note 10)	13,376	26,450	1,454	3,864	21,123
	$ 62,495	$ 91,778	$ 25,042	$ 21,329	$ 45,407

The Fund's 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. The Fund monitors and manages its liquidity risk by preparing annual budgets, monthly projections to the end of the fiscal year and regular monitoring of its financial liabilities against the constraints of its available revolving credit facilities.

Market risk

Foreign Currency Risk

The significant market risk exposures affecting the financial instruments held by the Fund are those related to foreign currency exchange rates and interest rates which are explained as follows:

	March 31 2011
Increase (decrease) to net earnings of a $0.01 increase in CDN$ to US$ exchange rate	(269)
Increase (decrease) to net earnings of a $0.01 increase in CDN$ to RMB exchange rate	(110)
Decrease to net earnings on a 1% increase in interest rates	(22)

The Fund's US dollar-denominated accounts receivable, accounts payable and accrued liabilities 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. The Fund's RMB denominated accounts receivable, accounts payable and accrued liabilities 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.

Interest Rate Risk

The Fund is exposed to interest rate risk on its Senior Credit Facility which are further discussed in Note 9. A 1% increase in the interest rates charged on the Senior Credit Facility would increase financing expenses by $22. The Fund does not use derivative instruments to manage the interest rate risk.

Price Risk on Convertible Instruments

The Fund's results of operations are exposed to changes in its own unit price because the conversion feature and warrants are valued at fair value which will vary with changes in the Fund's unit price and changes in the risk free rate. The table below describes potential risks:

	Warrants	Conversion Feature
Increase (decrease) to net income of a $0.01 increase in the Fund's unit price	(24)	(164)
Increase (decrease) to net income on a 1% increase in the risk free rate	(20)	(128)

18. MANAGEMENT OF CAPITAL

The Fund's objectives when managing its capital are:

(i) 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;

(ii) To manage capital in a manner that will comply with its external financial covenants on its Senior Credit Facilities, Convertible Debentures and Forbearance Agreements as described further in Notes 9, 10, and 11.

The Fund manages its 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, compliance with external debt covenants and successfully completing the Recapitalization Transaction. The Fund is subject to Canadian corporate income taxes in 2011. This may result in future changes to the capital structure of the Fund or the nature of the Fund itself.

The capital structure of the Fund is as follows:

	March 31 2011	December 31 2010	January 1 2010
Total Unitholders' Equity	$ 22,406	$ 26,855	$ 38,049
Senior Credit Facility (Note 9)	2,203	–	3,730
Convertible Debentures (Note 10)	13,376	13,108	5,716
Long term debt (Note 11)	27,767	22,802	23,063
Total Capital	$ 65,752	$ 62,765	$ 70,558

19. WEIGHTED AVERAGE UNITS OUTSTANDING

	Three months ended March 31 2011	Three months ended March 31 2010
Weighted number of units outstanding during the period - basic	22,863,913	22,038,853
Dilutive effect of:		
Convertible Debentures (1)	–	–
Phantom units (1)	–	–
Warrants (1)	–	–
Weighted average number of units outstanding during the period - diluted	22,863,913	22,038,853

(1) As there was a loss for the three months ended March 31, 2011 and 2010, the fund has excluded all Convertible Debentures, phantom Units, and warrants from the calculation of diluted loss per share becuse they would be anti-dilutive.

20. PROVISIONS AND COMMITMENTS

Litigation and claims

The Fund 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 the Fund's financial position, results of operations or cash flows.

Environmental remediation on sale of surplus land

On July 2, 2009 the Fund completed the sale of 12.5 acres of surplus lands at its Richmond, BC manufacturing facility for gross proceeds of $10,500. The agreement contains a condition whereby $1,500 will be held in trust and will be released upon providing to the purchaser a Certificate of Compliance for the environmental remediation. The Fund has the option of requesting to drawdown the holdback as approved by the purchaser, prior to the issuance of the Certificate of Compliance to a maximum of $500. The environmental remediation was required to be completed within one year from the closing of the sale. If the Fund did not deliver the Certificate of Compliance within one year from the closing of the sale, the purchaser could use the holdback to obtain a Certificate of Compliance. As of the date of these financial statements, the purchaser has not elected to complete the remediation.

The Fund has completed the remediation work based on the planned requirements and has submitted the results for approval and issuance of Certificate of Completion. The Fund has incurred $808 up to March 31, 2011 of which $500 was drawn down from the holdback as permitted under the agreement and the remainder was paid through the Fund's operating cash flows. The costs incurred are deferred and included in prepaid expenses.

The Fund is expecting to obtain the Certificate of Compliance in 2011 and still expects that the $1,500 holdback will be sufficient to complete the remediation activities. At the time of the sale of the surplus land, the Fund recognized a gain excluding the $1,500 holdback. Upon completion of the environmental remediation and issuance of a Certificate of Compliance the accounting for the disposal will be finalized and a gain or loss will be recognized for the difference between the $1,500 holdback and the total costs incurred of the environmental remediation.

Restructuring

Between January 2009 and throughout 2010 the Fund implemented a restructuring plan including restrictions on salaries across the company, lay-offs of salaried and hourly staff and the closure of certain US manufacturing facilities. The costs and expenditures for the restructuring activities are summarized below.

	March 31 2011	December 31 2010	January 1 2010
Restructuring provision, opening balance	$ 53	$ 1,658	$ –
Expenses			
Employee termination benefits (1)	–	115	1,658
Foreign exchange effect	–	(13)	–
Paid	(53)	(1,707)	–
Restructuring provision, ending balance	$ –	$ 53	$ 1,658

(1) Charged to selling, general and administration costs.

Closure of Facilities

As part of prior restructuring activities, the Fund has closed two of its operating facilities, Corona and Ontario's warehouse facility, both in California, USA and relocated the operations to other existing plants in the vicinity. Both facilities were closed prior to the expiry of their non-cancellable leases. The Fund continues to have an unavoidable legal obligation to pay the lease payments until the end of the term. The Fund has offset the costs of these leases with sub-lease contracts where possible; however, the sub-lease revenue is not sufficient to offset the contractual lease obligations.

The full amount of the costs associated with these non-cancellable lease obligations are accrued as a provision for onerous contracts and a charge has been recorded to cost of goods sold in the period the facility was vacated. Because the remaining term exceeded one year, the liabilities have been recorded at the discounted future cash flows using a discount rate of 13% and are being amortized with a charge to financing expense over the remaining term using the effective interest method.

Below is a table summarizing the provisions:

	Corona	Ontario Warehousing Facility	Total
Balance at January 1, 2010	$ 1,154	$ 31	$ 1,186
Provisions made during the period	257	174	432
Provisions used during the period	(238)	(28)	(266)
Foreign exchange effect	(57)	(7)	(64)
Adjustments during the period	–	–	–
Balance at December 31, 2010	$ 1,117	$ 171	$ 1,288
Provisions made during the period	62	8	70
Provisions used during the period	(59)	(12)	(71)
Foreign exchange effect	(26)	(4)	(30)
Adjustments during the period	–		–
Balance at March 31, 2011	$ 1,094	$ 163	$ 1,257

Purchase Commitments

The Fund's wholly-owned subsidiaries have committed to rod purchases totaling $1,599 (US$1,645) at March 31, 2011 and imported finished goods purchases of $1,941 (US$1,998).

Operating Lease Commitments

The Fund and its subsidiaries also have various operating lease agreements with remaining terms of up to five years with varying renewal options. Annual lease rental payments due under non-cancelable operating leases, including payments for US facilities which have been accrued as discussed above, are as follows:

Less than 1 year	$ 1,856
1 to 5 years	4,527
More than 5 years	–
	$ 6,383

21. SEGMENTED INFORMATION

General information:

The Fund operates primarily within one industry, the steel wire and fabricated wire products industry with no separately reportable business segments. The Fund groups its products into the following: residential construction, commercial construction, industrial/OEM, agricultural, and specialty. No one customer is more than 10% of total revenue earned by the Fund. The products are sold primarily to customers in the United States, Canada and China.

Geographic information:

	Three months ended March 31 2011	Three months ended March 31 2010
SALES (1)		
Canada	$ 17,472	$ 14,056
United States	20,482	17,925
China	169	1,072
Other	821	1,479
	$ 38,944	$ 34,532

	March 31 2011	December 31 2010	January 1 2010
PROPERTY, PLANT AND EQUIPMENT (2)			
Canada	$ 28,228	$ 28,696	$ 33,609
United States	8,612	8,895	9,943
China	138	161	315
	$ 36,978	$ 37,752	$ 43,867

(1) Sales are attributed to geographic areas based on the location of customers.

(2) Property, plant and equipment are attributed to geographic areas based on the location of the subsidiary company owning the assets.

22. CHANGE IN NON-CASH OPERATING ASSETS AND LIABILITES

	Three months ended March 31 2011	Three months ended March 31 2010
Accounts receivable (Note 6)	$ (8,182)	$ (6,746)
Inventories (Note 7)	(3,194)	(6.432)
Accounts payable and accrued liabilities	6,097	4,484
Income and other taxes	143	(1,129)
Other	477	305
	$ (4,660)	$ (9,518)

23. TRANSITION TO IFRS

The Fund's consolidated financial statements were previously prepared in accordance with Canadian GAAP. The Fund's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements prepared in accordance with IFRS and these condensed consolidated interim financial statements were prepared as described in Note 2, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Fund will make this statement when it issues its 2011 annual financial statements. IFRS 1 also requires that comparative financial information be provided. As a result, the first date at which the Fund has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Fund will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first-time IFRS adopters which are discussed below.

Initial elections upon adoption

IFRS 1 provides entities adopting IFRS for the first time a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS. The Fund analyzed the various accounting policy options available and has implemented those that it determined to be the most appropriate for its specific circumstances. The IFRS 1 exemptions most relevant to the Fund are as follows:

BUSINESS COMBINATIONS: An optional exemption is available within IFRS 1 that allows carry forward of the previous accounting for business combinations prior to the transition date or alternatively to retrospectively adjust a prior business combination to comply with IFRS. The Fund has elected not to retrospectively apply IFRS 3 to past business combinations.

FAIR VALUE OR REVALUATION AS DEEMED COST: This exemption allows an entity to revalue individual items of property, plant and equipment at fair value at the transition date and use this fair value as the deemed transition cost. The Fund elected value a majority of items of machinery and equipment on transition at fair value which then becomes the deemed cost on which to amortize/depreciate in future periods. Land, building and improvements will continue to be valued at cost less accumulated amortization determined under prior Canadian GAAP as permitted under IFRS net of any adjustments required at transition to comply with IFRS.

CUMULATIVE TRANSLATION DIFFERENCE: This exemption allows cumulative translation gains and losses to be deemed zero at transition. The Fund has applied this exemption.

BORROWING COSTS: This exemption allows an entity to adopt IAS 23 prospectively for property, plant and equipment construction projects for which the capitalization commencement date is after its transition date. The Fund has applied this exemption and has not restated any borrowing costs that were capitalized prior to January 1, 2010.

SHARE BASED PAYMENTS: For Phantom Units, which are accounted for as cash-settled share-based payment transactions under IFRS, the Fund has not applied IFRS 2 to Phantom Units that were converted prior to January 1, 2010.

ESTIMATES: IFRS 1 stipulates a mandatory exemption from full retrospective application of IFRS as it relates to the use of estimates. It requires that estimates at the date of transition to IFRS must be consistent with estimates made for the same date in accordance with previous Canadian GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. The Fund did not use hindsight in its estimates upon transition to IFRS, nor did it find any evidence that any of its previously made estimates were in error.

Reconciliations of Canadian GAAP to IFRS

While the adoption of IFRS has not changed the actual cash flows of the Fund, the adoption has resulting significant changes to the reported financial position and results of operations of the Fund. Presented below are reconciliations prepared to reconcile the financial position, unitholder's equity, statement of operations and comprehensive income for prior periods. Certain amounts have been reclassified in the Canadian GAAP balances to conform with current presentation.

I. Reconciliation of the consolidated statement of position as at January 1, 2010:

As at January 1, 2010	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current				
Cash		$ 4,153	$ –	$ 4,153
Accounts receivable		9,064	–	9,064
Income and other taxes receivable		6,121	–	6,121
Inventories		33,626	–	33,626
Prepaid expenses		3,113	–	3,113
		$ 56,077	$ –	$ 56,077
Property, plant and equipment	(a)	43,047	820	43,867
Other non-current assets		1,453	–	1,453
		$ 100,577	$ 820	$ 101,397
Liabilities				
Current				
Senior Credit Facility		$ 3,730	$ –	$ 3,730
Accounts payable and accrued liabilities	(b)	18,351	170	18,521
Income taxes payable		2,342	–	2,342
Other current liabilities	(c)	41	35	76
Fair value of convertible instruments	(c)	158	4,046	4,204
Current portion of long-term debt		3,030	–	3,030
		$ 27,652	$ 4,251	$ 31,903
Convertible Debentures		5,716	–	5,716
Long-term debt	(d)	23,063	372	23,435
Deferred gain on sale of option	(e)	3,337	(3,337)	–
Other non-current liabilities		203	–	203
Deferred income taxes	(f)	1,254	837	2,091
		$ 61,225	$ 2,123	$ 63,348
Unitholders' Equity		39,352	(1,303)	38,049
		$ 100,577	$ 820	$ 101,397

II. Reconciliation of consolidated statement of financial position as at March 31, 2010:

As at March 31 2010	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current				
Cash	(h)	$ 6,037	$ (32)	$ 6,005
Accounts receivable	(h)	15,645	25	15,670
Income and other taxes receivable		5,939	–	5,939
Inventories	(h)	40,058	(1)	40,057
Prepaid expenses	(h)	2,789	(12)	2,777
Deferred income taxes	(f)	197	(197)	–
		$ 70,665	$ (217)	$ 70,448
Property, plant and equipment	(a), (h)	41,411	759	42,170
Other non-current assets		215	–	215
		$ 112,291	$ 542	$ 112,833
Liabilities				
Current				
Senior Credit Facility		$ 6,859	$ –	$ 6,859
Accounts payable and accrued liabilities	(b), (h)	22,565	226	22,791
Income taxes payable	(h)	1,963	88	2,051
Other current liabilities	(c)	13	37	50
Fair value of convertible instruments	(c)	320	6,148	6,468
Current portion of long-term debt		3,555	–	3,555
		$ 35,275	$ 6,499	$ 41,774
Convertible Debentures		12,540	–	12,540
Long-term debt	(d)	22,421	372	22,793
Deferred gain on sale of option	(e)	3,120	(3,120)	–
Other non-current liabilities		286	–	286
Deferred income taxes	(f)	552	(552)	–
		$ 74,194	$ 3,199	$ 77,393
Unitholders' Equity		38,097	(2,657)	35,440
		$ 112,291	$ 542	$ 112,833

III. Reconciliation of consolidated statement of financial position as at December 31, 2010:

As at December 31 2010	Note		Canadian GAAP		Effect of transition to IFRS		IFRS
Assets							
Current							
Cash	(h)	$	5,623	$	11	$	5,634
Accounts receivable	(h)		9,695		3		9,698
Income and other taxes receivable			56		–		56
Inventories	(h)		30,873		5		30,878
Prepaid expenses	(h)		2,863		(2)		2,861
		$	49,110	$	17	$	49,127
Property, plant and equipment	(a), (h)		37,141		611		37,752
Other non-current assets			571		-		571
		$	86,822	$	628	$	87,450
Liabilities							
Current							
Senior Credit Facilty			–		–		–
Accounts payable and accrued liabilities	(b), (h)	$	13,243	$	86	$	13,329
Income taxes payable			1,662		479		2,141
Other current liabilities	(c)		68		33		101
Fair value of convertible instruments	(c)		–		2,653		2,653
Current portion of long-term debt	(g)		2,884		2,387		5,271
		$	17,857	$	5,638	$	23,495
Convertible Debentures			13,108		–		13,108
Long-term debt	(g)		24,815		(2,013)		22,802
Deferred gain on sale of option	(e)		2,710		(2,710)		–
Other non-current liabilities			667		(256)		411
Deferred income taxes	(f)		–		779		779
		$	59,157	$	1,438	$	60,595
Unitholders' Equity			27,665		(810)		26,855
		$	86,822	$	628	$	87,450

IV. Reconciliation of consolidated statement of operations for the three months ended March 31, 2010:

Three months ended March 31, 2010	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Sales		$ 34,532	$ –	$ 34,532
Cost of goods sold	(b)	30,656	52	30,708
Depreciation	(a)	1,433	(13)	1,420
Gross profit		$ 2,443	$ (39)	$2,404
Selling, general and administrative expenses	(a)	3,718	(155)	3,563
Operating (loss)		$ (1,275)	$ 116	$ (1,159)
Foreign exchange (loss)	(h)	(596)	39	(557)
Amortization of deferred gain	(e)	121	(121)	–
Changes in fair value of convertible instruments	(c)	–	636	636
Financing expenses	(b), (c)	(3,474)	(360)	(3,834)
Loss before income taxes		$ (5,224)	$ 310	$ (4,914)
Income tax recovery (expense)	(f)	1,145	1,232	2,377
Net loss for the period		$ (4,079)	$ 1,542	$ (2,537)
Net loss per unit				
Basic		$ (0.19)	$ 0.07	$ (0.12)
Diluted		$ (0.19)	$ 0.07	$ (0.12)

V. Reconciliation of consolidated statement of operations for the year ended December 31, 2010:

Twelve months ended December 31, 2010	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Sales		$ 132,411	$ –	$ 132,411
Cost of goods sold	(b)	120,409	78	120,487
Depreciation	(a)	5,577	80	5,657
Gross profit		$ 6,425	$ (158)	$ 6,267
Selling, general and administrative expenses	(a)	12,143	(269)	11,874
Operating (loss)		$ (5,718)	$ 111	$ (5,607)
Foreign exchange (loss)	(h)	124	33	157
(Loss) gain on sale of property, plant and equipment		66	–	66
Property, plant and equipment impairment	(h)	(105)	(11)	(116)
Amortization of deferred gain	(e)	477	(477)	–
Changes fair value of convertible instruments	(c)	–	4,362	4,362
Financing expenses	(b), (c)	(10,958)	(307)	(11,265)
Loss before income taxes		$ (16,114)	$ 3,711	$ (12,403)
Income tax recovery (expense)	(f)	1,334	(141)	1,193
Net loss for the period		$ (14,780)	$ 3,570	$ (11,210)
Net loss per unit				
Basic		$ (0.65)	$ 0.16	$ (0.50)
Diluted		$ (0.65)	$ 0.16	$ (0.50)

VI. Reconciliation of Unitholders' Equity as at January 31, 2010:

	Notes	Unitholders' Capital	Contributed Surplus	Accumulated Earnings (Deficit)	Distributions	Accumulated Other Comprehensive Loss	Total
Balance as at Janaury 1, 2010 Canadian GAAP		**$ 211,125**	**$ 3,342**	**$ 2,193**	**$ (159,248)**	**$ (18,060)**	**$ 39,352**
IFRS Adjustments							
Reverse compensation expense on phantom units	(c)	–	–	429	–	–	429
Reverse prior unit based compensation expense	(c)	–	(3,342)		–	–	(3,342)
Adjust financing cost on conversion feature and warrants	(c)	–	–	(330)	–	–	(330)
Adjust conversion feature and warrants to fair value	(c)	–	–	(803)	–	–	(803)
Adjust phantom units to fair value	(c)	–	–	(35)	–	–	(35)
Reclass of CTA into retained earnings	IFRS 1	–	–	(18,060)	–	18,060	–
Reverse balance of gain on sale leaseback	(e)	–	–	3,337	–	–	3,337
Adjustment due to revaluation of PPE to fair value	(a)	–	–	820	–	–	820
Adjustment to the Corona lease accrual	(b)	–	–	(170)	–	–	(170)
Expense financing cost on forbearance	(d)	–	–	(372)	–	–	(372)
Adjustment to deferred income taxes	(f)	–	–	(837)	–	–	(837)
Balance as at January 1, 2010		**$ 211,125**	**–**	**$ (13,828)**	**$ (159,248)**	**$ –**	**$ 38,049**

VII. Reconciliation of Unitholders' Equity as at March 31, 2010:

	Notes	Unitholders' Capital	Contributed Surplus	Accumulated Earnings (Deficit)	Distributions	Accumulated Other Comprehensive Loss	Total
Balance as at March 31, 2010 Canadian GAAP		**$ 211,155**	**$ 5,864**	**$ (1,886)**	**$ (159,248)**	**$ (17,788)**	**$ 38,097**
IFRS Adjustments							
Reclass of CTA into retained earnings	IFRS 1	–	–	(18,060)	–	18,060	–
Reverse phantom unit compensation	(c)	–	(539)	429	–	–	(110)
Adjust conversion of phantom units to market value	(c)	(27)	30	–	–	–	3
Reclass to liability conversion feature on debentures	(c)	–	(5,355)	–	–	–	(5,355)
Expense cost of conversion of debentures	(c)	–	–	–	–	–	–
Change in functional currency for TI International	(h)	–	–	(3)	–	–	(3)
Reverse compensation expense on phantom units	(c)	–	–	103	–	–	103
Expense financing cost on conversion feature and warrants	(c)	–	–	(626)	–	–	(626)
Adjust for changes in fair value on conversion feature and warrants	(c)	–	–	(167)	–	–	(167)
Depreciation adjustment due to PPE revaluation	(a)	–	–	20	–	–	20
Reversal of amortization gain on sale leaseback	(e)	–	–	3,198	–	–	3,198
Adjustment to CTA	(h)	–	–	–	–	(347)	(347)
Adjustment to the Corona lease accrual	(b)	–	–	(233)	–	–	(233)
Expense financing cost on forbearance	(d)	–	–	(372)	–	–	(372)
Adjustment to current income taxes	(f)	–	–	246	–	–	246
Adjustment to deferred income taxes	(f)	–	–	986	–	–	986
Balance as at March 31, 2010		**$ 211,128**	**$ –**	**$ (16,365)**	**$ (159,248)**	**$ (75)**	**$ 35,440**

VIII. Reconciliation of Unitholders' Equity as at December 31, 2010:

	Notes	Unitholders' Capital	Contributed Surplus	Accumulated Earnings (Deficit)	Distributions	Accumulated Other Comprehensive Loss	Total
Balance as at December 31, 2010 Canadian GAAP		**$ 211,564**	**$ 5,750**	**$ (12,587)**	**$ (159,248)**	**$ (17,814)**	**$ 27,665**
IFRS Adjustments							
Reclass of CTA into retained earnings	IFRS 1	–	–	(18,060)	–	18,060	–
Reverse phantom unit compensation	(c)	–	(533)	429	–	–	(104)
Adjust conversion of phantom units to market value	(c)	(104)	113	–	–	–	9
Reclass to liability conversion feature on debentures	(c)	–	(5,355)	–	–	–	(5,355)
Expense cost of conversion of debentures	(c)	–	89	–	–	–	89
Reclass to liability rights equity element	(c)	–	(64)	–	–	–	(64)
Change in functional currency for TI International	(h)	–	–	(17)	–	–	(17)
Reverse compensation expense on phantom units	(c)	–	–	97	–	–	97
Expense financing cost on conversion feature and warrants	(c)	–	–	(626)	–	–	(626)
Adjust for changes in fair value on conversion feature and warrants	(c)	–	–	4,362	–	–	4,362
Depreciation adjustment due to PPE revaluation	(a)	–	–	80	–	–	80
Reversal of amortization gain on sale leaseback	(e)	–	–	2,860	–	–	2,860
Adjustment to CTA	(h)	–	–	–	–	(565)	(565)
Adjustment to the Corona lease accrual	(b)	–	–	82	–	–	82
Expense financing cost on forbearance	(d)	–	–	(372)	–	–	(372)
Adjustment to current income taxes	(f)	–	–	(479)	–	–	(479)
Adjustment to deferred income taxes	(f)	–	–	(807)	–	–	(807)
Balance as at December 31, 2010		**$ 211,460**	**$ –**	**$ (25,038)**	**$ (159,248)**	**$ (319)**	**$ 26,855**

IX. Reconciliation of consolidated comprehensive income for the three months ended March 31, 2010:

Three months ended March 31, 2010	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Net loss for the period		$ (4,079)	$ 1,542	$ (2,537)
Other comprehensive loss				
Unrealized gain (loss) on translating financial statements of subsidiary operations		155	(230)	(75)
Tax effect	(f)	117	(117)	–
Other comprehensive income		272	(347)	(75)
Comprehensive loss for the period		$ (3,807)	$ 1,195	$ (2,612)

X. Reconciliation of consolidated comprehensive loss for the year ended December 31, 2010:

Year ended December 31, 2010	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Net loss for the period		$ (14,780)	$ 3,570	$ (11,210)
Other comprehensive loss				
Unrealized gain (loss) on translating financial statements of subsidiary operations		(34)	(288)	(322)
Tax effect	(f)	280	(280)	–
Other comprehensive income		246	(568)	(322)
Comprehensive loss for the period		$ (14,534)	$ 3,002	$ (11,532)

Notes to the reconciliations

(a) Property, plant and equipment PPE

As discussed above in the initial elections upon adoption of IFRS, the Fund elected to value machinery and equipment on transition at fair value which then becomes the deemed cost on which to amortize/depreciate in future periods. This resulted in an increase to the carrying value of the PPE of $820 as at the transition date and the resulting adjustment being charged to retained earnings.

(b) Accounts payable and accrued liabilities

In accordance with IAS 37, the provision for the Corona onerous contract was re-evaluated to reduce the future expected sub-lease rental income to the contractual sub-lease receipts. Therefore, the present value of the provision increased as at the transition date by $170. This difference increased the amount of accretion amortized using the effective interest method by $64 in the three months ended March 31, 2010.

(c) Fund units and instruments convertible into Fund units

Under Canadian GAAP, the Fund's units were classified as equity. Upon transition to IFRS, the equity classification of the units was evaluated because the units can be redeemed at the option of the holder subject to certain terms and restrictions (see Note 14). Based on IAS 32, the units meet the conditions set out in paragraphs 16A and 16B for equity classification and therefore continue to be classified as equity under IFRS. However, other instruments that are convertible into Fund units do not qualify for this exemption and are discussed below.

Convertible Debentures

The Fund has issued Convertible Debentures which are considered to be compound instruments and under Canadian GAAP the proceeds received were bifurcated to record the fair value of the associated elements which included the embedded financial derivative for the change of control premium, the conversion feature and any warrants issued with the residual being allocated to the debt portion of the Convertible Debentures. Transaction costs were allocated pro rata between the elements of the Convertible Debentures. The Convertible Debentures and change of control option were classified as financial liabilities and the conversion feature and warrants were classified as equity.

Under IFRS, the Convertible Debentures continue to be considered compound instruments and the original determination of fair values at issuance are consistent between Canadian GAAP and IFRS. The accounting and classification of the Convertible Debentures and of the change of control premium have not changed on conversion to IFRS. However, the conversion feature and warrants under IFRS are classified as financial liabilities at fair value and is re-measured at each reporting period with changes in fair value being recorded in the statement of operations.

As well, under Canadian GAAP, the conversion feature and warrants were recorded in unitholders' equity net of allocated transaction costs. Under IFRS, as a result of being classified as financial liabilities, the associated transactions costs have been expensed when incurred. At the transition date, the transaction costs related to the conversion feature and warrants from the Convertible Debentures of $330 issued in 2009 have been adjusted to retained earnings and for the three months ending March 31, 2010 the transaction costs of $296 relating to the conversion feature and warrants from the Convertible Debentures issued in January 2010 have been charged to financing expenses in the restated statement of operations.

Phantom Units

In accordance with Canadian GAAP, the Phantom units were classified as equity and accounted for as stock based compensation with compensation cost being measured on the market price of the Fund's units on the date of the grant of the Phantom Units and recognized in to the statement of operations straight-line over the vesting period with the offset being contributed surplus. When converted, the issued units would be recorded in Unitholders' Capital at the market price at the date of grant and the related contributed surplus would be removed.

Under IFRS, the Phantom Units do not qualify for the exemption under IAS 32 and are considered instead financial liabilities and are now included with other current liabilities. Also, the calculation of compensation expense has changed upon adoption of IFRS so that the Phantom Units are accounted for under IFRS 2 as cash-settled awards whereby the outstanding Phantom Units are accounted for at fair value at each reporting period and changes in fair value are recognized in compensation expense. As there is no exercise price, the fair value of the Phantom Units is considered to be the market price for the Fund units. The changes in fair value for unvested awards are recognized over the vesting period and the changes in fair value of vested awards are recognized in full each period until converted to units or forfeited. When a Phantom Unit is converted, the associated liability will be derecognized and recorded as Unitholders' capital at the market price on the date of conversion.

(d) Long-term debt

Under Canadian GAAP, transaction costs related to the original extinguishment of the trade payable and recognition of the Forbearance Agreements in 2009 were netted against the present value upon initial recognition. Under IAS 39 Appendix AG62, if the debt is accounted for as an extinguishment any costs or fees incurred are recognized as part of the gain or loss on extinguishment. As a result, the transaction costs of $0.4 million on the initial renegotiation in 2009 were charged against retained earnings at the transition date.

(e) Deferred gain on sale of option

In 2006 the Fund sold a purchase option on its leased property in Pomona, California. The net pre-tax cash proceeds received on the sale was $5,264. The sale was treated as a sale and lease back under Canadian GAAP and the gain was deferred and amortized over the ten year life of the new lease.

Under IAS 17, the Pomona option sale would have been accounted for as a gain at the time of the transaction. As such, retained earnings as at January 1, 2010 has been adjusted for the balance of the deferred gain of $3,337 under Canadian GAAP and for the three months ended March 31, 2010 and year-ended December 31, 2010, the amount of deferred gain recognized under Canadian GAAP in the statement of operations of $121 and $477 respectively has been reversed.

(f) Deferred income taxes (previously referred to as future income taxes under Canadian GAAP) and current income taxes

The current and deferred income tax adjustments reflect changes in the accounting of tax on various items including creation of temporary differences resulting from the effect of the IFRS adjustments described above. In particular, a deferred tax liability was recorded as at the transition date of $837 and was charged to retained earnings. In addition, under IFRS, there is no longer income tax allocated to any exchange gains/losses relating to foreign denominated intercompany balances as a result, comprehensive income was reduced by $117 and $280 for the three months ended March 31, 2010 and year ended December 31, 2010 respectively.

(g) Current portion of long-term debt

The Fund had amended the term of the Forbearance Agreements in the first quarter of 2011 and Canadian GAAP allowed the reduced payment terms to be presented in the current portion of long-term debt as at December 31, 2010 because the agreement had been reached prior to the issuance of the financial statements. IFRS, under IAS 1 is strict in this regard and the change in presentation of current versus long-term portions of the long-term debt must be reflected in the period it occurred. As a result, the current portion of long-term debt for the December 31, 2010 has been increased by $2,387 and the long-term debt has been reduced by the equivalent amount. The amended payment schedule has been reflected now in the March 31, 2011 presentation of current portion of long-term debt and the long-term debt balance.

(h) Foreign currency translation

Cumulative foreign currency translation balances

Under Canadian GAAP, the Fund recognized translation differences on foreign operations in a separate component of equity. Cumulative currency translation differences for all foreign operations are deemed to be zero as at January 1, 2010. The resulting adjustment of $18,060 was recognized against retained earnings.

Functional currency

Under prior Canadian GAAP, Tree Island International, the Hong Kong parent company to the Fund's Chinese subsidiaries, was considered to be an integrated subsidiary and was translated into Canadian dollars using the temporal method. The concept of integrated subsidiaries does not exist under IFRS. It was determined that the functional currency of the Hong Kong company is US dollars. The Chinese subsidiaries of Tree Island International continue to have a functional currency of RMB. The change in functional currency of the Hong Kong company resulted in various immaterial translation difference throughout the statement of financial position including the change in cash balance of $32 as at March 31, 2010 and $11 as at the December 31, 2010.

UNITHOLDER INFORMATION
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Tree Island Wire Income Fund

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Chair of the Board

Theodore A. Leja
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Nancy Davies
Chief Financial Officer and Vice President, Finance

Kelly Stark-Anderson
Secretary

Units:

Market Information

Units Listed: Toronto Stock Exchange Trading Symbol: TIL.UN

Registrar and Transfer Agent

Computershare Investor Services Inc.

Convertible Debentures:

Market Information

Convertible Debentures Listed:
Toronto Stock Exchange
Trading Symbol: TIL.DB

Registrar and Transfer Agent

Valiant Trust Company

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