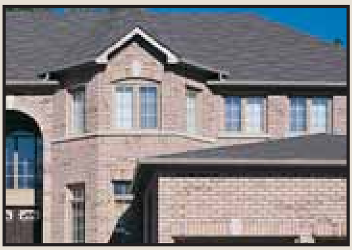
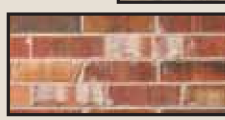
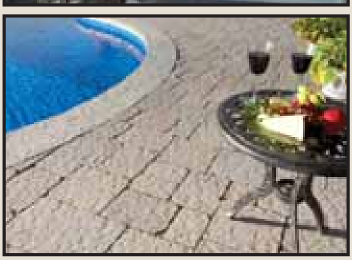
2008 SECOND QUARTER REPORT

BRAMPTON BRICK Limited





FOR THE SECOND QUARTER ENDED JUNE 30, 2008
PREPARED AS OF AUGUST 7, 2008

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended June 30, 2008 should be read in conjunction with the annual MD&A included in the Company's 2007 Annual Report. All amounts are stated in thousands of Canadian dollars, except per share amounts, unless otherwise indicated.

Effective October 2, 2007, the Company's 65% owned subsidiary, 1312082 Ontario Limited (formerly Medical Waste Management Inc.), completed the sale of substantially all of its business operations and assets, excluding its 50% joint venture interest in Sharpsmart Canada Limited ("Sharpsmart") which was sold on April 21, 2008. Accordingly, operating results and cash flows of these components of the business have been classified as discontinued operations, as applicable, and comparative amounts have been reclassified to conform with the current period financial statement presentation.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30

Net income for the second quarter ended June 30, 2008, amounted to $3,248, or $0.30 per share, on a weighted average 10,940,000 Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding, compared to net income of $6,512, or $0.60 per share, on a weighted average 10,834,000 Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the same period in 2007.

Net income for the quarter is comprised of net income from continuing operations of $3,607, or $0.33 per share, and a loss from discontinued operations of $359, or $0.03 per share. For the comparable period in 2007, net income was comprised of net income from continuing operations of $6,269, or $0.58 per share, and net income from discontinued operations of $243, or $0.02 per share.

Net sales from continuing operations for the quarter were $29,795 compared to $29,250 in 2007. Net sales in the Masonry Products business segment increased by $936 on the strength of higher shipments, which in 2008 included shipments of new concrete masonry products. Net sales in the Landscape Products business segment declined by $391.

Lower production volumes, primarily in the Landscape Products business segment, in the second quarter of 2008 compared to the second quarter of 2007 resulted in an increase in unabsorbed manufacturing expenses charged against operations. This variance accounted for most of the increase in cost of goods sold. Higher distribution costs, due to an increase in delivery expenses and higher personnel costs, also contributed to the increase in cost of goods sold.

Production volumes have been lowered in 2008 to reduce inventories to more closely match anticipated sales volumes.

Selling expenses increased marginally over last year primarily due to higher advertising and other marketing expenditures related to the introduction of new products.

As a result of the increases in cost of goods sold and selling expenses, operating income from continuing operations, before interest and other items, declined by $1,808 to $6,541 for the quarter ended June 30, 2008 from $8,349 for the same period in 2007.

Interest on long-term debt increased by $81 to $273 primarily due to the increase in term bank loans.

Net interest income decreased as a result of lower surplus cash balances available for investment.

The Company incurred a foreign currency exchange loss of $135 in the second quarter of 2008. The loss was primarily due to the impact of fluctuations in the rate of exchange between the Canadian and U.S. dollar during the quarter on foreign currency transactions and balances.

In the second quarter of 2007 the Company reported a foreign currency exchange loss of $963. The exchange loss was substantially related to U.S. cash balances held by the Company during the period.

Other income in 2007 included a gain of $533 on the disposal of certain equipment in connection with the outsourcing of the clay brick quarry operations in Brampton.

In the second quarter of 2007, the Company disposed of its investment in common shares of Futureway Communications Inc. ("FCI") for cash proceeds of $688 which resulted in a gain for accounting purposes in the same amount. The transaction is more fully described in Note 6 to the interim Consolidated Financial Statements.

The provision for income taxes for the second quarter of 2008 reflected an effective rate of 41.0% compared to an expected rate of approximately 33.5%. In the second quarter of 2008 the Company recorded a valuation allowance of $372 against the recovery of income taxes that would have otherwise been reported with respect to losses incurred in 2008 in its U.S. operations. Excluding this adjustment, the effective rate of income taxes would have been 35.0%.

Discontinued operations for the 2008 reporting periods reflected operating results to April 21, 2008 from the 50% joint venture interest in Sharpsmart, which was held by a 65% owned subsidiary, and the pre-tax gain of $255 from the sale of the investment on that date. This investment was previously accounted for using the proportionate consolidation method.

Discontinued operations for the second quarter and year-to-date periods also included a reduction of $375 in the principal amount of the promissory note taken back on the sale of the Company's medical waste assets and business operations in October 2007 to settle a dispute with the purchaser and a provision of $625 with respect to certain other expenditures which are expected to be incurred. The net effect of these adjustments, after deducting income taxes and the non-controlling interest therein, resulted in a reduction in net income for the second quarter and an increase in the loss for the six month period of approximately $473, or $0.04 per share. In addition, the Company has agreed to transfer to the purchaser the Company's interest in certain small quantity generator accounts which it had retained as part of the sale of its interest in Sharpsmart. Documentation necessary to effect the settlement is expected to be executed shortly.

In aggregate, the loss from discontinued operations amounted to $359, or $0.03 per share, for the quarter compared to net income of $243, or $0.02 per share, in 2007.

SIX MONTHS ENDED JUNE 30

For the six months ended June 30, 2008 the Company incurred a loss of $829, or $0.08 per share, compared to net income of $3,970, or $0.37 per share, for the six months ended June 30, 2007. The weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the six month periods was 10,911,000 and 10,834,000, respectively.

The loss for the six month period is comprised of a loss from continuing operations of $433, or $0.04 per share, and a loss from discontinued operations of $396, or $0.04 per share. For the comparable period in 2007, net income from continuing operations was $3,645, or $0.34 per share, and net income from discontinued operations was $325, or $0.03 per share.

Net sales from continuing operations for the six month period were $39,781, a decrease of $286 from the same period in 2007. Lower first quarter sales in the Masonry Products business segment and lower second quarter sales in the Landscape Products business segment accounted for the decrease.

Year-to-date operating results were also impacted by substantially lower production volumes, primarily in the Landscape Products business segment, which resulted in a significant increase in unabsorbed manufacturing costs charged against operations. Higher distribution costs also contributed to the increase in cost of goods sold for the same reasons as outlined above for the second quarter results.

Selling expenses incurred to June 30, 2008 were higher than the corresponding period in 2007 for the same reasons as outlined above for the second quarter results.

Increases in the cost of goods sold and selling expenses resulted in a decrease in operating income, before interest and other items, of $3,965 to $887 for the six months ended June 30, 2008 from $4,852 for the six months ended June 30, 2007.

Net interest income decreased as a result of higher operating borrowings and reduced cash balances available for investment.

The foreign currency exchange loss for the six months to June 30, 2008 amounted to $317 compared to $1,317 for the same period in 2007. The exchange loss in 2007 was primarily due to U.S. cash balances held during the period.

A gain on the sale of equipment of $533 and a gain on the disposal of the investment in FCI of $688 in the second quarter of 2007, both as described above, also impacted year-to-date operating results accordingly.

During the first quarter of 2008, certain properties located in the province of Quebec, which are surplus to the Company's requirements, were sold resulting in a gain of $136. There were no such sales for the corresponding periods in 2007.

The provision for income taxes of $894 for the six months ended June 30, 2008 exceeded income before income taxes of $524 due, in part, to the valuation allowance of $372 recorded against the recovery of income taxes that would have otherwise been reported with respect to losses incurred in 2008 in the Company's U.S. operations and the impact of permanent differences in the computation of taxable income versus accounting income.

Discontinued operations incurred a loss of $396, or $0.04 per share, for the six month period compared to net income of $325, or $0.03 per share, in 2007.

More detailed discussion with respect to each operating business segment follows:

MASONRY PRODUCTS

Operating income increased by $126 to $7,481 for the second quarter ended June 30, 2008 on net sales of $21,641 compared to operating income of $7,355 on net sales of $20,705 for the corresponding period in 2007.

Higher sales volumes, including sales volumes generated by the new concrete masonry products, such as stone veneer, window sills and concrete brick, resulted in a $936 increase in net sales for the quarter. In aggregate, sales volumes were marginally higher in the Company's Canadian markets. Sales volumes in the U.S. markets continue to be impacted by the downturn in the U.S. housing industry.

Higher distribution costs, primarily due to higher trucking expenses, and an increase in selling expenses, primarily related to the introduction of new products, offset much of the increase in net sales.

For the six month period, operating income declined by $1,554 to $5,576 on net sales of $30,947 from $7,130 on net sales of $30,841 in 2007.

The decline of $286 in net sales was due to lower first quarter shipments compared to last year.

Increases in distribution costs and selling expenses, for the same reasons as outlined above, resulted in a decline in operating income.

LANDSCAPE PRODUCTS

The Landscape Products business segment incurred an operating loss of $814 on net sales of $8,154 for the second quarter of 2008 compared to operating income of $1,102 on net sales of $8,545 for the second quarter of 2007.

Sales volumes in the Canadian operations increased by approximately 6.2%. In the U.S. operations sales volumes declined approximately 8.4% due to the negative impact of economic factors affecting the Company's markets, primarily Michigan. Net sales for 2008 have been negatively impacted by the effect of the difference in foreign currency exchange rates between 2008 and 2007 on the translation of net sales of the U.S. operations into Canadian dollars.

The increase in the operating loss was primarily due to much lower production volumes, which, in turn, resulted in an increase in unabsorbed manufacturing expenses charged against operations. Higher distribution costs, due to higher trucking expenses, as well as the decrease in net sales as noted above, also contributed to the higher operating loss.

For the year-to-date, net sales decreased marginally from $9,226 in 2007 to $8,834 in 2008. Sales volumes were approximately 7.2% higher in the Canadian operations and were virtually flat in the U.S. operations. The decrease in net sales was primarily due to the effect of the difference in foreign currency exchange rates between 2008 and 2007 on the translation of net sales of the U.S. operations into Canadian dollars.

For the six months ended June 30, 2008 this business segment incurred an operating loss of $4,424 compared to $2,100 in 2007. Similar to the second quarter results, much lower production volumes and higher distribution costs resulted in a substantial increase in cost of goods sold which, in turn, resulted in a higher operating loss in the current period. Production volumes have been lowered in both the first and second quarters to reduce inventories.

The Da Vinci Stone Craft operations, which are reported under this business segment, incurred a small loss for the quarter and for the year-to-date in both 2008 and 2007.

OTHER OPERATIONS

Other operations include, among other things, the Company's 50% joint venture interest in Universal Resource Recovery Inc. ("Universal"). This investment is accounted for using the proportionate consolidation method.

The Company's proportionate share of start-up costs related to Universal totaled $157 for the second quarter ended June 30, 2008 and $291 for the six month period compared to $108 and $178, respectively, in 2007. There have been no commercial operations to date. Commercial operations are expected to commence by the end of the third quarter of this year.

DISCONTINUED OPERATIONS

Discontinued operations represent the Company's medical waste business operations previously operated by a 65% owned subsidiary, substantially all of which was sold in October 2007 and the 50% joint venture interest in Sharpsmart, held by the subsidiary, which was sold in April 2008.

The loss from discontinued operations for the second quarter ended June 30, 2008 amounted to $359, or $0.03 per share, compared to net income of $243, or $0.02 per share, for the comparative period in 2007. For the six month period the loss was $396, or $0.04 per share, compared to net income of $325, or $0.03 per share, in 2007.

Operating results for 2008 included an aggregate charge of $473, net of income taxes and the non-controlling interests therein, to settle a dispute with the purchaser of the medical waste operations sold in 2007 and to provide for certain other expenditures which are expected to be incurred. This matter is more fully described in Note 4 to the interim Consolidated Financial Statements.

CASH FLOWS

Cash flow provided by operating activities of continuing operations for the quarter ended June 30, 2008 totaled $4,909 compared to cash used for operations of $674 for the same period last year.

The improvement of $5,583 resulted from a lower investment in inventories due to lower production volumes, an increase in accounts payable and a decrease in net income taxes recoverable. These increases were partially offset by the decrease in net income from continuing operations.

Cash utilized for purchases of property, plant and equipment totaled $13,748 for the quarter compared to $4,187 for the same period in 2007. Capital expenditures incurred in connection with the construction of the Indiana clay brick plant were $10,262 in the second quarter of 2008 compared to $2,890 for the same period in 2007.

Purchases of property, plant and equipment in the second quarter of 2008 also included an amount of $2,114, compared to $11 for the same period in 2007, related to the Company's 50% share of capital expenditures incurred by Universal for building modifications and to acquire processing equipment.

During the quarter operating bank advances and term bank loans increased by $400 and $10,250, respectively. The increase in term bank loans was to finance capital expenditures.

Other cash inflows included $145 for the quarter and $634 for the period to date from the issuance of Class A shares upon the exercise of stock options under the Company's Stock Option Incentive Plan and the $715 repayment of an inter-company advance by Sharpsmart upon the sale of the Company's interest in this business.

Other cash outflows in the second quarter of 2008 included cash dividends to shareholders of $0.10 per Class A share and $0.10 per Class B share paid on June 30, 2008 to shareholders of record on June 15, 2008 and $106 for the repurchase of 10,300 Class A shares under the Company's Normal Course Issuer Bid.

In 2007, repayments of inter-company advances in the amount of $550 for the second quarter and $830 for the year-to-date represented payments received from the medical waste business that was sold in October 2007.

For the six month period ended June 30, 2008, cash utilized in operating activities of continuing operations amounted to $1,227 compared to $4,668 for the same period in 2007. The factors contributing to this $3,441 improvement were substantially the same as those outlined above for the second quarter results.

Cash utilized for purchases of property, plant and equipment totaled $24,504 for the six month period compared to $8,028 in 2007. Capital expenditures relating to the Indiana clay brick plant were $18,300 compared to $5,530 in 2007. Capital expenditures relating to Universal were $3,211 compared to $176 in 2007.

FINANCIAL CONDITION

The nature of the Company's products and primary markets dictates that its Masonry Products and Landscape Products business segments are seasonal. The Landscape Products business is affected to a greater degree than the Masonry Products business. As a result of this seasonality, bank operating advances are generally expected to increase through the first half of the year and decline through the second half of the year.

As at June 30, 2008, bank operating advances were $2,530. This represented an increase of $1,880 from the amount outstanding at December 31, 2007. Accounts payable and accrued liabilities totaled $15,304 at June 30, 2008 compared to $14,000 at December 31, 2007. The increase was primarily due to an increase in outstanding accounts payables relating to the Company's major capital expenditure projects.

Working capital at June 30, 2008 was $19,536, including cash and cash equivalents of $2,453, representing a working capital ratio of 1.72:1. This compared to working capital and a working capital ratio of $25,633, including cash and cash equivalents of $14,056, and 1.97:1, respectively, at December 31, 2007. Cash and cash equivalents at December 31, 2007 included $196 applicable to discontinued operations. The ratio of total liabilities to shareholders' equity was 0.39:1 at June 30, 2008 compared to 0.29:1 at December 31, 2007.

The decrease in cash and cash equivalents from December 31, 2007 to June 30, 2008 was due to the utilization of cash resources to fund capital expenditures. Similarly, the increase in the ratio of the total liabilities to shareholders' equity was primarily due to the increase in term bank loans for the same reason.

The Company's credit agreements include term loan facilities totaling $57,500 and operating loan facilities totaling $19,950, of which an aggregate of $16,605 was utilized as at June 30, 2008. This total includes amounts allocated against outstanding letters of credit. These amounts also include the Company's proportionate share of the new operating and term loan credit facilities of Universal which were finalized in April 2008. The Company and the joint venture partner have each provided a guarantee of $6,500 as security for Universal's borrowings under this credit facility.

The Company believes it has adequate capital resources to fund its operations and anticipated capital requirements for the coming year, including capital expenditures to be incurred in connection with construction of its new clay brick manufacturing plant in Indiana and the waste composting facility by Universal, as well as anticipated capital expenditures required to maintain production capacity and to fund normal growth activities for the reasonably foreseeable future. Based on its current financial position, the Company believes it would be able to raise additional funds in the event it identifies, and determines it is appropriate to pursue, growth opportunities that may require larger amounts of capital.

The credit agreements contain various financial covenants. The Company was in compliance with all financial covenants applicable to borrowings outstanding at June 30, 2008.

Other than maintaining compliance with the financial and other covenants contained in the credit agreements, and the standard margin formulas for accounts receivable and inventories which determine the actual amount of the operating loan facilities available for borrowing, there are no additional restrictions within the credit agreements which would restrict the Company's ability to access the unutilized balance of its credit facilities.

Total capital expenditures to be incurred in connection with the construction of the new brick plant in Indiana are now estimated to be approximately U.S. $50,000. A total of U.S. $30,731 had been expended to June 30, 2008. The balance is expected to be funded from cash on hand, future cash flows from operations and the Company's term loan facilities, as required.

The Company's proportionate share of total capital costs to be incurred by Universal to construct the waste composting facility is estimated to be approximately $8,200. A total of $4,187 had been expended to June 30, 2008 and the balance is expected to be funded from Universal's term loan facility.

At June 30, 2008, the Company held U.S. dollar foreign exchange forward contracts aggregating U.S. $7,800 to hedge a portion of its foreign currency exposure on anticipated cash outflows. These contracts have been designated as effective cash flow hedges and are more fully described in Note 7 to the interim Consolidated Financial Statements.

The Company holds an interest rate swap contract to fix the rate of interest on an aggregate of $20,000 of currently outstanding and anticipated future borrowings. The contract has been designated as an effective cash flow hedge and is more fully described in Note 7 to the interim Consolidated Financial Statements.

Information with respect to the Company's material off-balance sheet arrangements, which consist primarily of operating leases and natural gas supply and transportation contracts, are disclosed in the table of contractual obligations in the annual MD&A included with the Company's 2007 Annual Report and in Note 11 to the interim Consolidated Financial Statements.

With respect to contractual obligations outstanding as at December 31, 2007, material changes during the six month period ended June 30, 2008 included reductions of the remaining balances of the Company's purchase obligations under the natural gas supply and transportation contracts and reductions in the remaining capital expenditure commitments related to construction of the Indiana clay brick plant and the waste composting facility by Universal. These are more fully described in Note 11 to the interim Consolidated Financial Statements.

Information with respect to transactions with related parties in 2008 is disclosed in Note 12 to the interim Consolidated Financial Statements.

Information with respect to transactions with related parties for the year ended December 31, 2007 is disclosed in Note 20 to Consolidated Financial Statements included in the Company's 2007 Annual Report.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at June 30, 2008 is disclosed in Note 8 to the interim Consolidated Financial Statements. There have been no changes to the date of the MD&A.

The Company's Annual Report and Annual Information Form for the year ended December 31, 2007 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders held on May 14, 2008 may be found on SEDAR at www.sedar.com.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly financial information for each of the eight most recently completed quarters (in thousands of dollars, except per share amounts):

Continuing Operations	**June 30 2008**	**June 30 2007**	**March 31 2008**	**March 31 2007**	**December 31 2007**	**December 31 2006**	**September 30 2007**	**September 30 2006**
Net sales	$ 29,795	$ 29,250	$ 9,986	$ 10,817	$ 16,009	$ 20,003	$ 26,277	$ 26,110
Net income (loss)	$ 3,607	$ 6,269	$ (4,040)	$ (2,624)	$ (12,858)	$ 2,924	$ 4,539	$ 4,147
Net income (loss) per share								
Basic	$ 0.33	$ 0.58	$ (0.37)	$ (0.24)	$ (1.19)	$ 0.26	$ 0.42	$ 0.39
Diluted	$ 0.33	$ 0.58	$ (0.37)	$ (0.24)	$ (1.19)	$ 0.26	$ 0.42	$ 0.39

Total	**June 30 2008**	**June 30 2007**	**March 31 2008**	**March 31 2007**	**December 31 2007**	**December 31 2006**	**September 30 2007**	**September 30 2006**
Net income (loss)	$ 3,248	$ 6,512	$ (4,077)	$ (2,542)	$ (5,048)	$ 3,047	$ 4,597	$ 4,239
Net income (loss) per share								
Basic	$ 0.30	$ 0.60	$ (0.37)	$ (0.23)	$ (0.47)	$ 0.28	$ 0.42	$ 0.39
Diluted	$ 0.30	$ 0.60	$ (0.37)	$ (0.23)	$ (0.47)	$ 0.28	$ 0.42	$ 0.39

The quarterly financial information presented reflects the seasonal nature of the Company's Masonry Products and Landscape Products business segments. Historically, sales of these business segments are greater in the second and third quarters of each year than in the first and fourth quarters. Consequently, the results of operations and cash flows reported each quarter are not necessarily indicative of the results to be expected for the year and the financial condition of the Company at the end of each quarter reflects these seasonal fluctuations.

Major factors affecting the comparability of the quarterly results are as follows:

Net income from continuing operations for the second quarter of 2008 compared to the second quarter of 2007 were impacted by lower production volumes, increased distribution costs and selling expenses and a reduction in the recovery of income taxes related to losses incurred in the Company's U.S. operations. More detailed explanation is provided under "Results of Operations".

The loss from discontinued operations for the second quarter of 2008 included a $375 reduction in the principal amount of the promissory note taken back on the sale of the medical waste business in October 2007 and a $625 provision for other potential costs. These adjustments resulted in a net charge of approximately $545, after deducting income taxes and the 35% non-controlling interest therein. See Note 4 to the interim Consolidated Financial Statements.

Results for the first quarter ended March 31, 2008 were negatively affected by lower sales volumes in the Masonry Products business segment, an increase in unabsorbed manufacturing expenses as a result of lower production volumes and higher distribution, selling, general and administrative expenses.

Results for the fourth quarter ended December 31, 2007 included the write-down of goodwill in the amount of $13,068, or $1.21 per share, net of income taxes. Excluding this item, net income from continuing operations would have been $210 or $0.02 per share. The decline in net income from continuing operations of $2,714, or $0.26 per share, from the fourth quarter of 2006 was primarily due to lower sales volumes in both the Masonry Products and Landscape Products business segments.

Net income for the quarter ended December 31, 2007 included the gain of $7,942 or $0.73 per share, net of income taxes and after deducting the non-controlling interest therein, reported on the sale of the medical waste assets.

Results for the quarter ended September 30, 2007 were substantially consistent with the prior year and reflect a $253 gain on sale of property held for sale.

OTHER

There have been no material changes in the risks and uncertainties which impact the Company and its operating business segments as disclosed in the annual MD&A included in the Company's 2007 Annual Report.

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Construction of the Company's new clay brick manufacturing plant in Indiana, which commenced in 2007, is substantially on schedule and is expected to be completed in the fourth quarter of 2008.

In 2007 Universal received the required Certificates of Approval from the Ministry of Environment (Ontario) to construct and operate a waste composting facility at its site in Welland, Ontario. Construction is expected to be completed by the end of the third quarter of 2008.

On April 21, 2008, the Company sold its 50% joint venture interest in Sharpsmart, as more fully described in Note 4 to the interim Consolidated Financial Statements.

Effective January 1, 2008, the Company adopted the accounting standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, *Inventories*; Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation* (which replaces Section 3861, *Financial Instruments – Disclosures and Presentation*), all of which are more fully described in Note 2 to the interim Consolidated Financial Statements.

The following are the new accounting standards which the Company will be required to adopt in future years. Management is evaluating the standards and their impact on the Company's consolidated financial statements.

Goodwill and intangible assets:

CICA Handbook Section 3064 – *Goodwill and Intangible Assets*, which replaces Section 3062 – *Goodwill and Other Intangible Assets* and Section 3450 – *Research and Development Costs*, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Financial Reporting Standard IAS 38, "Intangible Assets." The new standard also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required effective January 1, 2011 for publicly accountable profit-oriented enterprises. IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company is currently assessing the impact IFRS will have on its consolidated financial statements.

Certain statements contained herein constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, those identified under "Risks and Uncertainties" in the Company's 2007 Annual Report, which may cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

The Consolidated Financial Statements as at and for the periods ended June 30, 2008 and June 30, 2007 have not been reviewed by the Company's auditors.

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)	(Unaudited) **June 30 2008**	December 31 2007
Assets		
Current assets		
Cash and cash equivalents (note 14)	**$ 2,453**	$ 13,860
Accounts receivable (note 2(a))	**18,130**	7,433
Inventories	**20,098**	22,609
Income taxes recoverable	**1,118**	2,919
Future income taxes	**641**	294
Other current assets	**1,083**	988
Promissory note receivable, current (notes 2(a) and 4)	**3,198**	3,382
Assets of discontinued operations held for sale (note 4)	**–**	538
	46,721	52,023
Property, plant and equipment, at cost	**179,862**	175,478
Construction in progress	**34,698**	14,851
Less: Accumulated amortization	**(81,902)**	(77,722)
	132,658	112,607
Other assets		
Goodwill	**6,711**	6,711
Promissory note receivable, long-term (notes 2(a) and 4)	**6,496**	6,449
Property held for sale	**1,128**	1,208
Future income taxes	**1,375**	1,270
Other	**242**	264
Assets of discontinued operations held for sale (note 4)	**–**	917
	15,952	16,819
	$ 195,331	$ 181,449
Liabilities		
Current liabilities		
Bank operating advances	**$ 2,530**	$ 650
Accounts payable and accrued liabilities	**15,304**	14,000
Income taxes payable	**2,531**	4,253
Long-term debt, current portion	**4,841**	4,684
Derivative financial instruments, current (note 7)	**690**	1,606
Asset retirement obligation	**410**	375
Liabilities of discontinued operations held for sale (note 4)	**879**	822
	27,185	26,390
Long-term debt, less current portion	**17,022**	3,744
Derivative financial instruments, non-current (note 7)	**969**	809
Future income taxes	**7,673**	7,722
Asset retirement obligation	**573**	673
Liabilities of discontinued operations held for sale (note 4)	**–**	14
	53,422	39,352
Non-controlling interests	**3,516**	4,366
Shareholders' Equity		
Capital stock (note 8)	**33,761**	33,205
Contributed surplus (note 9)	**1,101**	944
Retained earnings	**109,536**	111,587
Accumulated other comprehensive loss	**(6,005)**	(8,005)
	138,393	137,731
	$ 195,331	$ 181,449

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF NET INCOME (LOSS)

(unaudited) (in thousands of dollars, except per share amounts)	Three months ended June 30 2008	2007	Six months ended June 30 2008	2007
Net sales from continuing operations	**$ 29,795**	$ 29,250	**$ 39,781**	$ 40,067
Cost of goods sold	**17,589**	15,448	**27,562**	24,208
Selling, general and administrative expenses	**3,397**	3,253	**7,007**	6,548
Amortization	**2,268**	2,200	**4,325**	4,459
	23,254	20,901	**38,894**	35,215
Operating income from continuing operations before the undernoted items	**6,541**	8,349	**887**	4,852
Other income (expense)				
Interest on long-term debt	**(273)**	(192)	**(393)**	(402)
Interest income (net)	**48**	79	**172**	250
Foreign currency exchange loss	**(135)**	(963)	**(317)**	(1,317)
Foreign currency exchange gain (loss) on cash flow hedges (note 7)	**(21)**	70	**11**	70
Other income	**9**	571	**28**	607
	(372)	(435)	**(499)**	(792)
Income from continuing operations before the following items	**6,169**	7,914	**388**	4,060
Gain on sale of property held for sale (note 5)	**–**	–	**136**	–
Gain on sale of investment in Futureway Communications Inc. (note 6)	**–**	688	**–**	688
Income from continuing operations before income taxes and non-controlling interests	**6,169**	8,602	**524**	4,748
(Provision for) Recovery of income taxes				
Current	**(1,985)**	(58)	**(896)**	(62)
Future	**(547)**	(2,275)	**2**	(1,041)
	(2,532)	(2,333)	**(894)**	(1,103)
Income (loss) from continuing operations before non-controlling interests	**3,637**	6,269	**(370)**	3,645
Non-controlling interests	**(30)**	–	**(63)**	–
Net income (loss) from continuing operations	**3,607**	6,269	**(433)**	3,645
Net income (loss) from discontinued operations (note 4)	**(359)**	243	**(396)**	325
Net income (loss) for the period	**$ 3,248**	$ 6,512	**$ (829)**	$ 3,970
Net income (loss) per Class A and Class B share (note 3)				
Basic (net income (loss) from continuing operations)	**$ 0.33**	$ 0.58	**$ (0.04)**	$ 0.34
(net income (loss) for the period)	**$ 0.30**	$ 0.60	**$ (0.08)**	$ 0.37
Diluted (net income (loss) from continuing operations)	**$ 0.33**	$ 0.58	**$ (0.04)**	$ 0.34
(net income (loss) for the period)	**$ 0.30**	$ 0.60	**$ (0.08)**	$ 0.36

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands of dollars)	Three months ended June 30 2008	2007	Six months ended June 30 2008	2007
Cash provided by (used for) activities of continuing operations				
Operating activities				
Net income (loss) from continuing operations for the period	**$ 3,607**	$ 6,269	**$ (433)**	$ 3,645
Items not affecting cash				
Amortization and accretion	**2,280**	2,213	**4,349**	4,483
Future income taxes	**547**	2,275	**(2)**	1,041
Non-controlling interests	**30**	–	**63**	–
Unrealized foreign currency exchange (gain) loss	**(31)**	(393)	**60**	(266)
Gain on sale of property held for sale	**–**	–	**(136)**	–
Gain on sale of property, plant and equipment	**(4)**	(535)	**(4)**	(539)
Other	**54**	79	**157**	202
Gain on sale of investment in Futureway Communications Inc.	**–**	(688)	**–**	(688)
	6,483	9,220	**4,054**	7,878
Changes in non-cash operating items				
Accounts receivable	**(10,432)**	(10,183)	**(10,735)**	(7,417)
Inventories	**1,848**	(579)	**2,511**	(2,727)
Accounts payable and accrued liabilities	**3,799**	2,411	**3,027**	1,144
Income taxes payable (net)	**3,340**	(1,013)	**79**	(3,026)
Other	**(129)**	(530)	**(163)**	(520)
	(1,574)	(9,894)	**(5,281)**	(12,546)
Cash provided by (used for) operating activities of continuing operations	**4,909**	(674)	**(1,227)**	(4,668)
Investing activities				
Purchase of property, plant and equipment	**(13,748)**	(4,187)	**(24,504)**	(8,028)
Proceeds from disposal of property, plant and equipment	**12**	570	**12**	577
Proceeds from sale of investment in Futureway Communications Inc.	**–**	688	**–**	688
Proceeds from sale of property held for sale	**–**	–	**216**	–
Inter-company advances repaid by discontinued operations	**715**	550	**715**	830
Cash used for investment activities of continuing operations	**(13,021)**	(2,379)	**(23,561)**	(5,933)
Financing activities				
Increase (decrease) in bank operating advances	**400**	(5)	**1,880**	(2,465)
Increase in term bank loans	**10,250**	–	**13,250**	–
Repayment of term loans	**(258)**	(227)	**(272)**	(238)
Payments on obligations under capital leases	**(66)**	(72)	**(110)**	(198)
Payment of dividends by subsidiary to non-controlling interests	**–**	–	**(700)**	–
Payment of dividends to shareholders	**(1,096)**	(1,084)	**(1,096)**	(1,084)
Proceeds from exercise of stock options	**145**	12	**634**	12
Class A shares repurchased	**(106)**	–	**(205)**	–
Cash provided by (used for) financing activities of continuing operations	**9,269**	(1,376)	**13,381**	(3,973)
Net cash provided by (used for) discontinued operations	**119**	163	**(196)**	90
Increase (decrease) in cash and cash equivalents	**1,276**	(4,266)	**(11,603)**	(14,484)
Cash and cash equivalents at the beginning of the period (note 14)	**1,177**	14,228	**14,056**	24,446
Cash and cash equivalents at the end of the period (note 14)	**$ 2,453**	$ 9,962	**$ 2,453**	$ 9,962
Supplementary information				
Interest paid	**$ 350**	$ 344	**$ 410**	$ 715
Income taxes paid	**$ 447**	$ 1,083	**$ 2,547**	$ 3,351

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of dollars)	(Unaudited) Six months ended June 30 2008	Year ended December 31 2007
Balance at the beginning of the period	**$ 111,587**	$ 110,246
Net income (loss) for the period	**(829)**	3,519
Premiums paid on repurchase of capital stock (note 8)	**(126)**	(8)
Dividends	**(1,096)**	(2,170)
Balance at the end of the period	**$ 109,536**	$ 111,587

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited) (in thousands of dollars)	Three months ended June 30 2008	Three months ended June 30 2007	Six months ended June 30 2008	Six months ended June 30 2007
Net income (loss) for the period	**$ 3,248**	$ 6,512	**$ (829)**	$ 3,970
Other comprehensive income (loss)				
Gain (loss) on cash flow hedges net of taxes (note 7)	**113**	(860)	**158**	(860)
Total comprehensive income (loss) for the period	**$ 3,361**	$ 5,652	**$ (671)**	$ 3,110

The accompanying notes are an integral part of these consolidated financial statements.

June 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

1. BASIS OF PRESENTATION

The interim consolidated financial statements as at June 30, 2008 and for the three and six month periods ended June 30, 2008 and 2007 are unaudited and include all adjustments that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows. Results for the three and six month periods ended June 30, 2008 are not necessarily indicative of results expected for the full fiscal year or any other future period.

The disclosures provided in these interim financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements and, accordingly, the interim financial information should be read in conjunction with the annual financial statements. The interim financial information has been prepared using the same accounting principles as applied to the Company's annual consolidated financial statements for the year ended December 31, 2007, except as described below in Note 2.

2. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted the new accounting standards of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation* (which replaces Section 3861, *Financial Instruments – Disclosures and Presentation*). These sections apply to fiscal years beginning on or after October 1, 2007 and provide standards concerning the disclosure of the significance of financial instruments for an entity's financial position and performance and the nature and extent of risk exposures arising from financial instruments and the approach used by the entity in managing those risks. These standards also provide guidance for the presentation of recognized financial instruments and identify the information to be disclosed.

FINANCIAL INSTRUMENT DISCLOSURES

The Company has classified its cash and cash equivalents as held for trading. The accounts receivable and promissory note receivable were classified as loans and receivables, the accounts payable, bank operating advances and the long-term debt were classified as other financial liabilities. For all of these, the carrying values approximate their fair values at both June 30, 2008 and December 31, 2007.

In addition, the Company has derivative financial instruments and their carrying values approximate their fair values at both June 30, 2008 and December 31, 2007.

a) Credit Risk

The Company has credit risk exposure with respect to accounts receivable and the promissory note receivable. The Company also has credit risk with respect to its cash and cash equivalents and the counterparties to its financial instruments.

i) Accounts receivable

The Company grants credit to its customers in the normal course of business on terms that are consistent with the industries in which it operates. Credit evaluations are performed prior to granting credit and on a regular basis thereafter. The financial statements take into account an allowance for bad debts.

The Masonry Products business segment is characterized by a relatively small number of customers with higher average balances outstanding. Accounts receivable attributable to this business segment represented approximately 76.1% of consolidated accounts receivable outstanding as at June 30, 2008.

The Landscape Products business segment is characterized by a larger number of customers with lower average balances outstanding. This business segment represented approximately 22.8% of consolidated accounts receivable outstanding as at June 30, 2008.

Other accounts receivable accounted for the remaining 1.1%.

June 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

In aggregate, approximately 89.1% was due in Canadian dollars from Canadian based customers and 10.9% was due in U.S. dollars from U.S. based customers.

Accounts receivable that were past due as at June 30, 2008 totaled $5,008, of which $4,742 was less than three months past due, $27 was more than three months but less than six months past due and $239 was more than six months but less than one year past due.

Of the past due amount, accounts totaling $357 were considered to be impaired and were provided for in the allowance for doubtful accounts. Changes in the allowance for doubtful accounts for the three and six months ended June 30, 2008 were as follows:

	Three months ended June 30, 2008	Six months ended June 30, 2008
	$	$
Balance at the beginning of the period	**441**	**417**
Accounts added	**85**	**189**
Accounts removed	**(86)**	**(174)**
Accounts written off	**(81)**	**(82)**
Exchange rate change on opening balance	**(2)**	**7**
Balance at the end of the period	**357**	**357**

ii) Promissory note receivable

The promissory note receivable arose on the sale of the medical waste assets and business operations in October 2007. The $10,000 principal amount bears interest at a fixed rate of 3.5% per annum and has been discounted for accounting purposes at an effective rate of 5.0% per annum. The promissory note is to be paid in three equal, annual principal instalments, plus interest, commencing in October 2008. The principal and interest are secured by a letter of credit from a major financial institution. The principal amount of the promissory note has been reduced by $375 as discussed in Note 4.

iii) Cash and counterparties

The Company's credit risk with respect to its cash and cash equivalents and counterparties to its financial instruments is minimized substantially by seeking to ensure that these financial instruments are placed with well capitalized financial institutions and other credit worthy counterparties.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in discharging its financial liabilities as they become due. The Company manages liquidity risk by maintaining cash balances, adequate borrowing facilities and monitoring forecast and actual cash flows.

The summary of financial obligations and contractual maturities relating to undiscounted non-derivative financial liabilities outstanding as at June 30, 2008 was as follows:

	$
Due within 3 months	16,872
Due within 3 to 6 months	2,203
Due within 6 to 12 months	5,202
Due within 1 to 5 years	18,641
Due over 5 years	722
	43,640

Non-derivative financial liabilities include bank operating advances, accounts payable and accrued liabilities, income taxes payable, long-term debt and the asset retirement obligation.

June 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

The summary of contractual maturities applicable to undiscounted derivative financial liabilities outstanding as at June 30, 2008 was as follows:

	$
Interest rate swap (net floating to fixed)	
Due within 3 months	85
Due within 3 to 6 months	100
Due within 6 to 12 months	182
Due within 1 to 6 years	1,643
Net cash outflows on interest rate swap	**2,010**
Foreign exchange forward contracts	
Due within 3 months	4,394
Due within 3 to 6 months	4,169
Gross cash outflows on forward contracts	**8,563**

The Company has term loan and operating credit facilities totaling $77,450, of which $16,605 was utilized as at June 30, 2008. These amounts included the Company's proportionate share of the new operating and term loan credit facilities of Universal Resource Recovery Inc. which were finalized in April 2008. Management expects that cash flows from operations, the proceeds from the promissory note receivable and the unutilized balance of the Company's credit facilities will be sufficient to satisfy these obligations. Upon execution of the foreign exchange forward contracts the Company will receive U.S. $7,800.

c) Market Risk

i) Foreign exchange rates

The Company has exposure to exchange rate fluctuations as a result of holding monetary assets and liabilities denominated in foreign currencies and from holding foreign exchange forward purchase contracts.

Foreign exchange conversion rates utilized in the preparation of the consolidated financial statements were U.S. $1.00 = CDN $0.9881 at December 31, 2007 and U.S. $1.00 = CDN $1.0186 at June 30, 2008. The average rate of exchange from January 1, 2008 to June 30, 2008 was U.S. $1.00 = CDN $1.0072 and the high and the low during the six month period was U.S. $1.00 = CDN $1.0324 and U.S. $1.00 = CDN $0.9719, respectively.

A variance in the rate of exchange of CDN $0.03 is considered reasonably possible.

At June 30, 2008, the Company had net monetary assets denominated in U.S. dollars totaling U.S. $2,335. A variance of CDN $0.03 in the June 30, 2008 rate of exchange would result in income before income taxes being approximately $70 higher or lower, as the case may be.

At June 30, 2008, the Company had U.S. dollar foreign exchange forward purchase contracts outstanding totaling U.S. $7,800. These contracts are designated as cash flow hedges. Consequently, changes in foreign exchange rates result in an unrealized gain or loss being reflected in Other Comprehensive Income (Loss). A variance of CDN $0.03 in the June 30, 2008 rate of exchange would result in Other Comprehensive Income (Loss) being approximately $234 higher or lower as the case may be.

ii) Interest rates

The Company has exposure to interest rate fluctuations as a result of having variable interest rate bearing financial liabilities and a floating-to-fixed interest rate swap contract.

Canadian bank prime interest rate was 6.00% on January 1, 2008 and was 4.75% on June 30, 2008 and averaged 5.24% for the six month period. The fixed rate of interest under the Company's $20,000 floating-to-fixed interest rate swap contract is 5.16%. At June 30, 2008 the fixed rate of interest on similar contracts with the same remaining term was approximately 4.00%. A variance in interest rates of 1.00% is considered reasonably possible.

At June 30, 2008, the Company had a total of $2,530 of variable interest rate bearing debt outstanding. A variance of 1.00% in the rate of interest would result in an income before income taxes being approximately $25 higher or lower, as the case may be, on an annualized basis.

The $20,000 interest rate swap contract outstanding at June 30, 2008 is designated as a cash flow hedge. Consequently, changes in the underlying rate of interest will result in an unrealized gain or loss being reflected in Other Comprehensive Income (Loss). A variance of 1.00% in the underlying rate of interest as at June 30, 2008 would result in Other Comprehensive Income (Loss) being approximately $694 (net of income taxes) higher or lower, as the case may be.

INVENTORIES

On January 1, 2008, the Company also adopted the new accounting standard of the CICA Handbook Section 3031, *Inventories*. The adoption of this standard had no impact on the Company's method of accounting for inventory cost but has resulted in changes in disclosure in these interim financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

The following are the new accounting standards the Company will be required to adopt in future years. Management is evaluating the standards and their impact on the Company's consolidated financial statements.

Goodwill and intangible assets:

The CICA Handbook Section 3064 – *Goodwill and Intangible Assets*, which replaces Section 3062 – *Goodwill and Other Intangible Assets* and Section 3450 – *Research and Development Costs*, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Financial Reporting Standard IAS 38, "Intangible Assets." The new standard also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required effective January 1, 2011 for publicly accountable profit-oriented enterprises. IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company is currently assessing the impact IFRS will have on its consolidated financial statements.

3. NET INCOME (LOSS) PER SHARE

The weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding (in thousands) utilized in the calculations of net income (loss) per share are as follows:

	Three months ended June 30		**Six months ended June 30**	
(in thousands)	**2008**	2007	**2008**	2007
Basic	**10,940**	10,834	**10,911**	10,834
Diluted	**10,962**	10,919	**10,911**	10,883

June 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

4. DISPOSAL OF MEDICAL WASTE ASSETS AND SALE OF SHARPSMART OPERATIONS

Effective October 2, 2007, the Company sold substantially all of its medical waste business operations and assets, excluding the 50% joint venture interest in Sharpsmart Canada Limited ("Sharpsmart"). On April 21, 2008, the Company's sold its 50% joint venture interest in Sharpsmart. In accordance with the CICA Handbook Section 3475, "*Disposal of Long-Term Assets and Discontinued Operations*", the assets and liabilities, operating results and cash flows of these businesses have been classified as discontinued operations. The prior period comparative financial information has also been restated, accordingly.

Aggregate proceeds of $1,180 from the sale of the 50% joint venture interest in Sharpsmart included the repayment of shareholder advances of $715, proceeds from the sale of shares of $385 and proceeds from the sale of certain other assets of $80.

Certain financial information with respect to discontinued operations for the three and six month periods is as follows:

	Three months ended June 30		**Six months ended June 30**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Net sales	**143**	3,242	**548**	6,152
Amortization of property, plant and equipment	**8**	223	**49**	453
Operating income	**(109)**	624	**(193)**	890
Other expense	**(998)**	(48)	**(1,000)**	(108)
Income tax (provision) recovery	**363**	(203)	**393**	(282)
Non-controlling interests	**261**	(130)	**280**	(175)
Net income (loss) from discontinued operations	**(483)**	243	**(520)**	325
Gain on sale of Sharpsmart	**255**	–	**255**	–
Income tax provision	**(64)**	–	**(64)**	–
Non-controlling interest	**(67)**	–	**(67)**	–
Net income from sale of Sharpsmart	**124**	–	**124**	–
Total net income (loss) from discontinued operations	**(359)**	243	**(396)**	325

The Company has agreed to settle a dispute with the purchaser of the medical waste business operations and assets sold in 2007 by reducing the principal amount of the $10,000 promissory note by $375 and by transferring to the purchaser the Company's interest in certain small quantity generator accounts which it had retained as part of the sale of its interest in Sharpsmart. The Company has also recorded a provision of $625 with respect to certain other expenditures which are expected to be incurred. These amounts are included in Other expense in the financial information summarized above. Documentation necessary to effect the settlement is expected to be executed shortly.

5. SALE OF PROPERTY HELD FOR SALE

Properties located in Quebec are surplus to the Company's requirements and are available for sale. For the six month period ended June 30, 2008, certain properties were sold for net proceeds of $216, after deducting costs of disposition of $58, resulting in a gain of $136. There were no such sales in the corresponding period of 2007.

6. DISPOSAL OF INVESTMENT IN FUTUREWAY COMMUNICATIONS INC.

In June 2007, the shareholders of Futureway Communications Inc. ("FCI") voted to approve an amalgamation of FCI with a subsidiary of a Canadian communications company. The amalgamation was completed on June 22, 2007 pursuant to which the Company's 517,660 shares in FCI were redeemed for cash proceeds of $688. This resulted in a gain for accounting purposes in the same amount as the Company's original investment of $2,000 had been written down to a nominal value of one dollar as at December 31, 2005.

7. DERIVATIVE FINANCIAL INSTRUMENTS

As at June 30, 2008, the Company holds certain U.S. dollar foreign exchange forward contracts to acquire an aggregate U.S. $7,800 to hedge the underlying exposure on a portion of its anticipated future cash outflows. These contracts have been designated as effective cash flow hedges.

The contracts have maturities from one to six months. At June 30, 2008, the weighted average remaining maturity was 69 days at a weighted average exchange rate of U.S. $1.00 = CDN $1.10. In connection with these cash flow hedges, the Company recorded an unrealized loss of $116 for the second quarter in 2008 and an unrealized gain of $451, for the six months ended June 30, 2008 in Other Comprehensive Income (Loss), not affecting current period earnings. An exchange loss of $21 for the quarter and an exchange gain of $11 for the six month period were recorded on the ineffective portion of these derivative financial instruments.

In 2008, the Company reclassified $1,842 from Accumulated Other Comprehensive Loss, of which $1,272 was reclassified during the second quarter. This amount has been added to the carrying value of the non-financial asset.

The Company also holds an interest rate swap contract to hedge the risk arising from variability of cash flows relating to currently outstanding and anticipated future borrowings. The contract was designated as an effective cash flow hedge. The swap commenced in January 2008 with a notional principal amount of $3,000 increasing at various intervals and amounts to a total of $20,000 in September 2008. The notional principal amount reduces by $3,000 per year from December 2010 to December 2013 and by $8,000 in December 2014. The fixed rate of interest under the swap contract is 5.16%. The total cost of borrowing includes the Company's credit spread, which may vary based on the ratio of Net Funded Debt to EBITDA, as those terms are defined under the Company's credit agreement. Currently the credit spread is 1.50%.

For the second quarter of 2008, the Company recorded an unrealized gain of $229, net of income taxes of $89, not affecting current period earnings, in Other Comprehensive Income (Loss) in connection with the interest rate swap. For the year-to-date period an unrealized loss of $293, net of income taxes of $80, was recorded, not affecting current period earnings, in Other Comprehensive Income (Loss).

The fair value of the derivatives in the amounts of $690 and $969 have been classified as current and non-current derivative financial instruments, respectively.

8. CAPITAL STOCK

At June 30, 2008, issued and outstanding capital stock consisted of 8,525,654 Class A Subordinate Voting shares (December 31, 2007 – 8,424,854) and 2,429,000 Class B Multiple Voting shares (December 31, 2007 – 2,429,000).

For the quarter ended June 30, 2008 a total of 35,500 Class A shares were issued under the Company's Stock Option Incentive Plan for cash of $145 (2007 – 2,000 for cash of $12) and for the six month period a total of 120,500 Class A shares were issued for cash of $634 (2007 – 2,000 for cash of $12). A total of 10,300 (2007 – Nil) Class A shares were purchased during the quarter under the Company's Normal Course Issuer Bid, at a weighted average price of $10.26, which resulted in a premium paid of $65 over the average stated capital and a total of 19,700 (2007 – Nil) Class A shares were purchased during the six month period ended June 30, 2008, at a weighted average price of $10.38, which resulted in a premium paid of $126. All of the repurchased Class A shares were cancelled.

June 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

The Class B shares are convertible into Class A shares at any time. The Class A shares trade on the Toronto Stock Exchange under the symbol BBL.A. The Class B shares do not trade on any public market.

9. STOCK-BASED COMPENSATION

Under the Brampton Brick Limited Stock Option Incentive Plan (the Plan), the Company may grant stock options to the directors, officers and full-time employees of the Company and its subsidiaries up to an aggregate of 1,080,965 (December 31, 2007 – 1,080,965) Class A Subordinate Voting shares. The exercise price of each stock option is equal to the volume weighted average trading price of the Company's Class A Subordinate Voting shares for the five trading days immediately preceding the date of grant and the maximum term of each option is 10 years. As at June 30, 2008, a total of 482,365 (December 31, 2007 – 587,865) stock options were available for grant under the Plan.

On March 14, 2008, the Company granted stock options to eight senior officers and to all non-management members of the Board of Directors of the Company to acquire an aggregate of 105,500 Class A Subordinate Voting shares at the market price of $10.51 per share. Each option vested 20% on the date immediately following the date of grant and an additional 20% shall vest on each anniversary thereof until fully vested.

As of the date of the grant, the fair value of each stock option granted was estimated to be $2.78, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.12%
Expected life	7.7 years
Volatility	25%
Expected dividend yield	1.9%

The compensation cost charged against income for the quarter ended June 30, 2008 with respect to these grants was $15 and for the six month period was $76. An offsetting credit in the same amount was reflected in contributed surplus.

The total compensation cost charged against income for the quarter ended June 30, 2008 with respect to all stock options granted after January 1, 2002 was $54 (2007 – $56). For the year-to-date, the cost was $157 (2007 – $155). The Company did not record a compensation cost with respect to stock options granted prior to January 1, 2002, of which 7,500 options remain outstanding at June 30, 2008.

As at June 30, 2008, an aggregate 371,900 stock options were outstanding, of which 216,440 were fully vested and exercisable by the holders thereof at a weighted average exercise price of $12.97.

10. OPERATING SEGMENT DISCLOSURES

For purposes of operating decision making and assessing performance, management considers that the Company operates within two dominant business segments; Masonry Products and Landscape Products.

Other business operations and assets consist primarily of the Company's 50% joint venture interest in Universal Resource Recovery Inc., the promissory note receivable and property held for sale.

A brief description of each business segment is as follows:

Masonry Products – manufacture of clay brick and a range of concrete masonry products including stone veneer, window sills and concrete brick for use in residential construction and institutional, commercial and industrial building projects.

Landscape Products – manufacture of concrete paving stones, retaining walls, garden walls, fireplace surrounds, wall tiles and sales of accessory products for use in residential construction and institutional, commercial and industrial building projects.

June 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

Segmented information, with comparative information for 2007, is as follows:

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
i) Net sales	**$**	$	**$**	$
Masonry Products	**21,641**	20,705	**30,947**	30,841
Landscape Products	**8,154**	8,545	**8,834**	9,226
Consolidated net sales from continuing operations	**29,795**	29,250	**39,781**	40,067
ii) Operating income (loss)				
Masonry Products	**7,481**	7,355	**5,576**	7,130
Landscape Products	**(814)**	1,102	**(4,424)**	(2,100)
Other	**(126)**	(108)	**(265)**	(178)
Consolidated operating income from continuing operations	**6,541**	8,349	**887**	4,852

	June 30 2008	Dec. 31 2007
iii) Total assets	**$**	$
Masonry and Landscape Products	**175,461**	161,369
Other	**19,870**	20,080
Consolidated total assets	**195,331**	181,449

Assets do not form part of management's evaluation of performance of individual business units and therefore are not reported on a segmented basis.

11. COMMITMENTS AND CONTINGENCIES

Future minimum lease payments due as at June 30, 2008 under building, storage yard and vehicle operating leases are as follows:

	$
2008	173
2009	277
2010	179
2011	121
2012	102
	852

Commitments to purchase production equipment totaled $846 at June 30, 2008, excluding the items noted in the following paragraph.

To June 30, 2008 capital expenditures in the amount of U.S. $22,024 had been incurred with respect to the U.S. $37,000 contract for the design, supply and assembly of equipment and building for the Company's new clay brick manufacturing plant in Indiana. The Company's proportionate share of purchase commitments with respect to the construction of the waste composting facility by Universal Resource Recovery Inc. ("Universal") amounted to $4,270 at June 30, 2008, of which $2,297 has been incurred.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at June 30, 2008, the Company had contracted its estimated 2008 natural gas supply requirements at an aggregate estimated cost of $3,832, of which approximately 48% was at fixed prices, and for all of its estimated 2008 transportation requirements at an aggregate estimated cost of $613, of which 86% was at fixed prices. The potential unrealized gain on the fixed price contracts was approximately $1,156 (2007 – unrealized loss of $268) which was not taken into income since these are supply and transportation contracts that will be charged to operations in the period the gas is consumed.

Under the contract for trucking services entered into in 2006, the Company retains the right to acquire the transportation equipment if the contract is cancelled by the service provider before the end of the term in February 2011. Similarly, the Company may be obligated to acquire the transportation equipment if the Company cancels the contract before the end of the term.

Letters of credit are issued by the Company's banker to provide security to certain service providers and for other potential obligations of the Company. The principal and interest on a term loan due in instalments to May 2009 is also secured by a letter of credit issued by the Company's banker. The aggregate amount of outstanding letters of credit as at June 30, 2008 was $825 (December 31, 2007 – $1,289).

The Company and its joint venture partner in Universal have each provided a guarantee of $6,500 as security for Universal's borrowings under its credit facility. As at June 30, 2008 Universal's total borrowings were $4,500.

12. RELATED PARTY TRANSACTIONS

The Company has determined which of its customers are related to the Company via common directors or shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 5.7% of net sales in the aggregate for the quarter ended June 30, 2008 (2007 – 7.2%) and 6.4% (2007 – 6.9%) for the six month period.

A director of the Company is a senior partner in the law firm which acts as general counsel to the Company. Fees for services rendered for the quarter ended June 30, 2008 amounted to $115 (2007 – $33) and for the six month period $147 (2007 – $54).

Other current assets include an interest-free loan receivable of $150 (2007 – $150) due October, 2008.

13. SEASONAL FLUCTUATIONS

The Company's business is seasonal. Consequently, the results of operations and cash flows for the three and six month periods ended June 30, 2008 are not necessarily indicative of the results to be expected for the full year.

14. COMPARATIVE AMOUNTS

Certain comparative amounts in the financial statements have been reclassified to conform with the current period financial statement presentation. Cash and cash equivalents reported in the Consolidated Statements of Cash Flows includes cash and cash equivalents related to discontinued operations at the beginning and end of each period, as applicable.

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