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2011 THIRD QUARTER REPORT
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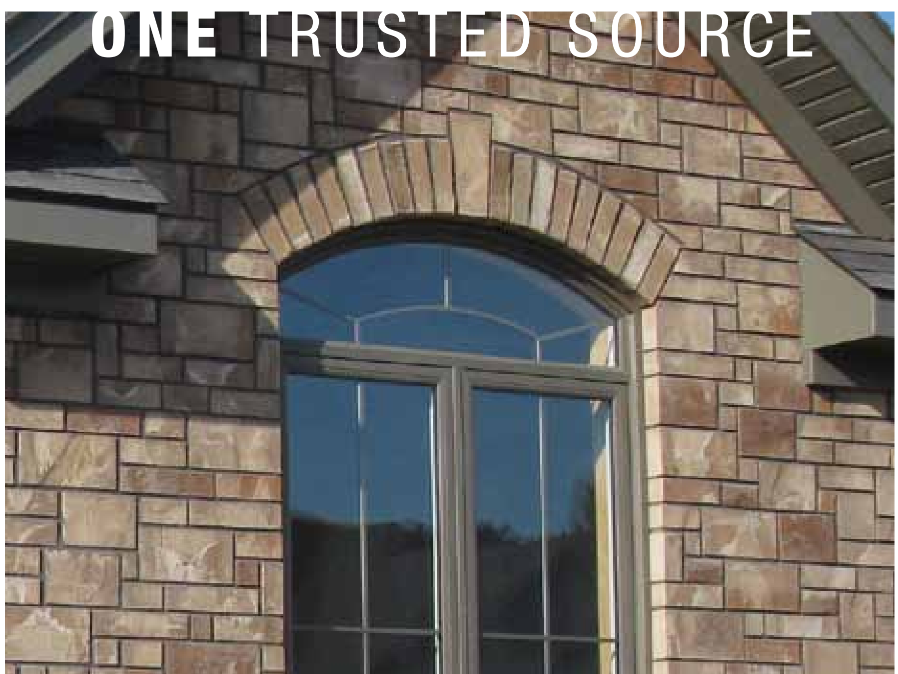

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2011
PREPARED AS OF NOVEMBER 7, 2011

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended September 30, 2011 should be read in conjunction with the Interim Consolidated Financial Statements as at and for the three and nine month periods ended September 30, 2011 and the annual MD&A included in the Company's 2010 Annual Report. Effective January 1, 2011, the Company is required to prepare and report its financial statements in accordance with International Financial Reporting Standards ("IFRS"). Comparative information for 2010 was required to be restated accordingly, including an opening Consolidated Balance Sheet as at January 1, 2010. A summary of the significant financial effects of the conversion to IFRS is included later in this MD&A and additional detailed information may be found in Notes 2 and 4 to the Interim Consolidated Financial Statements. All amounts are stated in thousands of Canadian dollars, except per share amounts.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30

For the third quarter ended September 30, 2011, the Company recorded a loss of $5,074, or $0.46 per share, compared to net income of $90, or $0.01 per share, for the third quarter of 2010. The aggregate weighted average number of Class A Subordinate Voting shares ("Class A shares") and Class B Multiple Voting shares ("Class B shares") outstanding was 10,936,554 in both periods.

The loss for the quarter included an impairment charge of $5,303, or $0.48 per share, to reflect the Company's share under IFRS of an impairment charge in relation to the underlying assets of Universal Resource Recovery Inc. ("Universal"). This matter is discussed in greater detail below. Excluding this impairment charge, the Company would have reported net income of $229, or $0.02 per share, for the third quarter of 2011.

Revenues for the quarter increased by $5,797 from $20,510 in 2010 to $26,307 on the strength of a $4,881 increase in revenues in the Masonry Products business segment and a $916 increase in revenues in the Landscape Products business segment.

Operating results, however, were negatively impacted by higher manufacturing costs charged against operations, primarily due to lower production volumes of both masonry and landscape products, as well as higher yard and delivery expenses and higher general and administrative expenses. These increases were partially offset by lower selling expenses and lower depreciation expense.

Yard and delivery expenses, which are included in Cost of Sales in the Consolidated Statement of Comprehensive Income (Loss) were higher in the third quarter of 2011 compared to 2010. This increase arose as a result of the higher delivery costs corresponding to increased sales volumes and an increase in masonry shipments from the Indiana plant into the Canadian market.

During the first quarter of 2011, the Company reviewed the remaining useful life of plant and production equipment which resulted in changes in the expected useful life of certain production equipment. As a result, depreciation expense, which is included in Cost of Sales in the Consolidated Statement of Comprehensive Income (Loss) decreased by $945 for the three month period ended September 30, 2011 compared to the same period in 2010.

Operating income for the quarter was $2,610 compared to $1,881 for the third quarter of 2010.

Finance costs increased to $1,383 for the third quarter in 2011 from $1,235 in 2010 primarily due to an increase in the loss on the derivative financial instrument.

The Company's share of the operational loss from its 50% joint venture interest in Universal amounted to $537 in the third quarter of 2011 compared to $690 in 2010. Universal suspended its operations in June 2011 and management of Universal is currently exploring strategic alternatives with respect to its future operations. Universal is a private company in Canada and is not required to comply with IFRS. However, the accounting policies of Universal have been reviewed and adjustments have been made for reporting purposes, where necessary, to ensure consistency with the policies adopted by the Company. As a result of the suspension of operations, the Company concluded that there were indicators of impairment and consequently, performed an impairment analysis. Based on this analysis, the Company concluded that under IFRS the underlying assets of the investment were impaired. As a result of this impairment charge, the Company's share of the loss increased by $5,303. As at September 30, 2011, the estimated recoverable amount of the Company's investment in the joint venture is $940. The Company will continue to evaluate this investment based on the decisions made by management of Universal in relation to the future direction of Universal and its operations. Under IFRS an impairment loss can be reversed if there is a change in the estimates used to determine the recoverable amount.

The provision for income taxes of $466 for the third quarter of 2011 compared to a recovery of $117 for the third quarter of 2010 relates solely to the pre-tax income of the Company's Canadian operations. The Company did not record a deferred tax asset with respect to the potential future income tax benefit pertaining to the losses incurred by its U.S. operations.

NINE MONTHS ENDED SEPTEMBER 30

For the nine month period ended September 30, 2011, the Company incurred a loss of $10,039, or $0.92 per share, compared to a loss of $3,322, or $0.31 per share, for the nine month period ended September 30, 2010. The aggregate weighted average number of Class A shares and Class B shares outstanding was 10,936,554 in both periods.

As described above, the loss in 2011 included an impairment charge of $5,303, or $0.48 per share, with respect to the Company's investment in Universal.

Revenues increased to $60,418, an increase of $3,947 from the same period in 2010.

Higher manufacturing costs charged against operations and higher yard and delivery expenses for the nine month period compared to last year were offset, in part, by a decrease in depreciation expense, all for the same reasons as noted above for the three months ended September 30, 2011.

The year to date increase in selling expenses was a result of higher advertising and marketing expenditures to support the introduction of new products and to expand the Company's product and geographic market profile. General and administrative expenses increased by $761, or 19.6%, primarily due to non-recurring expenses and an increase in the provision for uncollectible accounts.

For the nine month period ended September 30, 2011, the Company recorded operating income of $891 compared to $2,010 for the same period in 2010.

Finance costs of $3,593, as compared to $3,416 in 2010, increased as a result of the additional interest expense in the current period on the $9,000 subordinated debenture which was issued on February 26, 2010.

As noted above under the three months ended September 30, 2011, the Company records a recovery of, or provision for, income taxes only with respect to its Canadian operations. The Company has not recorded a deferred tax asset with respect to the potential future tax benefit pertaining to losses incurred by its U.S. operations.

For the nine month period ended September 30, 2011, the Company's share of the operational loss incurred by Universal amounted to $2,044 compared to $1,925 in 2010. The additional impairment charge of $5,303, recorded in the third quarter of 2011 as described above, brought the total loss from the Company's investment in Universal to $7,347 for the nine month period ended September 30, 2011.

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

MASONRY PRODUCTS

For the three month period ended September 30, 2011, the Masonry Products business segment reported operating income of $1,165 on revenues of $17,794 compared to operating income of $1,053 on revenues of $12,913 for the corresponding period in 2010.

Revenues for the quarter increased by $4,881 over 2010 as a result of growth in sales volumes. In addition, the introduction of concrete block products in the Ontario market in April of this year generated new revenues.

For the nine month period, this business segment recorded operating income of $728 in 2011 compared to $2,625 in 2010. Revenues for the nine month period increased by $3,360 from $39,654 in 2010 to $43,014 in 2011.

Operating results for both the three and the nine month periods were negatively affected by lower production volumes and higher yard and delivery expenses. Higher general and administrative expenses applicable to this business segment also impacted operating results for the nine month period. Lower depreciation expense partially offset these increases.

LANDSCAPE PRODUCTS

The Landscape Products business segment reported operating income of $1,445 on revenues of $8,513 for the three month period ended September 30, 2011 compared to operating income of $828 on revenues of $7,597 in 2010.

For the nine month period to September 30, 2011, revenues increased by $587 to $17,404 from $16,817 in 2010. Higher selling and general and administrative expenses were offset by lower depreciation expense resulting in an operating income of $163 compared to operating loss of $615 for the same period in 2010.

CASH FLOWS

Cash flow provided by operating activities totaled $3,186 for the nine month period ended September 30, 2011 compared to $8,450 for the same period last year. The primary reasons for the decrease in cash from operations were a higher operating loss for the period adjusted for non-cash expenses. An increase in accounts receivable outstanding at the end of the period, due to increased revenues and timing of collections and higher disbursements in relation to trade payables, led to a further decrease in cash flow. Lower production volumes of certain products resulted in lower cash requirements for inventories.

Cash utilized for purchases of property, plant and equipment totaled $2,484 for the nine month period, including approximately $616 related to new products, compared to $1,501 in 2010.

Advances to Universal during the nine month period in 2011 were $2,725 compared to $3,400 in the same period in 2010.

Bank operating advances increased by $4,558 for the period to fund operating cash requirements, purchases of property, plant and equipment as well as interest and debt repayments. Advances to Universal were funded from the Company's cash resources.

On February 26, 2010, the Company completed a $9,000 subordinated secured debenture financing. In connection therewith, a $3,000 unsecured promissory note payable, which was due in December, 2009 but not paid, was refinanced as described in Note 7 to the Interim Consolidated Financial Statements. The new $1,900 promissory note payable was repaid on September 30, 2010.

The subordinated debenture was recorded for accounting purposes at its fair value which, net of transaction costs incurred in the amount of $377, amounted to $8,623 and is being carried at amortized cost. The transaction costs are being amortized over the term of the loan resulting in an effective interest rate of 11.89%. As at September 30, 2011 the unamortized transaction costs were $177.

FINANCIAL CONDITION

The Company's Masonry Products and Landscape Products business segments are seasonal in nature. The Landscape Products business is affected to a greater degree than the Masonry Products business. As a result of this seasonality, operating results are impacted accordingly and cash requirements are generally expected to increase through the first half of the year and decline through the second half of the year.

As at September 30, 2011, bank operating advances were $6,382. This represented an increase of $4,558 from the amount outstanding at December 31, 2010. Trade payables totaled $9,303 at September 30, 2011 compared to $9,638 at December 31, 2010.

The ratio of total liabilities to shareholders' equity was 0.55:1 at September 30, 2011 compared to 0.49:1 at December 31, 2010. The increase in this ratio from December 2010 to September 2011 was primarily due to the increase in bank operating advances, as noted above, and lower retained earnings resulting from the loss incurred for the nine month period ended September 30, 2011, offset in part by the impact of a decrease in foreign currency translation loss in Accumulated other comprehensive loss.

As at September 30, 2011, working capital was $13,776, representing a working capital ratio of 1.57:1. Comparable figures for working capital and the working capital ratio at December 31, 2010 were $18,499 and 2.07:1, respectively. Cash and cash equivalents totaled $2,654 at September 30, 2011 compared to $5,383 at December 31, 2010.

As at September 30, 2011 the Company had an operating credit facility of $15,000. This is a demand facility which is secured primarily by trade receivables and inventories of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S. The actual amount that the Company may borrow under this facility is the lesser of $15,000 or the amount of the borrowing base determined according to margin formulas for trade receivables and inventories, less prior ranking claims and the mark-to-market exposure on the interest rate swap contract. As at September 30, 2011 the borrowing base exceeded $15,000. Consequently, the borrowing limit was $15,000 and the utilization was $6,722, including $6,382 for bank operating advances and $340 for outstanding letters of credit.

On October 4, 2011 the Company concluded new arrangements with a different Canadian bank to provide its operating credit requirements. The new facility provides for borrowings up to $20,000 based on margin formulas for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured primarily by accounts receivable and inventories of the Company's Masonry Products and Landscape Products business segments in Canada and the U.S. The new agreement also contains certain financial covenants.

The Company settled its interest rate swap contract on October 3, 2011. Consequently, the fair value of the interest rate swap as at September 30, 2011 in the amount of $1,459 was classified as a current liability. As at December 31, 2010, current and non-current derivative financial liabilities were $604 and $828, respectively.

The Company expects that future cash flows from operations, cash and cash equivalents on hand and the unutilized balance of its operating credit facility will be sufficient to satisfy its obligations as they become due.

The Company was in compliance with all financial covenants under its long-term debt agreement as at September 30, 2011 and anticipates that it will maintain compliance throughout the year.

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, is disclosed in the table of contractual obligations in the annual MD&A included with the Company's 2010 Annual Report and in Note 14 to the Interim Consolidated Financial Statements.

With respect to contractual obligations outstanding as at September 30, 2011, changes included reductions of the remaining balances of the Company's purchase obligations under the natural gas supply and transportation contracts. These are more fully described in Note 14 to the Interim Consolidated Financial Statements.

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):

	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	GAAP*
TOTAL OPERATIONS	September 30		June 30		March 31		December 31	
	2011	2010	2011	2010	2011	2010	2010	2009
Revenues	$ 26,307	$ 20,510	$ 23,495	$ 23,817	$ 10,616	$ 12,144	$ 16,152	$ 15,009
Net income (loss)	$ (5,074)	$ 90	$ (540)	$ 373	$ (4,425)	$ (3,785)	$ 784	$ (2,320)
Net income (loss) per share								
Basic	$ (0.46)	$ 0.01	$ (0.05)	$ 0.03	$ (0.40)	$ (0.35)	$ 0.07	$ (0.21)
Diluted	$ (0.46)	$ 0.01	$ (0.05)	$ 0.03	$ (0.40)	$ (0.35)	$ 0.07	$ (0.21)

*The term GAAP refers to Canadian GAAP before the adoption of IFRS.

Comparative amounts for 2010 have been restated to comply with the adoption of IFRS effective January 1, 2010. Comparative amounts for 2009 have not been restated.

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:

QUARTERS ENDED SEPTEMBER 30

Excluding the additional impairment charge of $5,303, or $0.48 per share, related to the Company's investment in Universal, net income for the third quarter of 2011 improved compared to 2010 as a result of increased revenues and lower depreciation expense offset by higher manufacturing costs charged against operations due to lower production volumes and higher yard and delivery expenses.

Information with respect to the change in investment in Universal is disclosed in Note 16 to the Interim Consolidated Financial Statements.

QUARTERS ENDED JUNE 30

Operating results for the second quarter of 2011 compared to the second quarter of 2010 were negatively impacted by increased cost of sales due to higher yard and delivery expenses, higher advertising and marketing expenses to support the introduction of new products and expand the Company's product and geographic market profile and higher general and administrative expenses. This was offset to some extent by increases in the expected useful life of certain production equipment which resulted in a decline in depreciation expense in the second quarter of 2011.

QUARTERS ENDED MARCH 31

Revenues in the first quarter of 2011 decreased compared to the first quarter of 2010 due to lower shipments of masonry products primarily due to poor weather conditions and lower housing starts. Increases in the expected useful life of certain production equipment resulted in a decline in depreciation expense in the first quarter of 2011.

QUARTERS ENDED DECEMBER 31

Revenues increased in the fourth quarter of 2010 over the same period in 2009 as a result of higher shipments of both masonry and landscape products. Operating results for the quarter were negatively impacted by higher interest costs and a decrease in the income tax recovery.

As at December 31, 2010, the Company evaluated the impairment loss of $10,571 that was recorded upon the transition to IFRS as at January 1, 2010 for possible reversal, and concluded that the impairment loss had reversed by an aggregate of $885, net of exchange differences. The reversal of the loss was recorded in the Consolidated Statement of Comprehensive Income (Loss) for the quarter and year ended December 31, 2010.

OTHER

Information with respect to transactions with related parties in 2011 is disclosed in Notes 7 and 15 to the Interim Consolidated Financial Statements.

Information with respect to transactions with related parties for the year ended December 31, 2010 is disclosed in Notes 10, 11 and 18 to Consolidated Financial Statements included in the Company's 2010 Annual Report.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at September 30, 2011 is disclosed in Note 8 to the Interim Consolidated Financial Statements. There have been no changes to the issued and outstanding shares to the date of the MD&A.

There have been no changes in the Company's internal control over financial reporting during the period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's Annual Report and Annual Information Form for the year ended December 31, 2010 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders held on May 12, 2011 may be found on SEDAR at www.sedar.com.

SIGNIFICANT FINANCIAL EFFECTS OF CONVERSION TO IFRS

The more significant financial effects on the Company's consolidated financial statements resulting from the conversion to IFRS were as follows:

a) Property, plant and equipment

Upon transition to IFRS, the Company elected to apply the fair value as deemed cost election as at January 1, 2010 for properties and certain production equipment utilized in its Canadian masonry products and landscape products operations. In the second quarter of 2011 the Company decided to revisit the use of certain elections, and for consistency, it also decided to apply the fair value as deemed cost election as at January 1, 2010 to production equipment utilized in its U.S. landscape operations. See Note 4(v)(f) to the Interim Consolidated Financial Statements. As a result, the net carrying value of land and machinery and equipment as at January 1, 2010 increased by $35,366 and $20,032, respectively. The aggregate increase, net of related deferred income tax liabilities of $9,356, amounted to $46,042 and was reflected as an adjustment to Equity in the January 1, 2010 opening Consolidated Balance Sheet.

The increase in the carrying amount of machinery and equipment resulted in an increase in depreciation expense of $559 for the three months ended September 30, 2010, $1,674 for the nine months ended September 30, 2010 and $2,229 for the year ended December 31, 2010 from the amount reported under previous GAAP.

b) Asset impairment

Under IAS 36, *Impairment of Assets* ("IAS 36"), asset impairments are determined based on the assessment of the difference between the carrying amount and recoverable amount of the assets in a cash generating unit (CGU). The Company has determined that the Brampton clay brick plant, the Canadian concrete plants (Markham, Milton and Brampton), the Farmersburg, Indiana clay brick plant and the Wixom, Michigan concrete plant are the CGUs for purposes of the asset impairment tests. The standard requires that an impairment is determined based on the recoverable amount of the CGU. The recoverable amount is the higher of the amount determined under the "value in use" or "fair value less costs to sell" basis. An impairment charge is recognized when the carrying value of the CGU exceeds its recoverable amount. Under IFRS, an impairment loss for a CGU can be reversed if there has been a change in the estimates used to determine the recoverable amount, however the reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the CGU in prior periods.

Under the previous GAAP methodology, which utilized undiscounted future cash flows to determine the recoverable amount, the asset impairment evaluations completed as at January 1, 2010 and December 31, 2010 indicated that there was no impairment of any of the Company's CGUs.

Under IFRS, discounted cash flows are utilized to determine the recoverable amount. The Company completed its asset impairment evaluations with respect to its Brampton clay brick plant, the Canadian concrete plants (Markham, Milton and Brampton) and the Wixom, Michigan concrete plant and concluded that there was no impairment as at January 1, 2010 or at December 31, 2010.

The asset impairment evaluation as at January 1, 2010 with respect to the Farmersburg, Indiana clay brick plant indicated an impairment and, accordingly, an impairment loss of $10,571 was recognized in the January 1, 2010 opening Consolidated Balance Sheet for property, plant and equipment. The loss was recorded in retained earnings.

The decrease in the carrying value of property, plant and equipment as at January 1, 2010 with respect to this impairment loss resulted in a decrease in depreciation expense of approximately $128 for the three months ended September 30, 2010, $380 for the nine months ended September 30, 2010 and $504 for the year ended December 31, 2010.

As at December 31, 2010, the Company evaluated the impairment loss recorded as at January 1, 2010 for possible reversal, and concluded that the impairment loss had reversed by an aggregate $885, net of exchange differences. The impairment loss decreased due to an improvement in the estimated future cash flows. The reversal of the loss was recorded in the Statement of Comprehensive Income (Loss) in the fourth quarter of 2010. See Note 4(v)(g) of the Interim Consolidated Financial Statements.

c) Accounting for joint venture

The Company's 50% joint venture interest in Universal was accounted for under previous GAAP using the proportionate consolidation method. The Company's share of Universal's assets, liabilities, revenues, expenses and cash flows were included in the consolidated financial statements on a line-by-line basis. Upon conversion to IFRS, the Company elected to account for this investment using the equity method of accounting. Under this method, the Company's net investment in Universal is now reflected on one line in the Consolidated Balance Sheet and its share of the equity income or loss and related cash inflows and outflows are reflected on one line in the Consolidated Statement of Comprehensive Income (Loss) and Consolidated Statement of Cash Flows, respectively.

Universal is a private company in Canada and is not required to comply with IFRS. However, the accounting policies of Universal have been reviewed and adjustments have been made for reporting purposes, where necessary, to ensure consistency with the policies adopted by the Company. On January 1, 2010, an impairment assessment of Universal's property, plant and equipment was performed in accordance with IAS 36, which resulted in an impairment charge that increased the loss that is shared by the joint venture partners under the equity method of accounting. Accordingly, the Company recorded an increase in its share of the loss in Universal of $3,119 on transition to IFRS. The recoverability of Universal's property, plant and equipment was re-evaluated at December 31, 2010 in accordance with IAS 36 which resulted in a partial reversal of the impairment charge recorded as at January 1, 2010. This resulted in a reduction in the Company's share of the loss in Universal as at December 31, 2010 by $1,880 as compared to the previously reported share of loss under previous GAAP. The Company's share of loss in Universal measured under IFRS was $805 for the year ended December 31, 2010. See Note 4(v)(d) of the Interim Consolidated Financial Statements.

d) Foreign currency translation

The Company has concluded that the functional currency of its U.S. subsidiaries is the U.S. dollar. The Company now translates all assets and liabilities included in the financial statements of its U.S. subsidiaries into Canadian dollars at current exchange rates in effect at the balance sheet date, revenues and expenses are translated at average exchange rates prevailing during the period and translation gains or losses are reflected in other comprehensive income (loss).

Previously, non-monetary assets and liabilities were translated at historical exchange rates in effect at the dates of the transactions, revenues and expenses were translated at average exchange rates prevailing during the period and unrealized translation gains or losses were recognized in the Consolidated Statement of Comprehensive Income (Loss).

The financial impact of this change was a decrease in the carrying value of current assets of $263 at January 1, 2010 and $243 at December 31, 2010, a decrease in the carrying value of property, plant equipment of $1,954 at January 1, 2010 and $4,708 at December 31, 2010. Other comprehensive loss increased by $1,537 and $831 for the three and nine month periods ended September 30, 2010, respectively and increased by $2,616 for the year ended December 31, 2010. See Note 4(v)(c) of the Interim Consolidated Financial Statements.

In addition, the Company has elected, in accordance with the IFRS transitional provisions, to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of its U.S. subsidiaries prior to January 1, 2010, to zero. Accordingly, Accumulated other comprehensive loss and Retained earnings were each reduced by $3,829 as at January 1, 2010. See Note 4(v)(b) of the Interim Consolidated Financial Statements.

OUTLOOK

The Company's Masonry Products and Landscape Products business segments are cyclical. Demand for masonry products fluctuates in accordance with the level of new residential construction as well as industrial, commercial and institutional construction activity. Demand for landscape products fluctuates in accordance with the level of industrial, commercial and institutional construction activity and consumer spending.

Both business segments are seasonal with the Landscape Products business affected to a greater degree than the Masonry Products business.

Within the Company's primary Canadian market areas, housing starts in the important single-detached, semi-detached and townhouse segments were lower in the nine month period to September 30, 2011 than in the same period in 2010. Current economic forecasts project housing starts in these market areas to remain lower through the balance of 2011. Consequently, sales of masonry products can be expected to be impacted accordingly.

However, various initiatives undertaken by the Company, including the introduction of new products, targeted marketing strategies and customer service initiatives are expected to help mitigate the potential decline due to lower housing starts. In addition, the Company entered the concrete block market in Ontario in April 2011 which has generated increased sales as well as improve manufacturing efficiencies through increased capacity utilization. These improvements are expected to continue as the Company grows this new business.

In the U.S. market, there continues to be uncertainty regarding economic conditions in general and the economic environment impacting new home construction, in particular. While the Company has seen moderate growth in sales from its U.S. brick plant in 2011, this market remains challenging.

Sales of landscape products are expected to remain steady with last year through the fourth quarter of 2011.

With respect to Universal, the Company will continue to evaluate its investment based on the decisions made by management of Universal regarding its future direction and operations.

The Company also wishes to announce the appointment of Mr. Trevor M. Sandler as Vice-President, Finance and Chief Financial Officer effective November 8, 2011. Mr. Sandler assumes the role previously held by Mr. Ken Mondor who retired effective the close of business on November 7, 2011. The Company and Board of Directors wish to thank Ken for his diligence, competence and tireless efforts throughout the past 20 years.

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 2010 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.

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BRAMPTON BRICK Limited

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of an interim financial report, the interim financial report must be accompanied by a notice indicating that the interim financial report has not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management.

No auditor has performed a review of these interim consolidated financial statements.

Jeffrey G. Kerbel	Kenneth J. Mondor
President and Chief Executive Officer	Vice President, Finance and Chief Financial Officer

Dated as of the 7th day of November, 2011.

BRAMPTON BRICK Limited

Consolidated Balance Sheet

(unaudited)(in thousands of Canadian dollars)	Notes	September 30, 2011	December 31,[1] 2010	January 1,[1] 2010
ASSETS				
Current assets				
Cash and cash equivalents		**$ 2,654**	$ 5,383	$ 2,886
Trade and other receivables		**13,249**	6,136	6,278
Inventories		**20,913**	23,754	17,488
Income taxes recoverable	10	**125**	7	1,730
Promissory note receivable		**–**	–	1,335
Other assets		**982**	574	617
		37,923	35,854	30,334
Non-current assets				
Property, plant and equipment	5, 6	**175,167**	175,023	183,834
Investment in Universal Resource Recovery Inc.	16	**940**	5,562	1,567
Total assets		**$ 214,030**	$ 216,439	$ 215,735
LIABILITIES				
Current liabilities				
Bank operating advances	7	**$ 6,382**	$ 1,824	$ 750
Trade payables		**9,303**	9,638	8,526
Income taxes payable	10	**828**	825	1,572
Current portion of long-term debt	7	**3,216**	3,075	3,512
Current portion of derivative financial instrument	12	**1,459**	604	867
Decommissioning provisions		**45**	50	100
Other liabilities		**2,914**	1,339	1,174
		24,147	17,355	16,501
Non-current liabilities				
Long-term debt	7	**36,077**	37,271	30,971
Derivative financial instrument	12	**–**	828	917
Decommissioning provisions		**915**	942	905
Deferred income tax liabilities	10	**15,205**	15,065	15,111
Total liabilities		**$ 76,344**	$ 71,461	$ 64,405
EQUITY				
Equity attributable to owners of the parent				
Share capital	8	**$ 33,689**	$ 33,689	$ 33,689
Contributed surplus	9	**1,773**	1,658	1,488
Accumulated other comprehensive income (loss)		**16**	(2,616)	–
Retained earnings		**102,094**	112,135	114,707
		137,572	144,866	149,884
Non-controlling interests		**114**	112	1,446
Total equity		**$ 137,686**	$ 144,978	$ 151,330
Total liabilities and equity		**$ 214,030**	$ 216,439	$ 215,735

The accompanying notes are an integral part of these consolidated financial statements.
(1) Refer to note 4 for effect of adoption of IFRS.

Consolidated Statement of Comprehensive Income (Loss)

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended September 30 2011	Three months ended September 30 2010[1]	Nine months ended September 30 2011	Nine months ended September 30 2010[1]
Revenues	13	**$ 26,307**	$ 20,510	**$ 60,418**	$ 56,471
Cost of sales	5, 6	**20,597**	15,472	**49,611**	45,515
Selling expenses		**1,545**	1,810	**5,286**	5,167
General and administrative expenses		**1,581**	1,326	**4,638**	3,877
(Gain) loss on sale of property, plant and equipment		**(62)**	–	**(63)**	7
Other (income) expense		**36**	21	**55**	(105)
		23,697	18,629	**59,527**	54,461
Operating income		**2,610**	1,881	**891**	2,010
Finance (expense) income					
Finance costs	7, 12	**(1,383)**	(1,235)	**(3,593)**	(3,416)
Finance income		**5**	17	**23**	52
		(1,378)	(1,218)	**(3,570)**	(3,364)
Share of loss from investment in Universal Resource Recovery Inc.	16	**(5,840)**	(690)	**(7,347)**	(1,925)
Loss before income taxes		**(4,608)**	(27)	**(10,026)**	(3,279)
Recovery of (provision for) income taxes	10				
Current		**(570)**	(35)	**126**	(513)
Future		**104**	152	**(139)**	470
		(466)	117	**(13)**	(43)
Net income (loss) for the period		**$ (5,074)**	$ 90	**$ (10,039)**	$ (3,322)
Net income (loss) attributable to:					
Owners of the parent		**$ (5,074)**	$ 73	**$ (10,041)**	$ (3,371)
Non-controlling interests		**–**	17	**2**	49
Net income (loss) for the period		**$ (5,074)**	$ 90	**$ (10,039)**	$ (3,322)
Other comprehensive income (loss)					
Foreign currency translation		**$ 4,172**	$ (1,537)	**$ 2,632**	$ (831)
Total comprehensive loss for the period		**$ (902)**	$ (1,447)	**$ (7,407)**	$ (4,153)
Total comprehensive income (loss) attributable to:					
Owners of the parent		**$ (902)**	$ (1,464)	**$ (7,409)**	$ (4,202)
Non-controlling interests		**–**	17	**2**	49
Total comprehensive loss for the period		**$ (902)**	$ (1,447)	**$ (7,407)**	$ (4,153)
Net income (loss) per Class A and Class B share					
Basic	11	**$ (0.46)**	$ 0.01	**$ (0.92)**	$ (0.31)
Diluted	11	**$ (0.46)**	$ 0.01	**$ (0.92)**	$ (0.31)

The accompanying notes are an integral part of these consolidated financial statements.
(1) Refer to note 4 for effect of adoption of IFRS.

BRAMPTON BRICK Limited

Consolidated Statement of Changes in Equity

(unaudited) (in thousands of Canadian dollars)	Notes	Attributable to owners of the parent						
		Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-controlling interest	Total Equity
Balance - January 1, 2011		**$ 33,689**	**$ 1,658**	**$ (2,616)**	**$ 112,135**	**$ 144,866**	**$ 112**	**$ 144,978**
Loss for the period		**–**	**–**	**–**	**(10,041)**	**(10,041)**	**2**	**(10,039)**
Other comprehensive income (net of taxes)		**–**	**–**	**2,632**	**–**	**2,632**	**–**	**2,632**
Comprehensive loss for the period		**–**	**–**	**2,632**	**(10,041)**	**(7,409)**	**2**	**(7,407)**
Share-based compensation	9	**–**	**115**	**–**	**–**	**115**	**–**	**115**
Balance - September 30, 2011		**$ 33,689**	**$ 1,773**	**$ 16**	**$ 102,094**	**$ 137,572**	**$ 114**	**$ 137,686**

Balance - January 1, 2010[1]		**$ 33,689**	**$ 1,488**	**$ –**	**$ 114,707**	**$ 149,884**	**$ 1,446**	**$ 151,330**
Loss for the period		**–**	–	–	(3,371)	**(3,371)**	49	**(3,322)**
Other comprehensive loss (net of taxes)		**–**	–	(831)	–	**(831)**	**–**	**(831)**
Comprehensive loss for the period		**–**	**–**	**(831)**	**(3,371)**	**(4,202)**	**49**	**(4,153)**
Share-based compensation	9	**–**	136	–	–	**136**	**–**	**136**
Balance - September 30, 2010		**$ 33,689**	**$ 1,624**	**$ (831)**	**$ 111,336**	**$ 145,818**	**$ 1,495**	**$ 147,313**

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

(1) Refer to note 4 for effect of adoption of IFRS.

BRAMPTON BRICK Limited

Consolidated Statement of Cash Flows

(unaudited)(in thousands of Canadian dollars)	Notes	Nine months ended September 30 2011	2010[1]
Cash provided by (used for)			
Operating activities			
Loss for the period		**$ (10,039)**	$ (3,322)
Items not affecting cash and cash equivalents			
Depreciation	5, 6	**5,040**	8,293
Deferred income taxes	10	**139**	(470)
Unrealized foreign currency exchange gain		**(67)**	(261)
Share of loss from investment in Universal Resource Recovery Inc.	16	**7,347**	1,925
(Gain) loss on sale of property, plant and equipment		**(63)**	7
Loss on derivative financial instrument		**27**	7
Net interest expense		**3,548**	3,406
Other		**115**	136
		6,047	9,721
Changes in non-cash items			
Trade and other receivables		**(6,984)**	(3,111)
Inventories		**3,148**	(3,743)
Other assets		**(397)**	(260)
Trade payables		**78**	2,502
Income taxes payable (net)		**(115)**	1,751
Other liabilities		**1,468**	1,740
		(2,802)	(1,121)
Payments for decommissioning of assets		**(59)**	(150)
Cash provided by operating activities		**3,186**	8,450
Investing activities			
Purchase of property, plant and equipment		**(2,484)**	(1,501)
Advances to Universal Resource Recovery Inc.		**(2,725)**	(3,400)
Proceeds from promissory note		**–**	1,338
Proceeds from sale of property, plant and equipment		**63**	2
Cash used for investing activities		**(5,146)**	(3,561)
Financing activities			
Increase (decrease) in bank operating advances		**4,558**	(750)
Issuance of subordinated debentures		**–**	7,523
Repayment of promissory note		**–**	(1,900)
Repayment of long-term debt		**(1,730)**	(187)
Interest paid on term loans and bank operating advances		**(3,300)**	(3,250)
Payments on obligations under capital leases		**(316)**	(240)
Cash (used for) provided by financing activities		**(788)**	1,196
Foreign exchange on cash held in foreign currency		**19**	(8)
(Decrease) increase in cash and cash equivalents		**(2,729)**	6,077
Cash and cash equivalents at the beginning of the period		**5,383**	2,886
Cash and cash equivalents at the end of the period		**$ 2,654**	$ 8,963
Supplementary information			
Income taxes paid		**$ –**	$ 788

The accompanying notes are an integral part of these consolidated financial statements.
(1) Refer to note 4 for effect of adoption of IFRS.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2011 and 2010 (Unaudited – in thousands of Canadian dollars, unless otherwise stated)

1. GENERAL BUSINESS DESCRIPTION

Brampton Brick Limited and its subsidiaries, together referred to as the ("Company") primarily manufacture and sell masonry and landscape products. The Company has clay brick manufacturing plants located in Brampton, Ontario and in Farmersburg, Indiana. Plants located in Markham, Milton and Brampton, Ontario and in Wixom, Michigan manufacture concrete products. Brampton Brick Limited is incorporated and domiciled in Canada. The address of its registered office is 225 Wanless Drive, Brampton, Ontario.

The Company's Class A Subordinate Voting shares trade on the Toronto Stock Exchange under the ticker symbol "BBL.A". The Company's Class B Multiple Voting shares do not trade on any public market.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 7, 2011.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010 the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in its 2011 condensed interim consolidated financial statements. In these condensed interim consolidated financial statements the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed interim consolidated financial statements as at September 30, 2011 and for the three and nine month periods ended September 30, 2011 and 2010 are unaudited and include all adjustments that management considers necessary for a fair presentation of the consolidated balance sheet, consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows.

STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and in accordance with *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1"), as issued by the International Accounting Standards Board ("IASB"). The date of transition to IFRS was January 1, 2010.

Subject to certain transition elections and policy changes disclosed in note 4, the Company has consistently applied the same accounting policies and elections in its opening IFRS balance sheet as at January 1, 2010 and throughout all periods presented, as if these policies and elections had always been in effect. Note 4 discloses the impact of the transition to IFRS on the Company's reported consolidated balance sheet, consolidated comprehensive income (loss) and consolidated cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's Canadian GAAP consolidated financial statements for the year ended December 31, 2010. Comparative figures for 2010 in these financial statements have been restated to give effect to these changes.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of November 7, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2010. However, certain information and disclosures which are considered material to the understanding of the transition from Canadian GAAP to IFRS, including the opening consolidated balance sheet at the date of transition to IFRS, and reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity and comprehensive income for the three and nine month periods ended September 30, 2011 and for the year ended December 31, 2010 are provided in note 4. Note 4(vi) discloses IFRS information for the year ended December 31, 2010 not provided in the 2010 annual consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies described below have been applied consistently to all periods presented in these interim consolidated financial statements and in preparing the opening IFRS balance sheet as at January 1, 2010 for the purposes of the transition to IFRS.

BASIS OF MEASUREMENT

These interim consolidated financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are measured at fair value through profit or loss.

BASIS OF CONSOLIDATION

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

These interim consolidated financial statements include the accounts of Brampton Brick Limited and its operating subsidiaries, Brampton Brick Inc., Oaks Concrete Products Inc., and 1813435 Ontario Limited (65% owned – formerly 1312082 Ontario Limited). All significant intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

BRAMPTON BRICK Limited

BUSINESS COMBINATIONS

Acquisition of a business or entity by the Company is reported as a business combination, applying the acquisition method. Under this method, assets, liabilities and contingent liabilities acquired are brought into the Company's financial statements at the fair value as of the acquisition date. Transaction costs are expensed as incurred. (See note 4(v)(a) for IFRS 1 transition election.)

INVESTMENT IN JOINT VENTURE

The Company's interest in Universal Resource Recovery Inc., ("Universal"), a 50-50 joint venture of the Company, is accounted for using the equity method of accounting. The Company adopted this policy on transition to IFRS, effective January 1, 2010. Prior to this date, the Company's interest in Universal was accounted for using the proportionate consolidation method. (See note 4(v)(d) for Canadian GAAP to IFRS transition adjustments).

Under the equity method of accounting, the consolidated balance sheet carrying amount of the investment in Universal is increased or decreased to recognize the Company's share of the profit or loss of Universal. The Company's share of the profit or loss of Universal is recognized in the consolidated statement of comprehensive income (loss). If the Company's share of losses equals or exceeds its interest in Universal, including unsecured advances, the Company would not recognize further losses, unless it had incurred obligations or made payments on behalf of Universal. Dividends received from Universal reduce the carrying amount of the investment. Additional advances to Universal increase the carrying amount of the investment. Adjustments are made to conform Universal's accounting policies to those of the Company for like transactions and events in similar circumstances.

The Company assesses at each reporting period whether there is objective evidence that its interest in Universal is impaired. If impaired, the carrying value of the investment in Universal is written down to its estimated recoverable amount (being the higher of fair value less costs to sell and value in use) and charged to the consolidated statement of comprehensive income (loss). Reversals of impairments are permitted when events or circumstances warrant.

NON-CONTROLLING INTERESTS

Non-controlling interests represent outside parties' equity interests in 1813435 Ontario Limited (65% owned – formerly 1312082 Ontario Limited). The share of net assets of this subsidiary attributable to non-controlling interests is presented as a separate component of equity. The share of net income and comprehensive income attributable to non-controlling interests is recognized directly in equity. Changes in the Company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions. (See note 4(v)(h) for Canadian GAAP to IFRS disclosure changes.)

FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each consolidated entity of Brampton Brick Limited are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These interim consolidated financial statements are presented in Canadian dollars, which is Brampton Brick Limited's functional currency. The financial statements of the Company's U.S. subsidiaries, (Brampton Brick Inc. and Oaks Concrete Products Inc.) which have the U.S. dollar as the functional currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the balance sheet statement date, and income and expenses – at the average rate of the reporting period (as this is considered a reasonable approximation of actual rates). All foreign currency differences are recognized in other comprehensive income (loss).

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at month-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in the consolidated statement of comprehensive income (loss).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash and short-term deposits with original maturities of three months or less.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories, depending on the purpose for which the instruments were acquired:

(i) **Financial assets and liabilities at fair value through profit or loss:** A financial asset or liability is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Derivatives are also included in this category unless they are designated as hedges. See note 12 for derivative financial instruments held by the Company and classified in this category.

Financial instruments in this category are recognized both initially and subsequently at fair value. Upon initial recognition attributable transaction costs are recognized in the consolidated statement of comprehensive income (loss) as incurred. Gains and losses arising from changes in fair value are presented in the consolidated statement of comprehensive income (loss) in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

(ii) **Available-for-sale financial assets:** Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

(iii) **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of trade receivables and cash and cash equivalents. Such assets are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

(iv) **Financial liabilities at amortized cost:** Financial liabilities at amortized cost include trade payables, other liabilities, bank debt and long-term debt. Trade payables are initially recognized at the amount required to be paid less, when material, a discount to reduce the payable to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

(v) **Derivative financial instruments:** The Company occasionally uses derivative financial instruments to manage interest rate risk and foreign currency risk. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. If hedge accounting is used, the effectiveness of the derivative in managing an identified risk is assessed on initial application, and on an ongoing basis thereafter. Unrealized gains and losses, net of related income taxes, on the derivative contracts, are recorded in other comprehensive income (loss). If a hedge becomes ineffective, hedge accounting is discontinued and the derivative contracts are adjusted to fair value at each reporting date, with changes in fair value recorded in the consolidated statement of comprehensive income (loss).

TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the normal course of business, net of any allowance for doubtful accounts and sales discounts.

INVENTORIES

Inventories of manufactured items and work-in-process are recorded at the lower of cost, determined on an average production cost basis, and net realizable value.

Raw materials and resale inventories are recorded at the lower of cost, determined on a first-in, first-out basis, and replacement cost for raw materials and net realizable value for resale inventory.

Average production cost comprises raw materials, direct labour, other direct costs and related production overheads, based on normal production capacity, including applicable depreciation on property, plant and equipment. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of making the sale.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of comprehensive income (loss) during the period in which they are incurred.

Depreciation

Asset classes are sub-divided into major components to recognize differences in the life spans of the components identified. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and each component is depreciated separately. Residual values, method of depreciation and useful lives of assets are reviewed annually and adjusted if appropriate.

Depreciation is provided on a straight-line basis at rates designed to write off the property, plant and equipment components over their estimated useful lives, as follows:

Land improvements	5 to 10 years
Buildings	10 to 40 years
Machinery and equipment	3 to 40 years
Mobile equipment	4 to 10 years

Quarries are amortized on the unit of production method based on shale extraction and estimated remaining shale reserves.

Estimates of remaining useful lives in respect of certain items of plant and equipment were revised January 1, 2011. The change was accounted for prospectively, see note 6.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the statement of comprehensive income (loss).

The Company elected to measure certain assets of property, plant and equipment at their fair value and use the fair value as deemed cost election under the IFRS 1 transitional provisions as at January 1, 2010. (See note 4(v)(f) for IFRS 1 transitional election).

IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment are assessed at the end of each reporting period to determine whether there is indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or “CGU”s). The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration. (See note 4(v)(g) Canadian GAAP to IFRS transitional adjustments.)

LEASES

Leases are classified as finance or operating depending upon the terms and conditions of the contracts. Leases that transfer substantially all of the risks and rewards of ownership of the asset and to which the criteria as described under IAS 17, *Leases*, apply are classified as finance leases and are accounted for as an acquisition of a non-current asset and an assumption of an obligation at the inception of the lease, measured at the present value of minimum lease payments. Asset values recorded under finance leases are amortized on a straight-line basis over the period of expected use. Obligations recorded under finance leases are reduced by lease payments net of imputed interest.

Other leases are operating leases and are not recognized in the Company’s balance sheet and are expensed over the lease term on a straight-line basis.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the normal course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

PROVISIONS

Provisions, where applicable, are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of comprehensive income (loss) in the period in which they are incurred. (See note 4(v)(e) for Canadian GAAP to IFRS transitional election.)

DECOMMISSIONING PROVISIONS

The cost of the Company’s obligation to rehabilitate its shale quarries is estimated based on the present value of expected future rehabilitation costs and is recognized in the period in which the obligation is incurred. The present value of these costs is added to the cost of the associated asset and amortized over its useful life, while the corresponding liability will accrete to its future value over the same period.

The present value of the rehabilitation liability is determined based on a pre-tax discount rate that takes into account the time value of money and the risks specific to the liability. The liability is reviewed at each reporting date to determine if the discount rate is still applicable and to determine if changes are required to the original estimate.

Changes to estimated future costs are recognized on the balance sheet by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of comprehensive income (loss). (See note 4(v)(j) for Canadian GAAP to IFRS transition adjustments.)

INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the tax is also recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized, using the liability method, in respect of temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to be in effect in the periods in which the deferred tax assets and liabilities are expected to be realized or settled.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority or either the same taxable group company; or different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred income tax assets and liabilities are presented as non-current. (See note 4(v)(k) for Canadian GAAP to IFRS transition adjustments.)

Tax on income earned (or recovery for losses incurred) in interim periods is accrued using the weighted average tax rate that would be applicable to expected total annual earnings (or losses) of each entity within the consolidated group.

SHARE CAPITAL

Class A Subordinate Voting shares and Class B Multiple Voting shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

DIVIDENDS

Dividends on Class A Subordinate Voting shares and Class B Multiple Voting shares are recognized in the Company's consolidated financial statements in the period in which the dividends are approved by the Board of Directors of the Company.

REVENUE RECOGNITION

For masonry and landscape product sales, revenue is recognized when the sales price is fixed or determinable and collectibility is reasonably assured. These criteria are generally met at the time the product is shipped to the customer or picked up by the customer or when contractual conditions are met in the case of the Dealer Stocking program, as described below.

Shipments arranged by the Company are sold F.O.B. job site. Customers therefore take ownership and assume the risk of loss upon delivery and all products are invoiced on the same date as they are shipped. Cartage charges are invoiced at the time of shipment.

Pick ups arranged by the customer are sold F.O.B. plant. Customers take ownership and assume the risk of loss upon the shipment leaving the Company's yard.

The Company offers a Dealer Stocking Program to a limited number of customers. Under this program, these customers may purchase up to a specific quantity of product that the Company will store on its site for a specified period of time. These transactions meet the criteria outlined in the Appendix to IAS 18, *Revenue*, for "Bill and Hold" arrangements. In these instances, revenue is recognized at the time the product is manufactured and placed into the designated area in the yard. If ultimate delivery is arranged by the Company, cartage is charged and revenue for cartage is recognized at the time of delivery.

The Company does not record a provision for product returns or defective products at the time of sale, as the amounts are not significant.

Sales discounts, including volume rebates, sales incentives and prompt payment discounts, are classified in revenues. Volume rebates and sales incentive credits are computed quarterly, on a customer by customer basis, and the provision is adjusted as required. Credit notes are issued quarterly and processed against the applicable customer account. Prompt payment discounts are recorded at the time payment is received. A general provision, based on historical payment patterns, is reviewed quarterly and adjusted as required.

COST OF SALES

Cost of sales includes cost of finished goods sold and costs related to shipping and handling of product.

EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of Brampton Brick Limited by the weighted average number of Class A Subordinate Voting shares ('Class A shares") and Class B Multiple Voting shares ("Class B shares") outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of Class A and Class B shares outstanding to assume conversion of all dilutive outstanding stock options. The number of shares outstanding is increased by the number of additional shares that would be issued upon the exercise of "in-the-money" stock options, if dilutive, and is reduced by the number of shares that could be repurchased, at the average market price, with the cash proceeds therefrom.

SHARE-BASED COMPENSATION

Stock options are accounted for under the fair value method. Each tranche in a grant is considered a separate grant with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Forfeitures are estimated for the purposes of determining the fair value of each tranche. Compensation expense is recognized over the vesting period of each tranche based on the number of options expected to vest with a corresponding credit to contributed surplus. The number of options expected to vest is reviewed at least annually, with any impact being recognized immediately. No compensation expense is recognized for options that do not ultimately vest. For expired and cancelled options, compensation expense is not reversed and the related credit remains in contributed surplus.

When options are exercised, the Company issues new Class A Subordinate Voting shares. The proceeds received are credited to share capital, together with the related amounts previously added to contributed surplus.

EMPLOYEE BENEFITS – DEFINED CONTRIBUTION PENSION PLANS

The Company's employee pension plans are defined contribution plans. The Company pays contributions into separate entities and does not have any legal or constructive obligation to pay further amounts. The obligations are recognized as an employee benefit expense in the consolidated statement of comprehensive income (loss) in the periods during which services are rendered by employees.

ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

Effective for years beginning on or after July 1, 2012, IAS 1 *Presentation of Financial Instruments* requires an entity to separate items presented in Other comprehensive income (loss) into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), IFRS 11 *Joint Arrangements* ("IFRS 11") IFRS 12 *Disclosure of Interests in other entities* ("IFRS 12") and IFRS 13 *Fair value measurement and disclosure requirements* ("IFRS 13") are effective for years beginning on or after January 1, 2013 with earlier adoption permitted. IFRS 10 has revised the definition of control so that the same criteria are applied to all entities to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. In addition, IAS 27 has been renamed "*Separate Financial Statements*" and deals solely with separate financial statements. IFRS 11 has reduced the 'types' of joint arrangements to two: joint operations and joint ventures. Equity accounting is mandatory for participants in joint ventures. IFRS 12 requires entities to disclose financial information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. These disclosure requirements replace the disclosure requirements in IAS 28 *Investments in Associates*. IFRS 13 provides guidance on the measurement of fair value where required or permitted by other IFRS and enhances disclosure requirements for fair value measurements.

The Company has not yet determined the impact of these changes on its financial statements.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The following are the estimates and judgments applied by management that most significantly affect the Company's consolidated financial statements:

Impairment of assets

At each reporting date, the Company assesses property, plant and equipment to determine whether there is any indication that an asset may be impaired. The recoverable amount of the asset is estimated whenever such indicators exist in order to determine the extent, if any, of the impairment loss. For the purposes of measuring the recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units or "CGU"s). The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In the absence of an arm's length transaction, fair value for assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is determined as the present value of estimated future cash flows arising from continued use and eventual disposition of the asset, which excludes future capital expenditures that would increase the service potential of the asset. 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 to the specific asset. Management makes judgments in assessing the estimated future cash flows and discount rates used in the impairment models.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized on the balance sheet. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

The Company is subject to taxation in a number of jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination requires judgment. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Decommissioning provisions

The Company is obligated to rehabilitate its quarry properties in Cheltenham, Ontario and Farmersburg, Indiana, as a condition of its licenses to mine shale. The Company assesses its quarry rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for quarry rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in the discount rate. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents the Company's best estimate of the present value of the future rehabilitation costs required.

Derivative financial instruments

Management estimates the fair value of its interest rate swap agreement as the present value of expected future cash flows to be received or paid based on available market data which includes market yields and counterparty credit spreads. This interest rate swap agreement is used to reduce interest rate risk arising from fluctuations in interest rates and to manage the fixed and floating interest rate mix of the Company's total debt portfolio and the related overall cost of borrowing. Management makes judgments in assessing the fair value of its interest rate swap agreement.

BRAMPTON BRICK Limited

4. TRANSITION TO IFRS

The date of transition to IFRS for the Company was January 1, 2010. IFRS 1 sets forth guidance for the initial adoption of IFRS. IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the transition date, except that IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to the general requirements of retrospective application.

The effect of the Company's transition to IFRS, described in note 2, is summarized in this note as follows:

(i) Transition elections;

(ii) Reconciliation of equity as previously reported under Canadian GAAP to IFRS;

(iii) Reconciliation of comprehensive income as previously reported under Canadian GAAP to IFRS;
A) For the year ended December 31, 2010
B) For the three and nine months ended September 30, 2010

(iv) Adjustments to the statement of cash flows;

(v) Explanatory notes; and

(vi) Additional IFRS information for year ended December 31, 2010.

(I) TRANSITION ELECTIONS

The Company has applied the following optional transition exemptions from full retrospective application of IFRS:

	As described in Note 4(v)
Business combinations	a
Cumulative translation adjustment	b
Borrowing costs	e
Fair value as deemed cost for property, plant and equipment	f

IFRS 1 provides for a number of mandatory exceptions from full retrospective application of IFRS, with estimates being the only mandatory exception applicable to the Company. Estimates previously made by the Company under Canadian GAAP are consistent with their application under IFRS.

(II) RECONCILIATION OF EQUITY AS PREVIOUSLY REPORTED UNDER CANADIAN GAAP TO IFRS

(unaudited)(in thousands of Canadian dollars)	Notes 4(v)	December 31, 2010	September 30, 2010	January 1, 2010
Equity as reported under Canadian GAAP		**$ 115,153**	**$ 116,978**	**$ 119,799**
IFRS adjustments increase (decrease)				
Exchange on translation of U.S. subsidiaries	b, c	(4,440)	(2,742)	(2,208)
Decommissioning provisions (net of tax)	j	(46)	(51)	(59)
Property, plant and equipment:				
Impairment	g	(9,686)	(10,571)	(10,571)
Depreciation relating to impairment	g	504	380	–
Revaluation (net of tax of $9,356)	f	46,042	46,042	46,042
Depreciation on revaluation (net of taxes of $509 – December 31, 2010 and $382 – September 30, 2010)		(1,720)	(1,292)	–
Deferred tax impact on intercompany profits in inventory		94	40	–
Investment in Universal Resource Recovery Inc.	d	(1,035)	(2,966)	(3,119)
Non-controlling interests	h	112	1,495	1,446
Equity as reported under IFRS		**$ 144,978**	**$ 147,313**	**$ 151,330**

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(III) (A) RECONCILIATION OF COMPREHENSIVE INCOME (LOSS) AS PREVIOUSLY REPORTED UNDER CANADIAN GAAP TO IFRS

		Year ended December 31		
(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	2010	2010	2010
	4(v)	CGAAP	Total Adjustments	IFRS
Revenues	d	$ 74,001	$ (1,378)	$ 72,623
Cost of sales	d, f, g, j	61,941	(2,510)	59,431
Selling expenses	d	7,022	(22)	7,000
General and administrative expenses	d, i	5,544	(219)	5,325
Gain on sale of property, plant and equipment		(3)	–	(3)
Other (income) expense	d	(481)	76	(405)
Asset impairment reversal	g	–	(885)	(885)
		74,023	(3,560)	70,463
Operating income (loss)		(22)	2,182	2,160
Finance (expense) income				
Finance costs	d, j	(4,478)	287	(4,191)
Finance income	d	53	(1)	52
		(4,425)	286	(4,139)
Share of loss from investment in Universal Resource Recovery Inc.	d	–	(805)	(805)
Loss before income taxes		(4,447)	1,663	(2,784)
Recovery of (provision for) income taxes	k			
Current		200	–	200
Deferred		(559)	605	46
		(359)	605	246
Loss for the year		$ (4,806)	$ 2,268	$ (2,538)
Net income (loss) attributable to:				
Owners of the parent		$ (4,840)	$ 2,268	$ (2,572)
Non-controlling interests		34	–	34
Loss for the year		$ (4,806)	$ 2,268	$ (2,538)
Other comprehensive income (loss)				
Foreign currency translation	c	$ –	$ (2,616)	$ (2,616)
Total comprehensive loss for the year		$ (4,806)	$ (348)	$ (5,154)
Total comprehensive income (loss) attributable to:				
Owners of the parent		$ (4,840)	$ (348)	$ (5,188)
Non-controlling interests		34	–	34
Total comprehensive loss for the year		$ (4,806)	$ (348)	$ (5,154)
Loss per Class A and Class B share				
Basic		$ (0.44)	$ 0.20	$ (0.24)
Diluted		$ (0.44)	$ 0.20	$ (0.24)

BRAMPTON BRICK Limited

(III) (B) RECONCILIATION OF COMPREHENSIVE INCOME (LOSS) AS PREVIOUSLY REPORTED UNDER CANADIAN GAAP TO IFRS

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended September 30 2010 CGAAP	Three months ended September 30 2010 Total Adjustments	Three months ended September 30 2010 IFRS	Nine months ended September 30 2010 CGAAP	Nine months ended September 30 2010 Total Adjustments	Nine months ended September 30 2010 IFRS
	4(v)						
Revenues	d	$ 20,616	$ (106)	$ 20,510	$ 57,792	$ (1,321)	$ 56,471
Cost of sales	d ,f, g, j	15,825	(353)	15,472	47,597	(2,082)	45,515
Selling expenses	d	1,813	(3)	1,810	5,183	(16)	5,167
General and administrative expenses	d, i	1,393	(67)	1,326	4,045	(168)	3,877
Loss on sale of property, plant and equipment		–	–	–	7	–	7
Other (income) expense	d	(45)	66	21	(154)	49	(105)
		18,986	(357)	18,629	56,678	(2,217)	54,461
Operating income		1,630	251	1,881	1,114	896	2,010
Finance (expense) income							
Finance costs	d, j	(1,313)	78	(1,235)	(3,626)	210	(3,416)
Finance income		17	–	17	52	–	52
		(1,296)	78	(1,218)	(3,574)	210	(3,364)
Share of loss from investment in Universal Resource Recovery Inc.	d	–	(690)	(690)	–	(1,925)	(1,925)
Income (loss) before income taxes		334	(361)	(27)	(2,460)	(819)	(3,279)
Recovery of (provision for) income taxes	k						
Current		(35)	–	(35)	(513)	–	(513)
Deferred		(1)	153	152	47	423	470
		(36)	153	117	(466)	423	(43)
Net income (loss) for the period		$ 298	$ (208)	$ 90	$ (2,926)	$ (396)	$ (3,322)
Net income (loss) attributable to:							
Owners of the parent		$ 281	$ (208)	$ 73	$ (2,975)	$ (396)	$ (3,371)
Non-controlling interests		17	–	17	49	–	49
Net income (loss) for the period		$ 298	$ (208)	$ 90	$ (2,926)	$ (396)	$ (3,322)
Other comprehensive income (loss)							
Foreign currency translation	c	$ –	$ (1,537)	$ (1,537)	$ –	$ (831)	$ (831)
Total comprehensive income (loss) for the period		$ 298	$ (1,745)	$ (1,447)	$ (2,926)	$ (1,227)	$ (4,153)
Total comprehensive income (loss) attributable to:							
Owners of the parent		$ 281	$ (1,745)	$ (1,464)	$ (2,975)	$ (1,227)	$ (4,202)
Non-controlling interests		17	–	17	49	–	49
		$ 298	$ (1,745)	$ (1,447)	$ (2,926)	$ (1,227)	$ (4,153)
Net income (loss) per Class A and Class B share							
Basic		$ 0.03	$ (0.02)	$ 0.01	$ (0.27)	$ (0.04)	$ (0.31)
Diluted		$ 0.03	$ (0.02)	$ 0.01	$ (0.27)	$ (0.04)	$ (0.31)

(IV) RECONCILIATION OF CONSOLIDATED STATEMENT OF CASH FLOWS AS PREVIOUSLY REPORTED UNDER CANADIAN GAAP TO IFRS

		Nine months ended September 30		
(unaudited)(in thousands of Canadian dollars)	**Notes**	**2010**	**2010**	**2010**
	4(v)	**CGAAP**	**Total Adjustments**	**IFRS**
Cash provided by (used for)				
Operating activities				
Loss for the period		$ (2,926)	$ (396)	$ (3,322)
Items not affecting cash and cash equivalents				
Depreciation	d, f, g	7,744	549	8,293
Deferred income taxes	k	(47)	(423)	(470)
Unrealized foreign currency exchange gain	c	(33)	(228)	(261)
Share of loss in investment in Universal Resource Recovery Inc.		–	1,925	1,925
Loss on sale of property, plant and equipment	d	7	–	7
Loss on derivative financial instrument		7	–	7
Net interest expense	n	–	3,406	3,406
Other	d	295	(159)	136
		5,047	4,674	9,721
Changes in non-cash items				
Trade and other receivables	d	(2,779)	(332)	(3,111)
Inventories	d	(3,823)	80	(3,743)
Other assets	n	(283)	23	(260)
Trade payables	d	4,074	(1,572)	2,502
Income taxes payable (net)		1,751	–	1,751
Other liabilities	d	–	1,740	1,740
		(1,060)	(61)	(1,121)
Payments for decommissioning of assets		(150)	–	(150)
Cash provided by (used for) operating activities		3,837	4,613	8,450
Investing activities				
Purchase of property, plant and equipment	d	(2,568)	1,067	(1,501)
Advances to Universal Resource Recovery Inc.	d	–	(3,400)	(3,400)
Proceeds from promissory note		1,338	–	1,338
Proceeds from sale of property, plant and equipment		2	–	2
Cash used for investing activities		(1,228)	(2,333)	(3,561)
Financing activities				
Decrease in bank operating advances		(750)	–	(750)
Issuance of subordinated debentures		7,523	–	7,523
Repayment of promissory note		(1,900)	–	(1,900)
Repayment of long-term debt	d	(806)	619	(187)
Interest paid on term loans and bank operating advances	n	–	(3,250)	(3,250)
Payments on obligations under capital leases	d	(280)	40	(240)
Cash provided by (used for) financing activities		3,787	(2,591)	1,196
Foreign exchange on cash held in foreign currency		(8)	–	(8)
Increase (decrease) in cash and cash equivalents		6,388	(311)	6,077
Cash and cash equivalents at the beginning of the period		2,868	18	2,886
Cash and cash equivalents at the end of the period		$ 9,256	$ (293)	$ 8,963
Supplementary information				
Income taxes paid		$ 788	$ –	$ 788
Interest paid		$ 3,340	$ –	$ –

(V) EXPLANATORY NOTES

(a) Business combinations

In accordance with the IFRS transitional provisions, the Company elected not to apply IFRS 3, *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. As such, Canadian GAAP balances relating to business combinations entered into before the date of transition have been carried forward without adjustment.

(b) Cumulative translation adjustment

In accordance with the IFRS transitional provisions, the Company has elected to reset the cumulative translation adjustment account, which includes gains and losses arising from the translation of the Company's U.S. subsidiaries, to zero at the date of transition to IFRS. Accumulated other comprehensive loss and retained earnings has been reduced by $3,829.

(c) Foreign currency translation

The financial statements of the Company's U.S. subsidiaries, which have the U.S. dollar as their functional currency, are translated into Canadian dollars as follows: assets and liabilities – at the closing rate on the balance sheet date and income and expenses – at the average rates prevailing during the period (as this is considered a reasonable approximation of actual rates). Foreign currency differences are recognized in other comprehensive income (loss). Under Canadian GAAP, the Company's U.S. subsidiaries were classified as integrated and accounted for under the temporal method. Under this method, monetary assets and liabilities of subsidiaries were translated into Canadian dollars at the exchange rate in effect at the balance sheet dates. Non-monetary assets and liabilities were translated at the exchange rate in effect at the date of the transaction. Revenues and expenses were translated at average exchange rates prevailing during the period. Resulting unrealized gains or losses were recognized in the income statement.

As a result of the transition from Canadian GAAP to IFRS, translation of the financial statements of the Company's U.S. subsidiaries as at January 1, 2010 gave rise to a foreign exchange loss totaling $2,208, which was recognized in other comprehensive income (loss). In accordance with the IFRS transitional provisions, this account was set to zero and retained earnings was reduced by the same amount. In addition, other comprehensive loss increased by $1,537 for the three months and by $831 for the nine months ended September 30, 2010 and increased by $2,616 for the year ended December 31, 2010. (See note 4(v)(l) for summary of transition adjustments to accumulated other comprehensive loss.)

(d) Investment accounted for using the equity method

The Company has a 50% interest in Universal. This investment was accounted for under Canadian GAAP using the proportionate consolidation method. Under this method of accounting, the Company's consolidated financial statements included its 50% share of Universal's assets, liabilities, revenues, expenses and cash flows. On transition to IFRS, the Company changed the accounting policy for this investment to the equity method. As a result, the Company's share of Universal's assets and liabilities were removed from the Company's consolidated balance sheet and the aggregate amount was netted against the Company's investment in Universal Resource Recovery Inc.

Furthermore, Universal is a private company in Canada and is not required to comply with IFRS. However, the accounting policies of Universal have been reviewed and adjustments have been made for reporting purposes, where necessary, to ensure consistency with the policies adopted by the Company. On January 1, 2010, an impairment assessment of Universal's property, plant and equipment was performed in accordance with IAS 36, *Impairment of Assets* ("IAS 36") which resulted in an impairment charge that increased the loss that is shared by the joint venture partners under the equity method of accounting. Accordingly, the Company recorded an increase in its share of the loss in Universal of $3,119 on transition to IFRS. The recoverability of Universal's property, plant and equipment was re-evaluated at December 31, 2010 in accordance with IAS 36 which resulted in a partial reversal of the impairment charge recorded as at January 1, 2010. This resulted in a reduction in the Company's share of the loss in Universal for the fourth quarter and year ended December 31, 2010 by $1,880 as compared to the previously reported share of loss under Canadian GAAP. The Company's share of loss in Universal measured under IFRS was $805 for the year ended December 31, 2010. The following summarizes the Canadian GAAP to IFRS transitional adjustments with respect to this policy change on the Company's balance sheets as at January 1, 2010, September 30, 2010 and December 31, 2010.

	December 31, 2010 $	September 30, 2010 $	January 1, 2010 $
Current assets - decrease	515	637	578
Long-term assets - decrease	14,086	13,450	13,019
Current liabilities - decrease	2,152	1,955	2,299
Long-term liabilities - decrease	5,852	6,131	6,612
Share of loss from Universal - increase	(1,035)	(2,966)	(3,119)
Investment in Universal Resource Recovery - increase	5,562	3,035	1,567

(e) Borrowing costs

In accordance with the IFRS transitional provisions, the Company elected not to capitalize certain borrowing costs pertaining to the construction of its Indiana clay brick manufacturing facility which were incurred prior to January 1, 2010 and which had previously been expensed under Canadian GAAP.

(f) Fair value as deemed cost for property, plant and equipment

In accordance with the IFRS transitional provisions, the Company applied the fair value as deemed cost election as at January 1, 2010 to certain parcels of land and to certain production equipment located at its Canadian production facilities. In the second quarter of 2011 the Company decided to revisit the use of certain elections, and for consistency, it also decided to apply the fair value as deemed cost election as at January 1, 2010 to certain production equipment utilized in its U.S. landscape operations.

An independent appraisal report for land prepared as at January 1, 2010 estimated the fair value of the Company's land located in Brampton, Markham and Milton to be $61,610 using the direct comparison approach as permitted under IFRS. This represents an aggregate increase of $35,366 compared to the carrying amount of $26,244 under Canadian GAAP.

Certain production equipment located at the Company's four Canadian manufacturing plants (located in Brampton, Markham and Milton) was revalued to $57,760 as at January 1, 2010, representing an aggregate increase of $20,025 compared to the carrying amount of $37,735 under Canadian GAAP. The production equipment was appraised by management personnel using the depreciated replacement cost approach and was subsequently supported by independent appraisal reports.

Election applied in Q2 2011

An independent appraisal report prepared as at January 1, 2010 estimated the fair market value for certain production equipment utilized in the Company's U.S. landscape operations in Wixom, Michigan, to be $3,596, representing an aggregate increase of $7 compared to the carrying amount of $3,589 under Canadian GAAP. This revaluation was not reflected in the Company's first quarter 2011 interim consolidated report. Consequently, the opening IFRS consolidated balance sheet as at January 1, 2010, the reconciliations of equity as at January 1 and December 31, 2010 and consolidated comprehensive income (loss) for the year ending December 31, 2010 presented in the first quarter 2011 interim consolidated report have been restated to reflect this change. The changes to the first quarter interim consolidated report are summarized as follows: Retained earnings on transition increased by $77, including a deferred tax recovery of $70; and depreciation and income tax expense for the year ended December 31, 2010 increased by $152 and $10 respectively.

As a consequence of all of the revaluations noted above, the aggregate increase to retained earnings on transition, net of the tax impact of $9,356 (note 4(v)(k)), is $46,042. As a result of the increase in the IFRS carrying amount of these assets, the amount of depreciation recorded related to such assets will be greater than the amount that was charged to income under Canadian GAAP. Depreciation expense for the three and nine months ended September 30, 2010 and for the year ended December 31, 2010 is greater under IFRS than Canadian GAAP by $559, $1,674 and $2,229 respectively. The resulting increase in depreciation was included in cost of sales.

(g) Asset impairment

Under Canadian GAAP, an impairment was recognized if an asset's carrying value exceeded the sum of the asset's undiscounted future cash flows. Impairments recognized under Canadian GAAP were not reversed.

The Company determined that the Brampton clay brick plant, the Canadian concrete plants (in Brampton, Markham and Milton), the Wixom, Michigan concrete plant and the Farmersburg, Indiana clay brick plant were the CGUs for the purposes of asset impairment testing under IFRS.

As a result of ongoing economic pressures impacting the construction industry, the Company completed IFRS asset impairment evaluations with respect to its Brampton clay brick plant, Canadian concrete plants and the Wixom, Michigan concrete plant and concluded that there was no impairment using the value in use methodology as at January 1, 2010.

On the transition date, the asset impairment evaluation with respect to the Farmersburg, Indiana clay brick plant was also initially performed using the value in use methodology which indicated a potential impairment. As a result, the Company performed an impairment analysis utilizing the fair value less costs to sell methodology. As the recoverable amount determined under the fair value less costs to sell methodology was higher than the amount determined using the value in use methodology, in accordance with IAS 36 – *Impairment of Assets*, the fair value less costs to sell methodology was used to record an impairment charge of $10,571 in the opening IFRS balance sheet relating to the Company's Farmersburg, Indiana clay brick plant. The effect of the impairment was a decrease in property, plant and equipment of $10,571 from a carrying value of $55,986 in accordance with Canadian GAAP, to $45,415 in accordance with IFRS. The impairment loss was recorded on a pro-rata basis to the individual assets of the CGU, with a corresponding charge to retained earnings. The recoverable amount was estimated using the approved business plan for a period of five years. Cash flows beyond five years were extrapolated using an estimated growth rate of 2%. The cash flows were discounted using a post-tax discount rate of 10.15%.

The Company revisited the impairment indicators at December 31, 2010 and performed impairment tests for all CGUs on this date using the value in use methodology. Consistent with the opening balance sheet, there was no impairment identified for the Brampton clay brick plant, Canadian concrete plants and the Wixom, Michigan concrete plant at this date. The assessment for the Farmersburg, Indiana clay brick plant under the value in use methodology continued to indicate impairment. Under the fair value less costs to sell methodology, the CGU for the Indiana clay brick plant indicated that the recoverable amount exceeded the carrying amount by $885, net of exchange differences, as at December 31, 2010.

Under IFRS an impairment loss for a CGU can be reversed if there has been a change in the estimates used to determine the recoverable amount. The reversal of an impairment loss shall not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the CGU in prior periods. Accordingly, a partial reversal of the impairment loss in the amount of $885 was allocated to the carrying value of the Farmersburg, Indiana assets recorded on a pro-rata basis, with a corresponding amount reflected in the statement of comprehensive income (loss) in the fourth quarter and for the year ended December 31, 2010.

The reversal of the impairment is primarily due to an improvement in the 5 year estimated future cash flows for this CGU as a result of forecasted improvements in the economic environment for the construction industry. Cash flows beyond 5 years were extrapolated using an estimated terminal growth rate of 2%. The cash flows were discounted using a post tax discount rate of 11.96% as at December 31, 2010.

(h) Non-controlling interests

Under IFRS, the non-controlling interests' share of the net assets of the Company's subsidiary, 1813435 Ontario Limited, (65% owned – formerly 1312082 Ontario Limited), is included in equity and the subsidiary's share of its comprehensive income is allocated directly to equity. Under Canadian GAAP, non-controlling interests' share of income and other comprehensive income were deducted in calculating net income and comprehensive income of the entity. Non-controlling interest of $1,446 at January 1, 2010 ($1,495 at September 30, 2010 and $112 at December 31, 2010) as determined under Canadian GAAP has been reclassified to equity.

(i) Share-based compensation

Under IFRS, each tranche of employee stock options granted with different vesting dates is considered a separate grant for the calculation of fair value and the resulting fair value is amortized over the vesting period of the respective tranches. Under Canadian GAAP the fair value of stock options granted with graded vesting was considered one grant and the resulting fair value was recognized on a straight-line basis over the vesting period. This increased contributed surplus and reduced retained earnings at the date of transition by $129 and decreased general and administrative expenses by $7 and $18 for the three and nine months ended September 30, 2010, respectively and $24 for the year ended December 31, 2010.

(j) Decommissioning costs

The cost of the Company's obligation to rehabilitate its shale quarries is estimated based on the present value of expected future rehabilitation costs and is recognized in the period in which the obligation is incurred. The present value of these costs is added to the cost of the associated asset and amortized over its useful life, while the corresponding liability will accrete to its future value over the same period. Under Canadian GAAP the obligation to rehabilitate the Company's shale quarries was not adjusted for changes in the discount rate. Under IFRS the provision for the rehabilitation of the Company's shale quarries must be adjusted annually for any changes in the discount rate. The unwinding of the discount rate is recognized as a finance cost under IFRS and was recognized in cost of sales under Canadian GAAP. The financial statement impact on the opening January 1, 2010 balance sheet is a decrease of $59 to retained earnings net of taxes, and a corresponding increase to long-term decommissioning costs to reflect changes in the discount rate. For the three and nine months ended September 30, 2010 and the year ended December 31, 2010 the unwinding of the discount expense, reclassified from cost of sales to finance expense, was $6, $17 and $23 respectively. As at December 31, 2010 the decommissioning liability increased by $19 due to the change in the discount rate from 3.08% to 2.45%.

(k) Deferred income tax assets and liabilities

The following summarizes Canadian GAAP to IFRS adjustments to deferred income tax liabilities, increase (decrease):

	Ref. 4(v)	December 31, 2010	September 30, 2010	January 1, 2010
		$	$	$
Property, plant and equipment:				
- Revaluation net of depreciation	f	8,850	8,974	9,356
Tax impact on intercompany profits in inventory		(94)	(40)	–
Decommissioning provision	j	(22)	(20)	(19)
Foreign exchange translation	c	(12)	(10)	(10)
Total		**8,722**	**8,904**	**9,327**

The above adjustments increased deferred tax recovery recognized in the statement of comprehensive income by $153 and $423 for the three and nine months ended September 30, 2010 and by $605 for the year ended December 31, 2010.

No deferred tax asset was recognized against the deferred tax benefit that would otherwise have been recorded with respect to the impairment of property, plant and equipment pertaining to the company's Farmersburg, Indiana plant.

Under IFRS, all deferred tax assets and liabilities must be classified as non-current. Under Canadian GAAP, the future income tax asset totaling $917 (January 1, 2010), $133 (September 30, 2010) and Nil (December 31, 2010) were netted against deferred income tax liabilities.

(l) Accumulated other comprehensive income (loss)

The following is a summary of transition adjustments to accumulated other comprehensive loss from Canadian GAAP to IFRS:

	Ref. 4(v)	December 31, 2010	September 30, 2010	January 1, 2010
		$	$	$
Accumulated other comprehensive loss as reported under Canadian GAAP		(3,829)	(3,829)	(3,829)
IFRS adjustments increases (decreases):				
- Cumulative translation adjustment	b	3,829	3,829	3,829
- Foreign exchange translation on financial statements	c	(2,616)	(831)	–
- Cumulative translation adjustment on translation of opening balance sheet as at January 1, 2010	c	(2,208)	(2,208)	(2,208)
- Reclassified to Retained Earnings	c	2,208	2,208	2,208
Accumulated other comprehensive loss as reported under IFRS		**(2,616)**	**(831)**	**–**

(m) Retained earnings

The following is a summary of transition adjustments to retained earnings from Canadian GAAP to IFRS:

	Ref. 4(v)	December 31, 2010	September 30, 2010	January 1, 2010
		$	$	$
Retained earnings as reported under Canadian GAAP		83,740	85,605	88,580
IFRS adjustments increases (decreases)				
Property, plant and equipment				
- Revaluation (net of taxes)	f, k	46,042	46,042	46,042
Depreciation on revaluation (net of taxes of $509 – December 31, 2010 and $382 – September 30, 2010)		(1,720)	(1,292)	–
- Impairment	g	(9,686)	(10,571)	(10,571)
Depreciation on impairment		504	380	–
Cumulative translation adjustment	b	(3,829)	(3,829)	(3,829)
Foreign exchange translation	c	(1,824)	(1,911)	(2,208)
Investment in Universal Resource Recovery Inc.	d	(1,035)	(2,966)	(3,119)
Decommissioning costs (net of tax)	j	(46)	(51)	(59)
Tax impact on intercompany profit in inventory		94	40	–
Share-based compensation	i	(105)	(111)	(129)
Retained earnings as reported under IFRS		**112,135**	**111,336**	**114,707**

(n) Adjustments to the statement of cash flows

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company except that, under IFRS, cash flows relating to interest are classified as financing activities, and cash flows relating the Company's equity investment in Universal were excluded from operating, investing and financing activities. Under Canadian GAAP, cash flows relating to interest payments were classified as operating.

(VI) ADDITIONAL DISCLOSURES PERTAINING TO YEAR ENDED DECEMBER 31, 2010

(a) Compensation of key management personnel

Key management compensation, including directors, is as follows:

	Year ended December 31, 2010
Salaries, incentives and short-term benefits	$ 2,386
Share-based payments	170
Total	**$ 2,556**

Key management personnel is comprised of the Company's directors and executive officers.

(b) Expenses by nature, selected items:

	Personnel expenses	Cost of materials	Cost of energy	Depreciation	Freight	Other expense	Asset impairment	Total
								Year ended December 31, 2010
Cost of sales	$ 14,296	$ 18,626	$ 7,751	$ 10,835	$ 4,980	$ 2,943	$ –	$ 59,431
Selling expenses	3,837	119	–	–	28	3,016	–	7,000
General and administrative expenses	3,144	249	–	239	47	1,646	–	5,325
Gain on sale of property, plant and equipment	–	–	–	–	–	(3)	–	(3)
Other income	–	–	–	–	–	(405)	–	(405)
Asset impairment reversal	–	–	–	–	–	–	(885)	(885)
	$ 21,277	**$ 18,994**	**$ 7,751**	**$ 11,074**	**$ 5,055**	**$ 7,197**	**$ (885)**	**$ 70,463**

(c) Investment in Universal Resource Recovery Inc.

The Company's share of the assets, liabilities, revenues, expenses and cash flows for its 50% joint venture investment in Universal for the year ended December 31, 2010 is summarized as follows:

	Year ended December 31, 2010
	$
Current assets	515
Long-term assets	13,051
Current liabilities	2,152
Long-term liabilities	5,852
Revenues	1,378
Loss	(805)

(d) Earnings per share

i) Basic

Basic earnings per share is calculated by dividing the net income (loss) attributable to owners of the parent by the weighted average number of Class A and Class B shares outstanding as at December 31, 2010.

	Year ended December 31, 2010
Loss attributable to owners of parent	$ 2,572
Weighted average number of Class A and Class B shares (in thousands)	10,937
Basic loss per share	$ 0.24

ii) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of Class A and Class B shares outstanding to assume conversion of all dilutive outstanding stock options. The number of shares outstanding is increased by the number of additional shares that would be issued upon the exercise of "in-the-money" stock options, if dilutive, and is reduced by the number of shares that could be repurchased, at the average market price, with the cash proceeds therefrom.

	Year ended December 31, 2010
Loss attributable to owners of parent	$ 2,572
Weighted average number of Class A and Class B shares (in thousands)	10,937
Diluted loss per share	$ 0.24

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery & Equipment	Mobile Equipment	Total
As at January 1, 2010					
Cost	$ 75,565	$ 31,897	$ 123,542	$ 4,543	$ 235,547
Accumulated depreciation and impairment loss	(11,609)	(9,328)	(27,111)	(3,665)	(51,713)
Net book value	**63,956**	**22,569**	**96,431**	**878**	**183,834**
For the period ended December 31, 2010					
Additions	1,042	75	1,796	842	3,755
Disposals	–	–	–	(9)	(9)
Depreciation for the year	(722)	(901)	(9,058)	(393)	(11,074)
Exchange differences	(326)	(423)	(1,602)	(17)	(2,368)
Impairment reversal	122	143	612	8	885
	116	**(1,106)**	**(8,252)**	**431**	**(8,811)**
As at December 31, 2010					
Cost	76,185	31,412	123,102	5,300	235,999
Accumulated depreciation and impairment loss	(12,113)	(9,949)	(34,923)	(3,991)	(60,976)
Net book value	**64,072**	**21,463**	**88,179**	**1,309**	**175,023**
For the period ended September 30, 2011					
Additions	**595**	**–**	**1,404**	**845**	**2,844**
Disposals	**–**	**–**	**–**	**–**	**–**
Depreciation for the period	**(400)**	**(670)**	**(3,629)**	**(341)**	**(5,040)**
Exchange differences	**323**	**425**	**1,581**	**11**	**2,340**
Impairment	**–**	**–**	**–**	**–**	**–**
	518	**(245)**	**(644)**	**515**	**144**
As at September 30, 2011					
Cost	**77,216**	**31,990**	**126,765**	**5,444**	**241,415**
Accumulated depreciation and impairment loss	**(12,626)**	**(10,772)**	**(39,230)**	**(3,620)**	**(66,248)**
Net book value	**$ 64,590**	**$ 21,218**	**$ 87,535**	**$ 1,824**	**$ 175,167**

For the three month period ended September 30, 2011 depreciation expense of $1,531 (September 30, 2010 – $2,704) was included in Cost of sales, and $76 (September 30, 2010 – $56) was included in General and administrative expenses. For the nine month period ended September 30, 2011 depreciation expense of $4,860 (September 30, 2010 – $8,109) was included in Cost of sales, and $180 (September 30, 2010 – $184) was included in General and administrative expenses.

Mobile equipment and machinery and equipment includes the following amounts acquired by means of capital leases:

	September 30, 2011	December 31, 2010
Cost – capitalized leases	**$ 4,778**	$ 4,670
Accumulated depreciation	**(3,086)**	(3,559)
	$ 1,692	$ 1,111

6. CHANGES IN ESTIMATES – REMAINING USEFUL LIFE OF PRODUCTION EQUIPMENT

During the first quarter of 2011 the Company reviewed the remaining useful life of plant and equipment assets which resulted in changes in the expected remaining useful life of certain production equipment. Production equipment which was previously expected to remain in production for 20-25 years from the date of purchase, is now expected to remain in production for 30-40 years from the date of purchase. Changes in estimates are accounted for prospectively. The effect of these changes on depreciation expense, recognized in cost of sales, for the three and nine month periods ended September 30, 2011 and the estimated effect for the years 2011 and 2012 are as follows:

	Decrease in Depreciation expense
Three months ended September 30, 2011	945
Nine months ended September 30, 2011	2,835
Year ended December 31, 2011	3,780
Year ended December 31, 2012	3,205

7. BANK OPERATING ADVANCES AND LONG-TERM DEBT

As at September 30, the Company had a $15,000 operating credit facility. This is a demand facility which is secured primarily by accounts receivable and inventories of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S. The actual amount that the Company may borrow under this facility is the lesser of $15,000 or the amount of the borrowing base determined according to standard margin formulas for trade receivables and inventories, less prior ranking claims and the mark-to-market exposure on the interest rate swap contract (see note 12). As at September 30 the borrowing base exceeded $15,000. Consequently, the borrowing limit was $15,000 and the utilization was $6,722, including $6,382 for bank operating advances and $340 for outstanding letters of credit.

On October 4, 2011 the Company concluded new arrangements with a different Canadian bank to provide its operating credit requirements. The new facility provides for borrowings up to $20,000 based on margin formulas for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured primarily by accounts receivable and inventories of the Company's Masonry Products and Landscape Products business segments in Canada and the U.S. The new agreement also contains certain financial covenants.

On February 26, 2010, the Company completed a subordinated secured debenture financing in the amount of $9,000. The debentures have a three year term and are secured by a second ranking security interest in the Company's real estate and production equipment utilized in the Masonry Products and Landscape Products business segments in Ontario. The rate of interest is fixed at 10.0%. In addition, the Company paid an up-front fee of 2.0% to subscribers.

The subordinated debenture was recorded for accounting purposes at its fair value which, net of transaction costs incurred in the amount of $377, amounted to $8,623 and is being carried at amortized cost. The transaction costs are being amortized over the term of the loan resulting in an effective interest rate of 11.89%. As at September 30, 2011 the unamortized transaction costs were $177.

In connection with this debenture issue, parties, including a Director of the Company, holding an indirect interest in $1,100 of the $3,000 promissory note payable which was due but not paid on December 7, 2009, subscribed for an equal or greater principal amount of the debenture issue. The remaining parties, holding an indirect interest in $1,900 of the $3,000 promissory note payable and who include a Director of the Company, agreed to accept a new unsecured promissory note with identical terms and conditions as the previous promissory note, except that the new promissory note was due in full on September 30, 2010. The new promissory note was repaid on the due date.

Substantially all of the debentures were acquired by insiders of the Company or by persons associated with or related to them.

8. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Preference shares, Class A shares and Class B shares. The Class B shares are convertible into Class A shares on a share-for-share basis at any time. Class A shares may be converted into Class B shares in certain circumstances in connection with a takeover bid. Class A shareholders are entitled to one vote per share and Class B shareholders are entitled to ten votes per share at any meeting of shareholders.

There were no changes in the Class A shares during the nine months ended September 30, 2011 and for the year ended December 31, 2010.

	September 30, 2011		December 31, 2010	
	Number of Shares (thousands)	Stated Capital $	Number of Shares (thousands)	Stated Capital $
Balance at the beginning of the year	**8,508**	**33,687**	8,508	33,687
Options exercised	**–**	**–**	–	–
Balance at the end of the year	**8,508**	**33,687**	8,508	33,687

With respect to the Class B shares, there were no changes in the number of shares outstanding of 2,429,000 and the stated capital of $2 during the nine month period ended September 30, 2011 and for the year ended December 31, 2010.

9. SHARE-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 (2010 – 1,080,965) Class A shares. The exercise price of each stock option is equal to the volume weighted average trading price of the Company's Class A shares for the five trading days immediately preceding the date of the grant and the maximum term of each option is ten years. As at September 30, 2011, a total of 163,365 (December 31, 2010 – 253,365) stock options were available for grant under the Plan.

On March 23, 2011, the Company granted stock options to eight senior executive officers and to all non-management members of the Board of Directors of the Company to acquire an aggregate of 90,000 Class A shares at the market price of $5.10 per share. Each option vested 20% on the date immediately following the date of the 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 $1.05, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.89%
Expected life	7.9 years
Volatility (determined by reference to historically observed prices of the Class A shares)	28%
Expected dividend yield	3.9%
Expected forfeitures	NIL

The total compensation cost charged against income for the quarter ended September 30, 2011 with respect to all stock options granted was $29 (2010 – $31). The year-to-date cost was $115 (2010 – $136).

At September 30, 2011, an aggregate of 690,900 stock options were outstanding, of which 479,900 were fully vested and exercisable by the holders thereof at a weighted average exercise price of $10.45 per share.

10. INCOME TAX

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

The Company's consolidated effective tax rate was negligible for the nine month periods ended September 30, 2011 and September 30, 2010, as the Company has not recorded a deferred tax asset with respect to the potential future tax benefit pertaining to the losses incurred by its U.S. operations.

11. EARNINGS PER SHARE

Net income (loss) per share is calculated on net income or losses attributable to the parent using the weighted average number of shares outstanding for the period. As referred to in Note 3, the diluted loss per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options on loss per share.

The weighted average number of Class A and Class B shares outstanding utilized in the calculations of loss per share is as follows:

Three months ended September 30

	2011			2010		
Total operations	**Loss $**	**Shares (thousands)**	**Per share Amount $**	**Net income $**	**Shares (thousands)**	**Per share Amount $**
Basic net income (loss) per share	**(5,074)**	**10,937**	**(0.46)**	73	10,937	0.01
Dilutive effect of options[1]		**–**	**0.00**		–	0.00
Diluted net income (loss) per share		**10,937**	**(0.46)**		10,937	0.01

(1) Excludes the effect of 690,900 options (September 30, 2010 – 366,900) to purchase Class A shares that are anti-dilutive.

Nine months ended September 30

	2011			2010		
Total operations	**Loss $**	**Shares (thousands)**	**Per share Amount $**	**Loss $**	**Shares (thousands)**	**Per share Amount $**
Basic loss per share	**(10,041)**	**10,937**	**(0.92)**	(3,371)	10,937	(0.31)
Dilutive effect of options[1]		**–**	**0.00**		–	0.00
Diluted loss per share		**10,937**	**(0.92)**		10,937	(0.31)

(1) Excludes the effect of 551,697 options (September 30, 2010 – 366,900) to purchase Class A shares that are anti-dilutive.

12. DERIVATIVE FINANCIAL INSTRUMENTS

In July 2007, the Company entered into an interest rate swap contract to hedge the risk arising from variability of cash flows related to anticipated borrowings under its term bank facility. The swap commenced in January 2008 with a notional principal amount of $3,000, increasing to $20,000 by 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 under the swap contract is 5.16%.

On June 29, 2009, the Company entered into a new fixed-rate term financing agreement and repaid its term bank loan. The repayment of the term bank loan resulted in the interest rate swap contract no longer being an effective cash flow hedge. Consequently, changes in the fair value of the interest rate swap are reflected in the consolidated statement of comprehensive income. The contract was settled on October 3, 2011. Consequently, the fair value of the interest rate swap as at September 30, 2011 in the amount of $1,459 was classified as a current liability. As at December 31, 2010, current and non-current derivative financial liabilities were $604 and $828, respectively.

13. 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.

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, concrete brick and block for use in residential construction and institutional, commercial and industrial building projects.

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

Segmented information, with comparative information for 2010, is as follows:

	Three months ended September 30		Nine months ended September 30	
	2011	**2010**	**2011**	**2010**
i) Revenues	**$**	$	**$**	$
Masonry Products	**17,794**	12,913	**43,014**	39,654
Landscape Products	**8,513**	7,597	**17,404**	16,817
Consolidated revenues	**26,307**	20,510	**60,418**	56,471
ii) Operating income (loss)				
Masonry Products	**1,165**	1,053	**728**	2,625
Landscape Products	**1,445**	828	**163**	(615)
Consolidated operating income	**2,610**	1,881	**891**	2,010
Finance costs	**(1,383)**	(1,235)	**(3,593)**	(3,416)
Finance income	**5**	17	**23**	52
Share of loss from investment in Universal Resource Recovery Inc.	**(5,840)**	(690)	**(7,347)**	(1,925)
Income taxes	**(466)**	117	**(13)**	(43)
Consolidated income (loss)	**(5,074)**	90	**(10,039)**	(3,322)

	September 30, 2011	December 31, 2010
iii) Total assets	**$**	$
Masonry and Landscape Products	**211,910**	209,701
Other	**2,120**	6,738
Consolidated total assets	**214,030**	216,439

Certain long-term assets are used for both the Masonry Products and Landscape Products business segments. Assets do not form part of management's evaluation of performance of individual business units and therefore are not reported on a segmented basis.

Geographical information for revenues for the three and nine month periods ended September 30 are as follows:

	Three months ended September 30		Six months ended September 30	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Canada	**23,698**	17,866	**54,678**	50,484
United States	**2,609**	2,644	**5,740**	5,987
	26,307	20,510	**60,418**	56,471

Geographical information of property, plant and equipment as at September 30 is as follows:

	September 30, 2011	December 31, 2010
	$	$
Canada	**125,864**	127,095
United States	**49,303**	47,928
	175,167	175,023

14. COMMITMENTS AND CONTINGENCIES

As at September 30, 2011, the Company had capital expenditure commitments with suppliers totaling $1,023.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at September 30, 2011, the Company has contracted for most of the balance of its estimated 2011 natural gas supply requirements at an aggregate estimated cost of $578, none of which was at fixed prices, and for most of the balance of its estimated 2011 transportation requirements at an aggregate estimated cost of $193, of which 31% was at fixed prices. The potential unrealized loss on the fixed price contracts was approximately $17 (2010 – unrealized gain of $9), which was not taken to income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Letters of credit are issued by the Company's banker to provide security to certain service providers and in connection with certain governmental operating permits. The aggregate amount of letters of credit outstanding as at September 30, 2011 was $340 (December 31, 2010 – $323).

15. 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 2.8% (2010 – 3.6%) of net sales in aggregate for the three month period and 3.4% (2010 – 5.4%) for the nine month period ended September 30, 2011. Purchases from related parties amounted to $59 (2010 – $146) for the three month period and $168 for the nine month period ended September 30, 2011 (2010 – $396).

Other related party transactions have been described in note 7.

16. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

Universal suspended its operations in June 2011 and management of Universal is currently exploring strategic alternatives with respect to its future operations. Universal is a private company in Canada and is not required to comply with IFRS. However, the accounting policies of Universal have been reviewed and adjustments have been made for reporting purposes, where necessary, to ensure consistency with the policies adopted by the Company. As a result of the suspension of operations, the Company concluded that there were indicators of impairment and consequently, performed an impairment analysis. The impairment analysis was completed using the fair value less costs to sell approach to determine the fair value of the cash generating unit. The fair value was developed using a combination of internal specialists and external market information to estimate the amounts that could be obtained from the disposal of the underlying assets of Universal in an arm's length transaction between knowledgeable, willing parties after deducting the costs of disposal and payment of liabilities. Based on this analysis, the Company concluded that under IFRS the underlying assets of the investment were impaired. As a result of this impairment charge of $5,303, the Company's share of the loss from its investment in the joint venture was $5,840 in the third quarter of 2011 and $7,347 for the nine month period. As at September 30, 2011, the estimated recoverable amount of the Company's investment in the joint venture is $940.

The Company's share of letters of credit issued by Universal's banker with respect to its operations was $562 at September 30, 2011 (December 31, 2010 – $562). The Company and the joint venture partner have each provided a guarantee in the amount of $6,500 to Universal's banker as additional security for Universal's credit facilities.

There are no other known contingencies and commitments of the joint venture and the Company is not responsible for any contingencies and commitments pertaining to the other venturer.

17. SEASONAL FLUCTUATIONS

The Company's business is seasonal. Historically, sales are greater in the second and third quarters of each year than in the first and fourth quarters. The Landscape Products business segment is affected to a greater degree than the Masonry Products business. Consequently, the results of operations and cash flows for the three and nine month periods ended September 30, 2011 are not necessarily indicative of the results to be expected for the full year.

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