One Trusted Source

2012 First Quarter Report

BRAMPTON
BRICK
Limited

Management's Discussion and Analysis of Financial Condition and Results of Operations

FOR THE FIRST QUARTER ENDED MARCH 31, 2012
PREPARED AS OF MAY 8, 2012

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended March 31, 2012 should be read in conjunction with the condensed interim consolidated financial statements as at and for the three month period ended March 31, 2012, and with the audited 2011 annual consolidated financial statements and the 2011 annual MD&A included in the Company's 2011 Annual Report. All amounts are stated in thousands of Canadian dollars, except per share amounts.

DISCUSSION OF OPERATIONS

For the first quarter ended March 31, 2012, the Company recorded a loss of $2,793, or $0.26 per share, compared to a loss of $4,425, or $0.40 per share, for the first quarter of 2011. 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.

Revenues for the quarter were $15,995 compared to $10,616 in 2011. The increase of 50.7%, or $5,379 was primarily due to significantly higher shipments in the Masonry Products business segment. Revenues of the highly seasonal Landscape Products business segment were slightly higher by $326 over the first quarter in 2011.

Cost of sales for the quarter amounted to $14,843, compared to $10,715 in 2011. The increase in cost of sales was caused by higher sales volumes, and included higher delivery expenses as a result of the increase in shipments. Overall, cost of sales increased by 38.5%, whereas revenue increased by 50.7%, from the prior period.

Selling expenses decreased to $1,861 in the first quarter from $2,001 in the prior period. In the first quarter of 2011, selling expenses included increased advertising and marketing expenditures to support the introduction of new products and to expand the Company's market profile.

General and administrative expenses increased by $143 from the prior year primarily due to non-recurring employment related expenses.

Operating results were positively impacted by the improvement in revenues which reduced the operating loss for the quarter ended March 31, 2012 to $2,287 from $3,561 in 2011.

Finance costs for the first quarter of 2012 remained in line with 2011. Lower interest expense on lower debt balances outstanding during the quarter ended March 31, 2012, due to principal repayments made in the second half of 2011, was offset by a gain of $210 on the interest rate swap recorded in the first quarter of 2011. The Company settled the interest rate swap contract on October 3, 2011 for $1,459.

A net recovery of income taxes of $404 was recorded for the first quarter of 2012 compared to a net recovery of $767 in 2011. The deferred income tax recovery of $404 in 2012 relates to the pre-tax loss of the Company's Canadian operations that can be applied against taxable income in future years. In 2011, a current tax recovery of $849 was recorded on non-capital losses pertaining to the Company's Canadian operations which were carried back to prior taxation years. The Company has not recorded a deferred tax asset with respect to the potential future income tax benefit pertaining to the losses incurred by its U.S. operations.

More details with respect to each operating business segment follow:

MASONRY PRODUCTS

Revenues of the Masonry Products business segment were $14,793 for the quarter ended March 31, 2012 compared to $9,740 for the same period in 2011.

Favourable weather conditions resulted in significantly higher shipments of masonry products. In addition, the sale of new products, including concrete block which were introduced into the Ontario market in April 2011, generated incremental revenues.

The higher revenues were partially offset by higher cost of sales, including increased delivery costs attributable to a greater number of shipments. The operating loss for the quarter improved to $399 from $996 for the same quarter in 2011.

LANDSCAPE PRODUCTS

The Landscape Products business segment incurred an operating loss of $1,888 on revenues of $1,202 for the three month period ended March 31, 2012 compared to operating loss of $2,565 on revenues of $876 for the comparable period in 2011. The improvement in operating results was due to higher sales volumes. Historically, the level of activity in this business segment is lowest during the winter months. While the mild weather conditions in the first quarter spurred growth in the Masonry Products business segment, this business segment does not generally pick up sales activity until well into the second quarter.

OTHER

Universal Resource Recovery Inc. ("Universal"), of which the Company maintains a 50% ownership position, did not operate in the first quarter as commercial operations have been suspended since June 2011. As of January 1, 2012, management of Universal is committed to an active program to locate a buyer for the sale of assets held in Universal. Universal is accounted for using the equity method of accounting and therefore the condensed interim consolidated balance sheet presentation is not impacted by the assets held for sale in Universal.

The impairment analysis that was completed at December 31, 2011 resulted in the investment in Universal being written down in the Company's consolidated balance sheet to zero. An impairment analysis was performed at March 31, 2012 from which it was concluded that the investment should remain at zero in the Company's condensed interim consolidated balance sheet. The Company's share of unrecognized losses increased to $1,946 as a result of its share of Universal's losses of $155 for the first quarter of 2012. These unrecognized losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. There were no such obligations or payments made as at March 31, 2012.

CASH FLOWS

Cash flow used for operating activities totaled $1,944 for the period ended March 31, 2012 compared to $4,430 for the same period in the prior year. The improvement in operating results and lower working capital requirements contributed to the decline in cash used for operations in 2012.

Cash utilized for purchases of property, plant and equipment totaled $843 in the quarter, compared to $1,057, in 2011. In 2011, the Company spent $420 on property, plant and equipment related to new product development.

Long-term advances towards the investment in Universal during the first quarter of 2011 were $975. Advances to Universal totaled $500 during the current quarter and have been recorded as loans receivable at March 31, 2012 as Universal's assets are now classified by Universal's management as 'Non-current assets held for sale'. These assets are expected to be sold and the receivables to be repaid within twelve months.

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 March 31, 2012, bank operating advances were $9,379. This represented an increase of $4,232 from the amount outstanding at December 31, 2011. The increase in bank operating advances was utilized to meet working capital requirements, capital expenditures and repayments of debt and finance lease obligations in the first quarter of 2012. Trade payables totaled $9,338 at March 31, 2012 compared to $9,026 at December 31, 2011.

The ratio of total liabilities to shareholders' equity was 0.56:1 at March 31, 2012 compared to 0.51:1 at December 31, 2011. The increase in this ratio from December 2011 to March 2012 was primarily due to the increase in bank operating advances, as noted above, lower retained earnings resulting from the loss incurred for the three month period ended March 31, 2012 and the impact of an increase in foreign currency translation loss in Accumulated other comprehensive loss due to the strengthening of the Canadian dollar in the first quarter of 2012.

As at March 31, 2012, working capital was $1,246, representing a working capital ratio of 1.04:1. Comparable figures for working capital and the working capital ratio at December 31, 2011 were $13,137 and 1.65:1, respectively. The decline from December 31, 2011 is due to the inclusion in current liabilities of the Company's subordinated debentures amounting to $8,886, which mature in February 2013. Cash and cash equivalents totaled $1,023 at March 31, 2012 compared to $1,180 at December 31, 2011.

On October 4, 2011, the Company concluded new arrangements with a Canadian bank to provide its operating credit requirements. The new facility provides for borrowings up to $20,000 based on margin formulae 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 trade receivables 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. As at March 31, 2012, the borrowing base was $17,696 and the utilization was $9,603, including $9,379 for bank operating advances and $224 for outstanding letters of credit.

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 debt agreement as at March 31, 2012 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 2011 Annual Report and in Note 12 to the condensed interim consolidated financial statements.

With respect to contractual obligations outstanding as at March 31, 2012, changes during the quarter include additions to finance lease obligations which were offset by payments of principal and interest on debt and finance lease obligations and operating leases. Additional 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 12 to the condensed 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):

TOTAL OPERATIONS	March 31		December 31		September 30		June 30	
	2012	2011	2011	2010	2011	2010	2011	2010
Revenues	$ 15,995	$ 10,616	$ 19,595	$ 16,152	$ 26,307	$ 20,510	$ 23,495	$ 23,817
Net income (loss) attributable to owners of the parent	$ (2,794)	$ (4,425)	$ 62	$ 799	$ (5,074)	$ 73	$ (542)	$ 356
Net income (loss)	$ (2,793)	$ (4,425)	$ 63	$ 784	$ (5,074)	$ 90	$ (540)	$ 373
Net income (loss) per share								
Basic	$ (0.26)	$ (0.40)	$ 0.00	$ 0.07	$ (0.46)	$ 0.01	$ (0.05)	$ 0.03
Diluted	$ (0.26)	$ (0.40)	$ 0.00	$ 0.07	$ (0.46)	$ 0.01	$ (0.05)	$ 0.03

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 MARCH 31

Operating results in the first quarter of 2012 improved on the strength of increased revenues in both the Masonry and Landscape Products business segments. Favourable weather conditions compared to the same quarter in 2011 contributed to the reduction in operating loss for the three month period ended March 31.

QUARTERS ENDED DECEMBER 31

Operating results in the fourth quarter of 2011 were negatively impacted by higher manufacturing costs charged against operations due to lower production volumes compared to the same period in 2010. These increases were offset in part by higher revenues and lower depreciation expense.

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.

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 to expand the Company's product and geographic market profile, as well as 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 of $945 in the second quarter of 2011.

OTHER

Information with respect to 'Changes in Accounting Policies' is contained in the 2011 annual MD&A and in note 3 to the Consolidated Financial Statements included in the Company's 2011 Annual Report. The condensed interim consolidated financial statements for the three months ended March 31, 2012 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2011.

Information with respect to 'Critical Accounting Estimates' is disclosed in the 2011 annual MD&A and in note 3 to the Consolidated Financial Statements included in the Company's 2011 Annual Report. Since the issuance of the 2011 annual MD&A, there have not been any significant changes to the Company's critical accounting estimates.

Information with respect to transactions with related parties in 2012 is disclosed in Notes 5, 6 and 13 to the condensed interim consolidated financial statements.

Information with respect to transactions with related parties for the year ended December 31, 2011 is disclosed in Notes 11 and 22 to Consolidated Financial Statements included in the Company's 2011 Annual Report.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at March 31, 2012 is disclosed in Note 8 to the condensed interim consolidated financial statements. There have been no changes to the issued and outstanding shares to the date of the MD&A.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the period ended March 31, 2012 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, 2011 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders to be held on May 24, 2012 may be found on SEDAR at www.sedar.com.

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 and residential related consumer spending. 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 by seasonality to a greater degree than the Masonry Products business.

In Canada, the year has started on a relatively robust level, due in part to the favourable weather conditions but more importantly supported by the various new product and marketing initiatives introduced over the last fifteen months.

In particular, concrete block sales, a market which the Company entered in April 2011, should demonstrate meaningful improvement. We expect gains from higher volumes and production efficiencies associated with higher plant capacity utilization levels.

In the U.S. market, the economic conditions carried over from the 2008 financial crisis continue to provide uncertainty with respect to the 2012 residential and commercial construction markets. Masonry sales did improve noticeably reflecting the Company's improved market position, and probably to some extent the favourable weather conditions.

In this regard, we remain cautiously optimistic for the full year, however we are not expecting the pace of activity of the first quarter to continue for the full year.

Sales of landscape products are expected to show growth in 2012, due to both improved weather conditions and the Company's increased market share based on marketing initiatives that occurred in the second half of 2011 and into 2012.

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.

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 2011 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.

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 condensed 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 condensed interim consolidated financial statements.

Jeffrey G. Kerbel
President and Chief Executive Officer

Trevor M. Sandler
Vice President, Finance
and Chief Financial Officer

Dated as of the 8th day of May, 2012.

Condensed Interim Consolidated Balance Sheet

(unaudited)(in thousands of Canadian dollars)	Notes	March 31, 2012	December 31, 2011
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 1,023**	$ 1,180
Trade and other receivables		**12,096**	9,964
Inventories		**20,404**	20,805
Income taxes recoverable	10	**744**	744
Loans receivable	5	**500**	–
Other assets		**772**	597
		35,539	33,290
Non-current assets			
Property, plant and equipment	4	**171,388**	172,629
Total assets		**$ 206,927**	$ 205,919
LIABILITIES			
Current liabilities			
Bank operating advances	6	**$ 9,379**	$ 5,147
Trade payables		**9,338**	9,026
Income taxes payable	10	**826**	829
Current portion of debt	6, 13	**12,108**	3,091
Decommissioning provisions		**49**	50
Other liabilities		**2,593**	2,010
		34,293	20,153
Non-current liabilities			
Non-current portion of debt	6	**26,128**	35,166
Decommissioning provisions		**950**	950
Deferred income tax liabilities	10	**12,759**	13,163
Total liabilities		**$ 74,130**	$ 69,432
EQUITY			
Equity attributable to owners of the parent			
Share capital	8	**$ 33,689**	$ 33,689
Contributed surplus	9	**1,842**	1,801
Accumulated other comprehensive loss		**(2,478)**	(1,540)
Retained earnings		**99,733**	102,527
		132,786	136,477
Non-controlling interests		**11**	10
Total equity		**$ 132,797**	$ 136,487
Total liabilities and equity		**$ 206,927**	$ 205,919

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

Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended March 31, 2012	2011
Revenues	14	**$ 15,995**	$ 10,616
Cost of sales	4	**14,843**	10,715
Selling expenses		**1,861**	2,001
General and administrative expenses		**1,574**	1,431
Other expense		**4**	30
		18,282	14,177
Operating loss	14	**(2,287)**	(3,561)
Finance (expense) income			
Finance costs	6	**(912)**	(919)
Finance income		**2**	2
		(910)	(917)
Share of loss from investment in Universal Resource Recovery Inc.	5	**–**	(714)
Loss before income taxes		**(3,197)**	(5,192)
Recovery of (provision for) income taxes	10		
Current		**–**	849
Deferred		**404**	(82)
		404	767
Loss for the period		**$ (2,793)**	$ (4,425)
Net income (loss) attributable to:			
Owners of the parent		**$ (2,794)**	$ (4,425)
Non-controlling interests		**1**	–
Loss for the period		**$ (2,793)**	$ (4,425)
Other comprehensive loss			
Foreign currency translation		**$ (938)**	$ (1,150)
Total comprehensive loss for the period		**$ (3,731)**	$ (5,575)
Total comprehensive income (loss) attributable to:			
Owners of the parent		**$ (3,732)**	$ (5,575)
Non-controlling interests		**1**	–
Total comprehensive loss for the period		**$ (3,731)**	$ (5,575)
Loss per Class A and Class B share			
Basic	11	**$ (0.26)**	$ (0.40)
Diluted	11	**$ (0.26)**	$ (0.40)

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

Condensed Interim 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 Loss	Retained Earnings	Total	Non-Controlling interest	Total Equity
Balance – January 1, 2011		$ 33,689	$ 1,658	$ (2,616)	$ 112,506	$ 145,237	$ 112	$ 145,349
Loss for the period		–	–	–	(4,425)	(4,425)	–	(4,425)
Other comprehensive loss (net of taxes, $nil)		–	–	(1,150)	–	(1,150)	–	(1,150)
Comprehensive loss for the period		–	–	(1,150)	(4,425)	(5,575)	–	(5,575)
Share-based compensation	9	–	57	–	–	57	–	57
Balance – March 31, 2011		$ 33,689	$ 1,715	$ (3,766)	$ 108,081	$ 139,719	$ 112	$ 139,831
Balance – January 1, 2012		$ 33,689	$ 1,801	$ (1,540)	$ 102,527	$ 136,477	$ 10	$ 136,487
(Loss) income for the period		–	–	–	(2,794)	(2,794)	1	(2,793)
Other comprehensive loss (net of taxes, $nil)		–	–	(938)	–	(938)	–	(938)
Comprehensive (loss) income for the period		–	–	(938)	(2,794)	(3,732)	1	(3,731)
Share-based compensation	9	–	41	–	–	41	–	41
Balance – March 31, 2012		$ 33,689	$ 1,842	$ (2,478)	$ 99,733	$ 132,786	$ 11	$ 132,797

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

BRAMPTON BRICK Limited

Condensed Interim Consolidated Statement of Cash Flows

(unaudited)(in thousands of Canadian dollars)	Notes	Three months ended March 31, 2012	2011
Cash provided by (used for)			
Operating activities			
Loss for the period		**$ (2,793)**	$ (4,425)
Items not affecting cash and cash equivalents			
Depreciation	4	**1,744**	1,717
Current income taxes	10	**–**	(849)
Deferred income taxes	10	**(404)**	82
Unrealized foreign currency exchange loss		**24**	31
Gain on derivative financial instrument		**–**	(210)
Net interest expense	6	**911**	1,129
Share of loss from investment in Universal Resource Recovery Inc.	5	**–**	714
Other		**41**	57
		(477)	(1,754)
Changes in non-cash items			
Trade and other receivables		**(2,145)**	(2,015)
Inventories		**285**	(2,074)
Other assets		**(177)**	(171)
Trade payables		**(67)**	1,299
Income tax credits applied		**(3)**	(1)
Other liabilities		**641**	286
		(1,466)	(2,676)
Payments for decommissioning of assets		**(1)**	–
Cash used for operating activities		**(1,944)**	(4,430)
Investing activities			
Purchase of property, plant and equipment		**(843)**	(1,057)
Advances to Universal Resource Recovery Inc.	5	**–**	(975)
Loans receivable	5	**(500)**	–
Cash used for investing activities		**(1,343)**	(2,032)
Financing activities			
Increase in bank operating advances		**4,232**	6,610
Repayment of debt		**(75)**	(77)
Interest paid on term loans and bank operating advances	6	**(839)**	(1,068)
Payments on obligations under finance leases		**(110)**	(94)
Payment of dividends by subsidiary to non-controlling interests	13	**(75)**	–
Cash provided by financing activities		**3,133**	5,371
Foreign exchange on cash held in foreign currency		**(3)**	1
Decrease in cash and cash equivalents		**(157)**	(1,090)
Cash and cash equivalents at the beginning of the period		**1,180**	5,383
Cash and cash equivalents at the end of the period		**$ 1,023**	$ 4,293

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

Notes to Condensed Interim Consolidated Financial Statements

March 31, 2012 (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.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements as at March 31, 2012 and for the three month periods ended March 31, 2012 and 2011 are unaudited and include all adjustments that management considers necessary for a fair presentation in accordance with IAS 34, *Interim Financial Reporting*. The Company's business is seasonal. Results for the three month period ended March 31, 2012 are not necessarily indicative of results for the full fiscal year or any other future period.

These condensed 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. The condensed interim consolidated financial information has been prepared using the same accounting principles as applied to the Company's annual consolidated financial statements for the year ended December 31, 2011.

STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements as at March 31, 2012 and for the three month periods ended March 31, 2012 and 2011 have been prepared in accordance with IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 8, 2012.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013, with early application permitted. The company has not yet assessed the impact of these standards and amendments or determined whether it will early adopt them.

Effective for years beginning on or after January 1, 2015, IFRS 9, *Financial Instruments* ("IFRS 9") issued by the IASB in November 2009 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

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.

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) ("OCI") 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. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11 *Joint Arrangements* ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation the venturer will recognize its share of assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate and equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in other entities* ("IFRS 12"), establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that addresses the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair value measurement and disclosure requirements* ("IFRS 13"), is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

4. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2011					
Cost	77,258	31,694	125,471	5,594	240,017
Accumulated depreciation and impairment loss	(12,709)	(10,913)	(40,020)	(3,746)	(67,388)
Net book value	**$ 64,549**	**$ 20,781**	**$ 85,451**	**$ 1,848**	**$ 172,629**

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
For the three months ended March 31, 2012					
Additions	464	281	501	115	1,361
Depreciation for the period	(135)	(225)	(1,237)	(147)	(1,744)
Foreign exchange differences	(117)	(154)	(580)	(7)	(858)
	212	**(98)**	**(1,316)**	**(39)**	**(1,241)**

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at March 31, 2012					
Cost	77,563	31,764	125,144	5,691	240,162
Accumulated depreciation and impairment loss	(12,802)	(11,081)	(41,009)	(3,882)	(68,774)
Net book value	**$ 64,761**	**$ 20,683**	**$ 84,135**	**$ 1,809**	**$ 171,388**

For the three months ended March 31, 2012, depreciation expense of $1,677 (March 31, 2011 – $1,665) was included in Cost of sales and $67 (March 31, 2011 – $52) was included in General and administrative expenses.

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

	March 31, 2012	December 31, 2011
Cost – finance leases	$ 5,040	$ 4,934
Accumulated depreciation	(3,283)	(3,171)
	$ 1,757	**$ 1,763**

5. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

Universal Resource Recovery Inc. ("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.

Commercial operations in Universal have been suspended since June 2011. As at January 1, 2012, management of Universal is committed to an active program to locate a buyer for the sale of assets held in Universal. Universal is accounted for using the equity method of accounting and therefore the condensed interim consolidated balance sheet presentation is not impacted by the assets held for sale in Universal.

The impairment analysis that was completed at December 31, 2011 resulted in the investment in Universal being written down in the consolidated balance sheet to zero. An impairment analysis was performed at March 31, 2012 from which it was concluded that the investment should remain at zero in the Company's condensed interim consolidated balance sheet. The Company's share of unrecognized losses increased to $1,946 as a result of its share of Universal's losses of $155 for the first quarter of 2012.

These unrecognized losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. There were no such obligations or payments made as at March 31, 2012.

For the quarter ended March 31, 2012, short term loans amounting to $500 were advanced by the Company primarily to fund Universal's scheduled debt repayments. These receivables are expected to be repaid within the next twelve months upon the sale of Universal's assets.

The Company's investment in Universal is accounted for on the equity basis, as follows:

	March 31, 2012 $	December 31, 2011 $
Investment – beginning of the period	–	5,562
Shareholder advances	–	3,295
Share of loss (1)	–	(8,857)
Investment – end of the period	–	–

(1) The Company's share of unrecognized loss in the joint venture as at March 31, 2012 was $1,946 (December 31, 2011 – $1,791). Losses recognized are limited to the amount of the carrying value of the investment in Universal.

The Company's share of letters of credit issued by Universal's banker with respect to its operations was $417 at March 31, 2012 (December 31, 2011 – $417). The Company and the joint venture partner have each provided a guarantee up to the amount of $6,500 to Universal's banker as additional security for Universal's credit facilities.

6. BANK OPERATING ADVANCES AND DEBT

On October 4, 2011, the Company replaced its $15,000 operating credit facility with a new facility with a Canadian bank. The new facility provides for borrowings up to $20,000 based on margin formulae 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 trade receivables 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 rate of interest as at March 31, 2012 is based on the Canadian bank prime rate plus a credit spread of 1.00%. As at March 31, 2012, the Company is in compliance with all the financial covenants.

As at March 31, 2012, the borrowing limit was $17,696 and the utilization was $9,603, including $9,379 for bank operating advances and $224 for outstanding letters of credit.

On February 26, 2010, the Company completed a subordinated secured debenture financing in the amount of $9,000. The debentures 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. Substantially all of these debentures were acquired by insiders of the Company or by persons associated with or related to them.

These subordinated debentures are due for repayment on February 26, 2013 and accordingly have been classified as current liabilities. The Company is exploring various financing alternatives to refinance this debt.

7. DERIVATIVE FINANCIAL INSTRUMENT

Changes in the fair value of the interest rate swap were reflected in the prior period earnings. The Company settled the interest rate swap contract on October 3, 2011 in the amount of $1,459. For the three month period ended March 31, 2011, a gain of $210 was recorded on the interest rate swap contract.

8. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Preference shares, Class A Subordinate Voting shares ("Class A shares") and Class B Multiple Voting shares ("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. The shares issued do not have a specified par value.

As at March 31, 2012, issued and outstanding share capital consisted of 9,197,923 Class A shares (December 31, 2011 – 9,197,923) and 1,738,631 Class B shares (December 31, 2011 – 1,738,631).

There were no changes in the Class A and Class B shares during the quarter ended March 31, 2012.

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 (2011 – 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 March 31, 2012, a total of 28,365 (December 31, 2011 – 170,865) stock options were available for grant under the Plan.

The Company granted stock options to nine executive officers and two employees of the Company on March 30, 2012. 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.

Date of grant	**March 30, 2012**
Number of options granted	**142,500**
Market price	**$ 3.60**
Fair value of each stock option granted	**$ 0.54**
Assumptions:	
Risk-free interest rate	**1.8%**
Expected life	**7.9 years**
Volatility (determined by reference to historically observed prices of the Class A shares)	**29%**
Expected dividend yield	**5.5%**
Expected forfeitures	**Nil**

The total compensation cost charged against income for the three months ended March 31, 2012 with respect to all stock options granted was $41 (2011 – $57).

At March 31, 2012, an aggregate of 825,900 (2011 – 690,900) stock options were outstanding, of which 562,800 (2011 – 455,900) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $9.80 (2011 – $10.74) 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 operations are subject to income tax at rates ranging from 25.0% - 28.3% in the Canadian jurisdictions and from 34.0% - 39.5% in the U.S. jurisdictions.

In interim periods, the income tax provision is based on actual earnings by jurisdiction. The Company's consolidated effective tax rate for the period ending March 31, 2012 was 12.6% (2011 – 14.8%).

11. LOSS PER SHARE

Loss per share is calculated on losses attributable to the parent using the weighted average number of shares outstanding for the period. 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 March 31					
Loss from operations	**2012**			**2011**		
	Loss $	**Shares (thousands)**	**Loss per share $**	**Loss $**	**Shares (thousands)**	**Loss per share $**
Loss attributable to owners of the parent	**(2,794)**	**10,937**	**(0.26)**	(4,425)	10,937	(0.40)
Dilutive effect of options [(1)]		**–**	**0.00**		–	0.00
Diluted loss per share		**10,937**	**(0.26)**		10,937	(0.40)

(1) Excludes the effect of 683,400 options (2011 – 488,400) to purchase Class A shares that are anti-dilutive.

12. COMMITMENTS AND CONTINGENCIES

As at March 31, 2012, the Company had capital expenditure commitments with suppliers totaling $900.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at March 31, 2012, the Company has contracted for most of the balance of its estimated 2012 natural gas supply requirements at an aggregate estimated cost of $948, none of which was at fixed prices, and for most of the balance of its estimated 2012 transportation requirements at an aggregate estimated cost of $541, of which 80% was at fixed prices. The potential unrealized loss on the fixed price contracts was approximately $172 (2011 – unrealized loss of $70), 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 March 31, 2012 is $224 (December 31, 2011 – $229).

Guarantees and letters of credit provided by the Company with respect to its interest in Universal are described in note 5.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position or liquidity.

13. RELATED PARTY TRANSACTIONS

The Company has determined which of its customers are related to the Company via common directors or shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 5.7% (2011 – 6.8%) of revenues in aggregate for the quarter ended March 31, 2012.

Purchases from related parties amounted to $27 for the quarter ended March 31, 2012 (2011 – $53). Trade payables to these parties amounted to $17 as at March 31, 2012 (December 31, 2011 – $48).

Dividends paid by a subsidiary company to one of its directors amounted to $75,000 for the quarter ended March 31, 2012 (2011 – Nil).

All related party transactions are accounted for at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Other related party transactions have been described in notes 5 and 6.

14. OPERATING SEGMENTS

The Company considers that for purposes of operating decision making and assessing performance it operates within two dominant business segments: Masonry Products and Landscape Products.

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 2011, is as follows:

	March 31,	
i) Revenues	**2012 $**	2011 $
Masonry Products	**14,793**	9,740
Landscape Products	**1,202**	876
Revenues	**15,995**	10,616
ii) Operating loss		
Masonry Products	**(399)**	(996)
Landscape Products	**(1,888)**	(2,565)
Operating loss	**(2,287)**	(3,561)
Finance costs	**(912)**	(919)
Finance income	**2**	2
Share of loss from investment in Universal Resource Recovery Inc.	**–**	(714)
Income tax recovery	**404**	767
Loss for the period	**(2,793)**	(4,425)
iii) Total assets	**March 31, 2012 $**	December 31, 2011 $
Masonry and Landscape Products	**206,046**	204,961
Other	**881**	958
Total assets	**206,927**	205,919

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 is as follows:

	March 31, 2012 Revenues $	March 31, 2011 Revenues $	March 31, 2012 Property, plant and equipment $	December 31, 2011 Property, plant and equipment $
Canada	**14,800**	10,102	**125,014**	125,173
United States	**1,195**	514	**46,374**	47,456
	15,995	10,616	**171,388**	172,629

15. 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 month period ended March 31, 2012 are not necessarily indicative of the results to be expected for the full year.

BRAMPTON BRICK Limited
225 Wanless Drive
Brampton, ON
L7A 1E9
www.bramptonbrick.com