BRAMPTON BRICK Limited

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2014
first quarter report

FOR THE FIRST QUARTER ENDED MARCH 31, 2014
PREPARED AS OF MAY 6, 2014

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended March 31, 2014 should be read in conjunction with the condensed interim consolidated financial statements as at and for the three month period ended March 31, 2014, and with the audited 2013 annual consolidated financial statements and the 2013 annual MD&A included in the Company's 2013 Annual Report, which may be found on SEDAR at www.sedar.com. All amounts are stated in thousands of Canadian dollars, except per share amounts, unless otherwise indicated.

DISCUSSION OF OPERATIONS

For the first quarter ended March 31, 2014, the Company recorded a net loss of $7,855, or $0.72 per share, compared to a net loss of $2,574, or $0.24 per share, for the first quarter of 2013. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the first quarter of each of 2014 and 2013 was 10,940,354.

Revenues for the first quarter of 2014 were $12,612 compared to $12,889 for the same period in 2013. Increases in revenues of concrete masonry products were offset by decreases in revenues of shipments of other products in the Masonry Products business segment. In the Landscape Products business segment, revenues increased marginally.

Cost of sales for the quarter ended March 31, 2014, amounted to $14,419, compared to $11,774 for the same period in 2013. The increase in cost of sales was due to significantly lower production volumes in both the Masonry and Landscape Products business segments. The extreme winter conditions during the first quarter of 2014 significantly impacted operating conditions at the Company's concrete products plants, resulting in higher costs and reduced production volumes.

In addition, the commissioning of the two concrete products manufacturing plants located in Hillsdale and Brockville, Ontario, acquired as part of the purchase of Atlas Block assets in early January 2014, contributed to higher costs in the quarter. These costs included non-recurring amounts related to starting up the new facilities and modifying production equipment to be used going forward. Additionally, cost of sales for these plants was much higher than would be expected under normal operating conditions because production only commenced late in the quarter and, as a result, the lower production volumes resulted in a higher fixed cost per unit sold.

Selling expenses increased to $2,150 in the first quarter of 2014 from $1,785 in the same quarter of 2013. This increase was due to an increase in personnel costs and advertising expenses, related in part to the acquisition noted above.

General and administrative expenses increased to $1,701 for the first quarter of March 31, 2014 from $1,558 for the corresponding quarter in 2013 due to an increase in the provision for bad debts.

For the quarter ended March 31, 2014, the operating loss increased to $5,777 from $2,384 in the first quarter of 2013.

On January 3, 2014, the Company finalized a new $40,000 demand revolving reducing term loan with its banker. The amount of $36,595 drawn down on this loan was utilized to finance the purchase of the Atlas Block assets, and to repay the outstanding balance of $22,500 on the then existing term loan and the associated prepayment of future interest in the amount of $3,305.

As a result, for the first quarter of 2014, finance expense increased to $4,037 from $664 for the same period in 2013. Also included in the expense for the quarter were the remaining unamortized transaction costs in the amount of $200 related to the replaced term loan.

A recovery of income taxes of $1,959 was recorded for the first quarter of 2014 compared to a recovery of $474 for the same period in 2013. The income tax recovery in both periods relates to the pre-tax losses of the Company's Canadian operations. The Company has not recorded a deferred tax asset with respect to the potential deferred tax benefit pertaining to losses incurred by its U.S. operations.

More details with respect to each operating business segment follows:

MASONRY PRODUCTS

Revenues of the Masonry Products business segment were $12,022 for the quarter ended March 31, 2014 compared to $12,312 for the same period in 2013. An increase in revenues of concrete masonry products was offset by decreases in revenues of other masonry products shipments due to unfavourable weather conditions which impacted residential construction activity during the quarter.

For the three month period in 2014, cost of sales increased to $12,891 from $10,052 in the corresponding period in 2013. Due to the relatively high-fixed cost nature of the Company's manufacturing facilities, large fluctuations in production levels have a material impact on per unit manufacturing costs. As production volumes decrease, the average production cost per unit increases, since fixed plant overhead is apportioned over a lower number of production units, thus increasing cost of sales. In addition, pre-production costs and new moulds expenses associated with the Hillsdale and Brockville plants contributed to the unfavourable cost variances.

For the quarter ended March 31, 2014, the operating loss was $3,841 compared to operating income of $6 for the same period in 2013.

LANDSCAPE PRODUCTS

Historically, the level of activity in this business segment is lowest during the winter months. Revenues of the Landscape Products business segment for the three month period ended March 31, 2014, increased slightly to $590 from $577 in the corresponding period of 2013. For the first quarter of 2014, an operating loss of $1,936 was recognized compared to an operating loss of $2,232 for the same period in 2013. In the corresponding quarter of 2013, costs were higher due to equipment overhaul expenses and new equipment commissioning costs.

CASH FLOWS

Cash flow used for operating activities increased to $6,746 for the quarter ended March 31, 2014 compared to $4,768 for the same quarter in 2013 due to the decline in operating results.

Cash utilized for purchases of property, plant and equipment totaled $9,517 in the first quarter of 2014, compared to $774 for the corresponding period in 2013. On January 7, 2014, the Company acquired substantially all of the property, plant and equipment of Atlas Block, a concrete masonry and landscape products company for an aggregate purchase price of $11,366, including $2,494 by way of finance leases.

During the first quarter of 2014, no advances were made to Universal Resource Recovery Inc. ('Universal'), the Company's 50% owned joint venture. Loans advanced to Universal during the comparative period in 2013 were $475.

On January 3, 2014, the Company drew down an amount of $36,595 on the new $40,000 demand revolving reducing term loan as noted above under the caption "Discussion of Operations".

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, 2014, bank operating advances were $17,467 compared to $11,641 as at December 31, 2013.

Trade payables totaled $12,143 at March 31, 2014 compared to $11,514 at December 31, 2013.

The ratio of total liabilities to shareholders' equity was 0.67:1 at March 31, 2014 compared to 0.49:1 at December 31, 2013. The increase in this ratio from December 2013 to March 2014 was primarily due to a higher debt balance outstanding and lower retained earnings resulting from a decline in operating results in the first quarter of

2014. The increase in this ratio was partially offset by an increase in the foreign currency translation gain in 'Accumulated other comprehensive income' due to the strengthening of the U.S. dollar against the Canadian dollar in the first three months of 2014.

As at March 31, 2014, excluding the new demand revolving reducing term loan classified as a current liability, the working capital was $8,001, representing an adjusted working capital ratio of 1.22:1 compared to working capital and a working capital ratio at December 31, 2013 of $7,766 and 1.25:1, respectively. The increase in adjusted working capital was primarily due to an increase in inventories, which included inventories of $1,922 acquired on January 7, 2014, as part of the Atlas Block acquisition and trade and other receivables offset, in part, by higher bank operating advances. Cash and cash equivalents totaled $813 at March 31, 2014 compared to $1,200 at December 31, 2013.

The Company's demand operating facility provides for borrowings up to $22,000 based on margin formulae for trade receivables, certain other qualified receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured by a general security agreement over all assets. The agreement also contains certain financial covenants.

As at March 31, 2014, the borrowing limit was $19,287. The utilization was $17,741 and was comprised of a $8,900 banker's acceptance 90 day note, a current account balance of $8,567, and outstanding letters of credit of $274.

As previously discussed, on January 3, 2014, the Company finalized a new $40,000 demand revolving reducing term loan with its banker. The term of the new loan is nine years and requires monthly interest payments for the duration of the loan. Principal repayments of $500 per month will be paid from July 2015 to November 2022, but only during the months of July to November inclusive, for a total of $2,500 per annum, and a balloon payment of the then remaining principal will be paid in November 2022. The rate of interest is floating at the bank's prime rate plus a credit spread of 0.70% or at Banker's Acceptance rates plus a credit spread of up to 2.50%. The Company's credit spread is variable and determined by its fixed charge coverage ratio. This loan is secured primarily by real estate and production equipment of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S.

This liability has been classified as current on the condensed interim consolidated balance sheet. Notwithstanding the classification of the loan as a current liability, the Company's new debt affords it many benefits including a lower interest rate, flexibility to have interest rates at either floating or fixed and flexibility to accelerate principal repayments without any penalty. The Company is also permitted to redraw under the loan for the purchase of capital assets.

The Company was in compliance with all financial covenants under its term financing agreement and operating credit facility as at March 31, 2014 and anticipates that it will maintain compliance throughout the year.

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.

On January 7, 2014, the Company acquired substantially all of the property, plant and equipment from the court appointed receiver of a concrete masonry and landscape products company located in the province of Ontario for an aggregate purchase price of $11,366. Of the total assets purchased, $2,494 were acquired through a finance lease arrangement. These assets form part of two concrete manufacturing plants located in Hillsdale and Brockville, Ontario which the Company is in the process of commissioning.

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 2013 Annual Report and in Note 13 to the condensed interim consolidated financial statements.

With respect to contractual obligations outstanding as at March 31, 2014, changes during the first quarter include 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 its natural gas supply and transportation contracts. These are more fully described in Note 13 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	
	2014	2013	2013	2012	2013	2012	2013	2012
Revenues	$ 12,612	$ 12,889	$ 21,489	$ 22,742	$ 30,998	$ 27,270	$ 29,910	$ 31,054
Net income (loss) attributable to shareholders of Brampton Brick Limited								
	$ (7,855)	$ (2,574)	$ (1,129)	$ (1,709)	$ 4,151	$ 2,215	$ 2,101	$ 3,771
Net income (loss)								
	$ (7,855)	$ (2,574)	$ (1,108)	$ (1,708)	$ 4,209	$ 2,215	$ 2,102	$ 3,771
Net income (loss) per share								
Basic	$ (0.72)	$ (0.24)	$ (0.10)	$ (0.16)	$ 0.38	$ 0.20	$ 0.19	$ 0.35
Diluted	$ (0.72)	$ (0.24)	$ (0.10)	$ (0.16)	$ 0.38	$ 0.20	$ 0.19	$ 0.34

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

Revenues in the first quarter of 2014 decreased slightly from 2013 levels in the Masonry Products business segment. In addition, higher per unit production costs on lower production volumes due to the high fixed cost nature of the business increased the cost of sales, negatively affecting operating results.

Finance expense was also higher in the current quarter compared to the corresponding prior period due to the prepayment of future interest of $3,305 on the early repayment of the Company's former term loan.

QUARTERS ENDED DECEMBER 31

The decrease in revenues for the fourth quarter of 2013 compared to the same period in 2012 was due to lower masonry product shipments in the Company's Canadian markets which were offset, in part, by an increase in shipments of masonry products in the Company's United States markets and landscape products in all regions. Cost of sales decreased compared to the same period in 2012 due to lower sales volumes and changes in the operations that improved manufacturing performance.

Operating results in the fourth quarter of 2013 was favourable compared to the same period of 2012. Operating income in the fourth quarter of 2012 was negatively impacted by the write-off of certain obsolete and discontinued merchandise inventory and an increase in plant repair and maintenance expenses, including roof repair costs incurred at the Brampton clay brick facility.

QUARTERS ENDED SEPTEMBER 30

Higher revenues in the third quarter of 2013 in both the Masonry Products and Landscape Products business segments were due to higher product shipments and improved gross margins for the quarter ended September 30, 2013.

QUARTERS ENDED JUNE 30

The decrease in revenues in the second quarter of 2013 was due to lower revenues in the Landscape Products business segment as a result of comparatively unfavourable weather conditions. Lower clay brick production volumes in conjunction with the high fixed cost nature of the business increased per unit production costs. Finance costs for the quarter were comparatively lower due to the utilization of the Company's operating line of credit to redeem the subordinated secured debentures which achieved significant savings in interest costs because of the reduction in comparable interest rates. In addition, lower term debt balances due to repayments totaling $2,500 in the second half of 2012 contributed to lower interest expense levels.

OTHER

Information with respect to 'Changes in Accounting Policies' is contained in Note 2 to the 2013 annual consolidated financial statements included in the Company's 2013 Annual Report. The condensed interim consolidated financial statements as at and for the three month period ended March 31, 2014 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2013.

Information with respect to 'Critical Accounting Judgments and Estimates' is disclosed in the 2013 annual MD&A and in Note 3 to the 2013 annual consolidated financial statements included in the Company's 2013 Annual Report. To date, there have not been any significant changes to the Company's critical accounting judgments and estimates.

Information with respect to transactions with related parties in the first quarter of 2014 is disclosed in Note 14 to the condensed interim consolidated financial statements.

Information with respect to transactions with related parties for the year ended December 31, 2013 is disclosed in Note 21 to the 2013 annual consolidated financial statements included in the Company's 2013 Annual Report.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at March 31, 2014 is disclosed in Note 9 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.

The aggregate number of outstanding stock options as at March 31, 2014 that were fully vested and convertible to Class A Subordinate Voting shares upon exercise by the option holders is disclosed in Note 10 to the condensed interim consolidated financial statements for the three month period ended March 31, 2014. There have been no changes to the outstanding number of stock options to the date of the MD&A.

Additional information relating to the Company, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2013 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders to be held on May 22, 2014, may be found on SEDAR at www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the three month period ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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, as well as consumer spending patterns.

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

Despite the impacts of the adverse weather conditions and the significant one-time costs associated with the Atlas Block transaction during the first quarter, the Company still expects business results, in our various market regions, to meet expectations for the full year.

The Atlas Block purchase will result in higher volumes and expanded product portfolios in both the landscape and block market segments. Importantly, one of the key strategic opportunities from the acquisition will be the ability to significantly rationalize plant operations. By reallocating production throughout our plant network, capacity utilization levels will increase and logistics and production efficiencies can be achieved. The Company will also be able to optimize the investments completed over the last two years in upgraded customer service and marketing programs infrastructure, resulting in increased profit margin opportunities going forward.

In particular, sales of the Company's landscape products should continue to grow in 2014 as market recognition of the Oaks™ brand gains momentum through an expanded product portfolio and reputation for high quality.

In the United States, volume and prices should continue to gradually improve, although still well below pre-2009 levels.

The Company is not expected to fund any additional cash shortfalls associated with Universal Resource Recovery Inc. ("Universal"). The lease recently signed with the new tenant should allow Universal to be self sufficient on a cash basis.

FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute "forward-looking statements". All statements that are not historical facts are forward-looking statements, including, among others, statements regarding the expected repayment of the loan receivable from Universal, forecasts of sufficient cash flows from operations and other sources of financing, anticipated compliance with financial covenants under debt agreements, anticipated sales of masonry and landscape products, and other statements regarding future plans, objectives, results, business outlook and financial performance. There can be no assurance that such forward-looking statements will prove to be accurate.

Such forward-looking statements are based on information currently available to management, and are based on assumptions and analyses made by management in light of its experience and its perception of historical trends, current conditions and expected future developments, including, among others, assumptions regarding pricing, weather and seasonal expectations, production efficiency, and there being no significant disruptions affecting operations or other material adverse changes.

Such forward-looking statements also involve known and unknown risks, uncertainties and other factors 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. Such risks and uncertainties include, among others: changes in economic conditions, including the demand for the Company's primary products and the level of new home, commercial and other construction; large fluctuations in production levels; fluctuations in energy prices and other production costs; changes in transportation costs; foreign currency exchange and interest rate fluctuations; legislative and regulatory developments; as well as those assumptions, risks, uncertainties and other factors identified and discussed above under "Risks and Uncertainties" in the 2013 annual MD&A included in the Company's 2013 Annual Report and those identified and reported in the Company's other public filings (including the Annual Information Form for the year ended December 31, 2013), which may be accessed at www.sedar.com.

The forward-looking information contained herein is made as of the date hereof. Other than as specifically required by law, the Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on 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 6th day of May, 2014.

BRAMPTON BRICK Limited

Condensed Interim Consolidated Balance Sheets

(unaudited)(in thousands of Canadian dollars)	Notes	March 31, 2014	December 31, 2013
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 813**	$ 1,200
Trade and other receivables		**11,164**	9,891
Inventories		**29,512**	25,032
Taxes recoverable	11, 17	**1,435**	281
Other assets		**787**	2,565
		43,711	38,969
Non-current assets			
Loan receivable		**5,200**	5,200
Property, plant and equipment	4	**179,547**	168,095
Total assets		**$ 228,458**	$ 212,264
LIABILITIES			
Current liabilities			
Bank operating advances	7	**$ 17,467**	$ 11,641
Trade payables		**12,143**	11,514
Current portion of debt	8	**40,533**	5,704
Decommissioning provisions		**50**	50
Other liabilities		**2,112**	2,294
		72,305	31,203
Non-current liabilities			
Non-current portion of debt	8	**2,686**	20,980
Decommissioning provisions		**2,354**	2,315
Deferred tax liabilities	11	**14,210**	15,016
Total liabilities		**$ 91,555**	$ 69,514
EQUITY			
Equity attributable to shareholders of Brampton Brick Limited			
Share capital	9	**$ 33,711**	$ 33,711
Contributed surplus	10	**2,163**	2,078
Accumulated other comprehensive income		**2,296**	373
Retained earnings		**98,704**	106,559
		136,874	142,721
Non-controlling interests		**29**	29
Total equity		**$ 136,903**	$ 142,750
Total liabilities and equity		**$ 228,458**	$ 212,264

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

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

BRAMPTON BRICK Limited

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended March 31, 2014	2013
Revenues	15, 16	**$ 12,612**	$ 12,889
Cost of sales		**14,419**	11,774
Selling expenses		**2,150**	1,785
General and administrative expenses		**1,701**	1,558
Loss (gain) on disposal of property, plant and equipment		**6**	(5)
Other expense		**113**	3
Impairment loss on loan receivable		**–**	158
		18,389	15,273
Operating loss	15	**(5,777)**	(2,384)
Finance expense	7, 8	**(4,037)**	(664)
Loss before income taxes		**(9,814)**	(3,048)
Recovery of income taxes	11		
Current		**1,152**	358
Deferred		**807**	116
		1,959	474
Net loss for the period		**$ (7,855)**	$ (2,574)
Net loss attributable to:			
Shareholders of Brampton Brick Limited		**$ (7,855)**	$ (2,574)
Non-controlling interests		**–**	–
Net loss for the period		**$ (7,855)**	$ (2,574)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation income		**$ 1,923**	$ 979
Total comprehensive loss for the period		**$ (5,932)**	$ (1,595)
Total comprehensive loss attributable to:			
Shareholders of Brampton Brick Limited		**$ (5,932)**	$ (1,595)
Non-controlling interests		**–**	–
Total comprehensive loss for the period		**$ (5,932)**	$ (1,595)
Net loss per Class A Subordinate Voting share and Class B Multiple Voting share attributable to shareholders of Brampton Brick Limited			
Basic	12	**$ (0.72)**	$ (0.24)
Diluted	12	**$ (0.72)**	$ (0.24)

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

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited) (in thousands of Canadian dollars)	Notes	Attributable to shareholders of Brampton Brick Limited Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-Controlling interest	Total Equity
Balance – January 1, 2013		**$ 33,711**	**$ 1,895**	**$ (2,655)**	**$ 104,010**	**$ 136,961**	**$ 12**	**$ 136,973**
Net loss for the period		–	–	–	(2,574)	**(2,574)**	–	**(2,574)**
Other comprehensive income (net of taxes, $nil)		–	–	979	–	**979**	–	**979**
Comprehensive income (loss) for the period		**–**	**–**	**979**	**(2,574)**	**(1,595)**	**–**	**(1,595)**
Share-based compensation	10	–	73	–	–	**73**	–	**73**
Balance – March 31, 2013		**$ 33,711**	**$ 1,968**	**$ (1,676)**	**$ 101,436**	**$ 135,439**	**$ 12**	**$ 135,451**
Balance – January 1, 2014		**$ 33,711**	**$ 2,078**	**$ 373**	**$ 106,559**	**$ 142,721**	**$ 29**	**$ 142,750**
Net loss for the period		–	–	–	(7,855)	**(7,855)**	–	**(7,855)**
Other comprehensive income (net of taxes, $nil)		–	–	1,923	–	**1,923**	–	**1,923**
Comprehensive income (loss) for the period		**–**	**–**	**1,923**	**(7,855)**	**(5,932)**	**–**	**(5,932)**
Share-based compensation	10	–	85	–	–	**85**	–	**85**
Balance – March 31, 2014		**$ 33,711**	**$ 2,163**	**$ 2,296**	**$ 98,704**	**$ 136,874**	**$ 29**	**$ 136,903**

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

(unaudited)(in thousands of Canadian dollars)	Notes	Three months ended March 31, 2014	2013
Cash provided by (used for)			
Operating activities			
Net loss for the period		**$ (7,855)**	$ (2,574)
Items not affecting cash and cash equivalents			
Depreciation	4	**2,004**	1,765
Current taxes	11	**(1,152)**	(358)
Deferred taxes	11	**(807)**	(116)
Loss (gain) on disposal of property, plant and equipment		**6**	(5)
Unrealized foreign currency exchange loss (gain)		**22**	(1)
Impairment loss on loan receivable		**–**	158
Net interest expense	7, 8	**4,062**	665
Other		**85**	73
		(3,635)	(393)
Changes in non-cash items			
Trade and other receivables		**(1,227)**	289
Inventories		**(4,220)**	(4,785)
Other assets		**1,786**	(290)
Trade payables		**835**	387
Other liabilities		**(283)**	27
		(3,109)	(4,372)
Income tax payments		**(2)**	(3)
Cash used for operating activities		**(6,746)**	(4,768)
Investing activities			
Purchase of property, plant and equipment	4	**(9,517)**	(774)
Loan advances to Universal Resource Recovery Inc.		**–**	(475)
Proceeds from disposal of property, plant and equipment		**40**	5
Cash used for investing activities		**(9,477)**	(1,244)
Financing activities			
Increase in bank operating advances		**5,826**	6,227
Proceeds from issuance of the demand revolving reducing term loan	8	**36,595**	–
Payment of term loans	8	**(22,567)**	(16)
Interest paid	7, 8	**(3,770)**	(607)
Payments on obligations under finance leases		**(192)**	(107)
Cash provided by financing activities		**15,892**	5,497
Foreign exchange on cash held in foreign currency		**(56)**	83
Decrease in cash and cash equivalents		**(387)**	(432)
Cash and cash equivalents at the beginning of the period		**1,200**	1,412
Cash and cash equivalents at the end of the period		**$ 813**	$ 980

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

1. GENERAL INFORMATION

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, Hillsdale, Brockville, 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, 2014 and for the three month period ended March 31, 2014 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, 2014 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 statements as at and for the three month period ended March 31, 2014 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2013.

STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements as at March 31, 2014 and for the three month period ended March 31, 2014 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 6, 2014.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

The following is a brief overview of accounting standard changes and amendments that the Company will be required to adopt in future years.

IFRS 9 *Financial Instruments* 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 largely carry 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.

The Company will continue to monitor and evaluate the amendments to this standard under consideration by IASB. Although the full impact of the final standard cannot be determined, it is not expected to materially impact the consolidated financial statements.

The IASB recently suspended the originally planned effective date of the new standard of January 1, 2015 and at present the effective date has not been determined.

Amendments effective for annual periods beginning on or after July 1, 2014 are as below:

Amendment to IFRS 2, ***Share based payment*** revises the definitions of the terms 'vesting conditions' and 'market condition'. Additionally, the definitions of 'performance condition' and 'service condition' have been added to clarify the definition of vesting conditions applied in the measurement of share-based payment transactions. This amendment is not expected to impact the consolidated financial statements.

Amendment to IFRS 3, ***Business combination***s requires that changes in the fair value of contingent consideration relating to non-measurement period adjustments:

a) must be recognized in profit or loss, instead of recognizing gain or loss either in profit or loss or in other comprehensive income for contingent consideration within the scope of IFRS 9, *Financial Instruments*; or

b) must be measured at fair value at each reporting date and changes in fair value must be recognized in profit or loss instead of recognizing a provision in accordance with IAS 37, *Provisions, contingent liabilities and contingent assets* for contingent consideration that is not within the scope of IFRS 9, *Financial Instruments*.

This amendment is not expected to impact the consolidated financial statements.

Amendment to IFRS 8, ***Operating Segments*** requires additional disclosure pertaining to judgements made by management in applying the aggregation criteria to the reported segments. This amendment has disclosure requirements and is not expected to impact the consolidated financial statements.

Amendment to IFRS 13, ***Fair value measurement*** includes other contracts within the scope of IAS 39, *Financial Instruments: Recognition and Measurement* or IFRS 9, *Financial Instruments* in addition to financial assets and financial liabilities in the measurement of the fair value of a group of financial instruments with offsetting positions in market risk or counterparty risk. This amendment is not expected to impact the consolidated financial statements.

Amendment to IAS 24, ***Related party disclosures*** includes within the definition of a related party an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity. In addition, the reporting entity is not required to apply paragraph 17 disclosure requirements of key management personnel compensation in relation to the management personnel services provided by the related entity. However the reporting entity must disclose the provision for key management personnel services recorded. This amendment is not expected to impact the consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2013					
Cost	$ 80,456	$ 32,118	$ 131,155	$ 6,237	$ 249,966
Accumulated depreciation and impairment loss	(14,236)	(12,865)	(50,279)	(4,491)	(81,871)
Net book value	**66,220**	**19,253**	**80,876**	**1,746**	**168,095**

For the three months ended March 31, 2014					
Additions	721	564	9,982	500	11,767
Disposals	–	–	(41)	(5)	(46)
Depreciation for the period	(125)	(236)	(1,450)	(193)	(2,004)
Exchange differences	245	310	1,176	4	1,735
	841	**638**	**9,667**	**306**	**11,452**

As at March 31, 2014					
Cost	81,537	33,132	142,898	6,555	264,122
Accumulated depreciation and impairment loss	(14,476)	(13,241)	(52,355)	(4,503)	(84,575)
Net book value	**67,061**	**19,891**	**90,543**	**2,052**	**179,547**

For the three month period ended March 31, 2014, depreciation expense totaled $2,004 (2013 – $1,765) of which $1,928 (2013 – $1,700) was included in Cost of sales and $76 (2013 – $65) was included in General and administrative expenses.

On January 7, 2014, the Company acquired substantially all of the property, plant and equipment from the court appointed receiver of a concrete masonry and landscape products company located in the province of Ontario for an aggregate purchase price of $11,366. Of the total assets purchased, $2,494 were acquired through a finance lease arrangement. These assets form part of two concrete manufacturing plants located in Hillsdale and Brockville, Ontario which the Company is in the process of commissioning.

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

	March 31, 2014	December 31, 2013
Cost – finance leases	$ 7,316	$ 4,822
Accumulated depreciation	(3,580)	(3,344)
	$ 3,736	**$ 1,478**

5. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

For the three months ended March 31, 2014, the Company's share of Universal's net income amounted to $31 (three months ended March 31, 2013 – loss of $146). As a result, the Company's total share of cumulative unrecognized losses decreased to $3,976 (December 31, 2013 – $4,007) as at March 31, 2014.

6. LOAN RECEIVABLE

For the quarter ended March 31, 2014, secured advances from the Company to Universal totaled \$5,200 (December 31, 2013 – \$5,200). In relation to this loan receivable, the Company has registered, as security, a mortgage on Universal's property located in Welland, Ontario. The recoverability of the loan from the sale proceeds of the property, is expected to be deferred until the earlier of: the exercise of the tenant's option to purchase the property; or the expiry of the lease term.

7. BANK OPERATING ADVANCES

The Company's credit facility provides for borrowings of up to \$22,000 based on margin formulae for trade receivables, certain other qualified receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured by a general security agreement over all assets. The agreement also contains certain financial covenants. As at March 31, 2014, the Company is in compliance with all the financial covenants.

As at March 31, 2014, the borrowing limit was \$19,287 (December 31, 2013 – \$18,951). The utilization was \$17,741 (December 31, 2013 – \$11,905) and comprised of: a \$8,900 (December 31, 2013 – \$8,900) banker's acceptance, 90 day note; a current account balance of \$8,567 (December 31, 2013 – \$2,741); and outstanding letters of credit for \$274 (December 31, 2013 – \$264).

As at March 31, 2014, the rate of interest on the banker's acceptance note is based on prevailing banker's acceptance rates plus a credit spread of 2.50% and the rate of interest on the current account is based on the Canadian bank prime rate plus a credit spread of 1.00%. The Company's credit spread is variable and determined by its fixed charge coverage ratio.

8. DEBT

Debt consists of the following:

	March 31, 2014 \$	December 31, 2013 \$
Demand revolving reducing term loan – monthly instalments commence June 2015 to November 2022 (a)	**36,595**	–
Term loan – due June 2016, repaid in January 2014 (a)	**–**	22,300
Demand non-revolving loan – monthly instalments commence January 2014 to December 2019	**2,555**	2,598
Other term loans	**398**	417
	39,548	25,315
Obligations under finance leases	**3,671**	1,369
	43,219	26,684
Less: Payments due within one year – current portion	**40,533**	5,704
Non-current portion of debt	**2,686**	20,980

(a) On January 3, 2014, the Company finalized a new \$40,000 demand revolving reducing term loan with its banker. The amount of \$36,595 drawn down on this loan was utilized to finance the purchase of substantially all of the assets of a concrete masonry and landscape products company from the court appointed receiver and to repay the outstanding balance of the then existing term loan of \$22,500 and the associated prepayment of future interest in the amount of \$3,305.

The term of the new loan is nine years and requires monthly interest payments for the duration of the loan. Principal repayments of \$500 per month will be paid from July 2015 to November 2022, but only during the months of July to November inclusive, for a total of $2,500 per annum, and a balloon payment of the then remaining principal will be paid in November 2022. The rate of interest is floating at the bank's prime rate plus a credit spread of 0.70% or at Banker's Acceptance rates plus a credit spread of up to 2.50%. The Company's credit spread is variable and determined by its fixed charge coverage ratio. This loan is secured primarily by real estate and production equipment of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S.

9. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Preference shares, Class A Subordinate Voting shares and Class B Multiple Voting shares. The Class B Multiple Voting shares are convertible into Class A Subordinate Voting shares on a share-for-share basis at any time. Class A Subordinate Voting shares may be converted into Class B Multiple Voting shares in certain circumstances in connection with a takeover bid. Class A Subordinate Voting shareholders are entitled to one vote per share and Class B Multiple Voting 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, 2014, issued and outstanding share capital consisted of 9,201,723 Class A Subordinate Voting shares (December 31, 2013 – 9,201,723) and 1,738,631 Class B Multiple Voting shares (December 31, 2013 – 1,738,631).

There were no changes in the Class A Subordinate Voting shares and Class B Multiple Voting shares during the quarter ended March 31, 2014.

10. 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 1,680,965 (December 31, 2013 – 1,680,965) Class A Subordinate Voting shares. The exercise price of each stock option is equal to the volume weighted average trading price of the Company's Class A Subordinate Voting shares for the five trading days immediately preceding the date of the grant and the maximum term of each option is ten years. As at March 31, 2014, a total of 297,865 (December 31, 2013 – 428,365) stock options were available for grant under the Plan.

The Company granted stock options to all executive officers, one employee and to all non-management members of the Board of Directors of the Company. Options in each grant vest as follows: 20% on the date immediately following the date of the grant and an additional 20% on each anniversary of the grant date thereof until fully vested.

Date of grant	**March 28, 2014**
Number of options granted	**174,500**
Market price	**$ 5.60**
Fair value of each stock option granted	**$ 1.41**
Assumptions:	
Risk-free interest rate	**2.15%**
Expected life	**8 years**
Volatility (determined by reference to historically observed prices of the Class A Subordinate Voting shares)	**34%**
Expected dividend yield	**3.57%**
Expected forfeitures	**Nil**

For the three month period ended March 31, 2014, the total compensation cost charged against income with respect to all stock options granted was $85 (2013 – $73).

As at March 31, 2014, an aggregate of 1,152,600 (December 31, 2013 – 1,022,100) stock options were outstanding, of which 806,000 (December 31, 2013 – 709,900) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $7.65 (December 31, 2013 – $8.58) per share.

11. INCOME TAX

The Company computes an income tax recovery (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 in Canada and the United States are subject to income tax at the following rates 26.5% (2013 – 26.5%) in the Canadian jurisdictions and from 34.0% to 38.9% (2013 – 34.0% to 38.9%) in the U.S. jurisdictions.

In interim periods, the income tax recovery (provision) is based on actual earnings by jurisdiction. 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.

12. NET LOSS PER SHARE

Net loss per share is calculated on net loss attributable to the shareholders of Brampton Brick Limited 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 Subordinate Voting shares and Class B Multiple Voting shares outstanding utilized in the calculations of net loss per share is as follows:

	Three months ended March 31					
	2014			2013		
	Net Loss $	Shares (thousands)	Per share amount $	Net Loss $	Shares (thousands)	Per share Amount $
Basic and Diluted loss per share attributable to shareholders of Brampton Brick Limited	**(7,855)**	**10,940**	**(0.72)**	(2,574)	10,940	(0.24)

Dilutive employee stock options have no effect in the calculation of the diluted loss per share due to the loss incurred for the periods ended March 31, 2014 and March 31, 2013.

13. COMMITMENTS AND CONTINGENCIES

As at March 31, 2014, the Company had capital expenditure commitments with suppliers totaling $1,733.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at March 31, 2014, the Company has contracted for its estimated remaining 2014 Canadian natural gas supply requirements at an aggregate estimated cost of $1,896, none of which was at fixed prices, and for its estimated remaining 2014 Canadian transportation requirements at an aggregate estimated cost of $654, of which 77% was at fixed prices. As at March 31, 2014, the Company's U.S. operations, have contracted for its April 2014 estimated natural gas transportation requirements at an estimated cost of $9 at fixed prices. The potential unrealized gain on the fixed price contracts was approximately $17 (2013 – unrealized loss of approximately $78), 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, 2014 is $274 (December 31, 2013 – $264).

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.

14. 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 5.9% (2013 – 5.7%) of revenues in aggregate for the quarter ended March 31, 2014. As at March 31, 2014 the trade receivable balance from related customers was $83 (December 31, 2013 – $66).

Purchases from related parties amounted to $22 for the quarter ended March 31, 2014 (2013 – $36). Trade payables to related parties was $72 as at March 31, 2014 (December 31, 2013 – $182).

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.

15. 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.

OTHER

Other business operations and assets consist of a loan receivable from Universal and a short term investment pertaining to 1813435 Ontario Limited.

Segmented information, with comparative information for 2013, is as follows:

	March 31,	
i) Revenues	**2014 $**	2013 $
Masonry Products	**12,022**	12,312
Landscape Products	**590**	577
Revenues	**12,612**	12,889
ii) Operating income (loss)		
Masonry Products	**(3,841)**	6
Landscape Products	**(1,936)**	(2,232)
Other	**–**	(158)
Operating loss	**(5,777)**	(2,384)
Finance expense	**(4,037)**	(664)
Income taxes	**1,959**	474
Net loss for the period	**(7,855)**	(2,574)
iii) Total assets	**March 31, 2014 $**	December 31, 2013 $
Masonry and Landscape Products	**222,552**	206,357
Other	**5,906**	5,907
Total assets	**228,458**	212,264

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, 2014 Revenues $	March 31, 2013 Revenues $	March 31, 2014 Property, plant and equipment $	December 31, 2013 Property, plant and equipment $
Canada	**11,890**	11,755	**131,745**	121,668
United States	**722**	1,134	**47,802**	46,427
	12,612	12,889	**179,547**	168,095

16. 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, 2014 are not necessarily indicative of the results to be expected for the full year.

17. COMPARATIVE AMOUNTS

Certain comparative amounts in the financial statements have been reclassified to conform with the current period financial statement presentation.

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