BRAMPTON BRICK Limited

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2014

third quarter report

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2014
PREPARED AS OF NOVEMBER 4, 2014

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three and nine month interim periods ended September 30, 2014 should be read in conjunction with the condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 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

THREE MONTHS ENDED SEPTEMBER 30, 2014

The Company recorded net income of $3,354, or $0.31 per Class A Subordinate Voting share and Class B Multiple Voting share, outstanding for the third quarter ended September 30, 2014, compared to net income of $4,209, or $0.38 per share for the third quarter of 2013. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the third quarter of each of 2014 and 2013 was 10,940,354.

For the quarter ended September 30, 2014, revenues increased by 21% to $37,451 compared to $30,998 for the same period in 2013. Higher shipments in both the Masonry Products and Landscape Products business segments contributed to the increase in revenues for the current quarter. Favourable weather conditions for residential construction combined with the additional sales volume gained from the new production facilities located in Hillsdale and Brockville, Ontario led to an increase in revenues during the quarter.

For the quarter ended September 30, 2014, cost of sales amounted to $28,232, compared to $21,416 for the same period in 2013. The higher cost of sales was largely attributable to the increase in shipments during the quarter, higher energy costs and the costs associated with the commissioning and retrofit work for the two concrete products manufacturing plants located in Hillsdale and Brockville, Ontario, that were acquired earlier in the year. In addition, lower production volumes in the Masonry Products business segment resulted in a higher fixed cost per unit sold and contributed to higher costs in the quarter.

Selling expenses for the third quarter of 2014 was $2,183 compared to $2,192 in the same quarter of 2013.

General and administrative expenses during the third quarter ended September 30, 2014 amounted to $1,764 compared to $1,453 for the corresponding quarter in 2013. The 2014 expenses are in line with expectations. These expenses are higher than the 2013 expenses which are artificially lower due to a reversal of an old provision and a recovery of bad debts that had previously been provided for.

Operating income for the quarter ended September 30, 2014, amounted to $5,176 compared to $5,982 for the third quarter of 2013.

Notwithstanding a larger average debt balance in the quarter compared with the corresponding quarter in 2013, finance expenses reduced from $724 to $593 due to the benefit of a significantly lower interest rate achieved by refinancing the Company's long term debt in early 2014.

The increase in the provision for income taxes to $1,229 for the third quarter of 2014 compared to $1,049 for the same period in 2013 was a result of an increase in operating results of the Canadian operations. The income tax provision in both periods relates to the pre-tax income 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.

NINE MONTHS ENDED SEPTEMBER 30, 2014

For the nine months ended September 30, 2014, the Company recorded a net loss of $3,729, or $0.34 per share, compared to net income of $3,737, or $0.34 per share, for the corresponding period in 2013. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the nine months ended September 30, of each of 2014 and 2013 was 10,940,354.

Revenues for the nine months ended September 30, 2014 increased 13% to $83,129 compared to $73,797 for the nine month period in 2013 due to strong growth in shipments of both masonry concrete products and landscape products.

Cost of sales for the nine months ended September 30, 2014, amounted to $68,857, compared to $55,319 for the same period in 2013. The increase in cost of sales was due to greater shipment levels and start-up costs related to commissioning of the two concrete manufacturing plants located in Hillsdale and Brockville, Ontario which resulted in lower capacity utilization due to the initial trial production runs and higher fixed costs per unit sold. Production volumes in the Masonry Products business segment were below 2013 levels. Due to the high fixed cost nature of the business, lower production volumes have resulted in higher fixed costs per unit and consequently higher cost of sales. Energy costs have increased over 2013 levels and have also contributed to the higher operating costs.

Selling expenses for the nine month period ended September 30, 2014 increased to $6,670 from $5,973 for the same period of 2013. This increase was due to an increase in personnel costs and advertising expenses related to the additional plant facilities and the increase in the Company's overall product portfolios.

General and administrative expenses increased to $5,106 for the nine month period in 2014 from $4,657 for the corresponding period in 2013 due to an increase in the provision for bad debts.

Loss on disposal of property, plant and equipment amounted to $1,595 for the nine month period ended September 30, 2014 compared to $347 for the same period in 2013 primarily due to the write-off of certain production equipment located at the Milton facility. The land and buildings at Milton were sold on October 1, 2014, as part of the Company's rationalization plan for its concrete plants as discussed below under the caption 'Financial Conditions'. This plan has the Company reallocating production volumes throughout its restructured plant network, improving individual plant capacity utilization levels and increasing logistics and production efficiencies.

For the nine month period ended September 30, 2014, operating income amounted to $907, compared to operating income of $7,397 for the corresponding nine month period in 2013.

On January 3, 2014, the Company finalized a new $40,000 demand revolving reducing term loan. The amount of $36,595 drawn down on this loan was utilized to finance the purchase of the Atlas Block assets, which, for the most part were incorporated into the Company's new facilities located in Hillsdale and Brockville, Ontario, 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 nine month period ended September 30, 2014, finance expense increased to $5,233 from $2,104 for the same period in 2013. Also included in the expense for the period was the write-off of the remaining unamortized transaction costs in the amount of $200 related to the replaced term loan.

A recovery of income taxes of $597 was recorded for the first nine months of 2014 compared to a provision of $1,556 for the same period in 2013. The income tax recovery (provision) in both periods relates to 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 increased to $25,303 for the quarter ended September 30, 2014 compared to $21,262 for the same period in 2013. Higher shipments resulting from the new facilities in Hillsdale and Brockville and favourable weather conditions during the quarter generated the growth in revenues.

Cost of sales for the quarter ended September 30, 2014 increased to $19,474 from $14,851 in the corresponding period in 2013. The increase in cost of sales was largely driven by the increase in sales volumes, the unfavourable impact of lower production volumes on unit costs, costs to complete the commissioning of production equipment at the Hillsdale and Brockville plants, higher energy costs and higher yard and delivery expenses. As a result, operating income amounted to $3,148 for the current quarter compared to $3,723 in the prior period.

For the nine month period ended September 30, 2014, revenues increased by 8% to $59,312 from $54,697 in the corresponding period of 2013 despite the slow start in the first quarter of 2014. The momentum in residential construction that began in the second quarter was maintained in the third quarter, aided in part by the volumes from the new facilities in Hillsdale and Brockville.

Cost of sales for the nine months of 2014 increased to $50,641 from $41,056 in the corresponding period in 2013. Operating expenses were impacted by certain non-recurring expenses and commissioning costs associated with the Hillsdale and Brockville plants. As well, higher energy costs, yard and delivery expenses and necessary trial production runs associated with the Company's restructured plant network contributed to the unfavourable year-over-year cost of sales comparison.

As a result, for the nine month period ended September 30, 2014, the operating income was $230 compared to operating income of $5,875 for the same period in 2013.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment for the three month period ended September 30, 2014 increased by 25% to $12,148 from $9,736 in the corresponding period of 2013. Both the additional business through the Hillsdale and Brockville plants as well as an improved and more targeted marketing strategy and expanded product profile supported the increase in revenues during the third quarter of 2014.

During this quarter operating expenses increased, primarily due to commissioning costs of the new plants at Hillsdale and Brockville. For the third quarter of 2014, operating income was $2,036 compared to $2,033 for the same period in 2013.

For the nine month period ended September 30, 2014, revenues increased to $23,817 from $19,100 in the corresponding period of 2013 for the same reasons as noted above with respect to the three month period ended September 30, 2014. The operating income decreased to $685 from $1,454 for the same period in 2013. The decrease in operating income was due to the non-recurring loss on disposal of property, plant and equipment at the Milton plant recorded in the second quarter of 2014. Additionally, commissioning costs of the new plants at Hillsdale and Brockville increased the average per unit cost of production for the nine month period in 2014.

CASH FLOWS

Cash flow provided by operating activities decreased to $2,080 for the nine month period ended September 30, 2014 compared to $5,123 for the same period in 2013 largely due to the decline in operating results.

Cash utilized for purchases of property, plant and equipment totaled $10,521 for the nine month period of 2014, compared to $2,948 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 nine months ended September 30, 2014, Universal Resource Recovery Inc. ('Universal'), the Company's 50% owned partnership, generated sufficient cash inflows to meet its obligations as they became due and consequently, the Company made no advances to Universal. Loans advanced to Universal during the comparative period in 2013 were $1,875.

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 September 30, 2014, bank operating advances were $12,052 compared to $11,641 as at December 31, 2013.

Trade payables totaled $13,861 at September 30, 2014 compared to $11,514 at December 31, 2013.

The ratio of total liabilities to shareholders' equity was 0.63:1 at September 30, 2014 compared to 0.49:1 at December 31, 2013. The increase in this ratio from December 2013 to September 2014 was primarily due to a higher debt balance outstanding and lower retained earnings resulting from a decline in operating results in the nine months ended September 30, 2014.

As at September 30, 2014, excluding the new demand revolving reducing term loan classified as a current liability, the working capital was $18,578, representing an adjusted working capital ratio[1)] of 1.56:1 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[1)] was due to an increase in inventories, primarily related to the Atlas Block acquisition as well as higher trade and other receivables offset, in part, by higher bank operating advances and trade payables. Cash and cash equivalents totaled $1,253 at September 30, 2014 compared to $1,200 at December 31, 2013.

The Company's demand operating 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.

1) "Adjusted working capital" and "adjusted working capital ratio" are non-IFRS financial measures. See the section "Non-IFRS Measures" below for a definition of such measures and for a quantitative reconciliation of such measures to the most directly comparable IFRS measures.

As at September 30, 2014, the borrowing limit was $22,000. The utilization was $12,330 and was comprised of a $12,000 banker's acceptance 90 day note, a current account balance of $52, and outstanding letters of credit of $278.

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 September 30, 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 Atlas Block, 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 masonry and landscape products manufacturing plants located in Hillsdale and Brockville, Ontario.

Pursuant to the Company's objectives of improving logistics and production efficiencies, in the third quarter of 2014 management committed to a plan to actively market and sell the land and buildings located at Milton, Ontario. Consequently, as at September 30, 2014, these assets were reclassified as Assets held for sale and are recognized at their carrying amount of $2,408, being the lower of their carrying amount and fair value less costs to sell.

On October 1, 2014, land and buildings located in Milton, Ontario with a carrying amount of $2,408 were sold for net proceeds of approximately $5,600, after deducting sales transaction costs of approximately $250, resulting in a gain of approximately $2,600, net of taxes. The funds were used to reduce bank operating advances.

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 14 to the condensed interim consolidated financial statements.

With respect to contractual obligations outstanding as at September 30, 2014, changes during the first nine month period 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 14 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	September 30		June 30		March 31		December 31	
	2014	2013	2014	2013	2014	2013	2013	2012
Revenues	$ 37,451	$ 30,998	$ 33,066	$ 29,910	$ 12,612	$ 12,889	$ 21,489	$ 22,742
Net income (loss) attributable to shareholders of Brampton Brick Limited								
	$ 3,355	$ 4,151	$ 772	$ 2,101	$ (7,855)	$ (2,574)	$ (1,129)	$ (1,709)
Net income (loss)								
	$ 3,354	$ 4,209	$ 772	$ 2,102	$ (7,855)	$ (2,574)	$ (1,108)	$ (1,708)
Net income (loss) per share								
Basic	$ 0.31	$ 0.38	$ 0.07	$ 0.19	$ (0.72)	$ (0.24)	$ (0.10)	$ (0.16)
Diluted	$ 0.30	$ 0.38	$ 0.07	$ 0.19	$ (0.72)	$ (0.24)	$ (0.10)	$ (0.16)

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

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

QUARTERS ENDED SEPTEMBER 30

Higher revenues in the third quarter of 2014 in both the Masonry Products and Landscape Products business segments were due to higher shipments through the new facilities at Hillsdale and Brockville as well as the positive momentum in residential construction.

However, higher costs of sales due to start-up and related retrofit costs of commissioning the new plants during this quarter and an increase in average per unit manufacturing costs due to lower production volumes and trial production runs offset the increase in revenues, reducing the net income for the quarter ended September 30, 2014.

QUARTERS ENDED JUNE 30

The increase in revenues in the second quarter of 2014 was primarily due to higher revenues of both masonry and landscape products. Cost of sales increased due to higher shipments, higher energy costs, certain one-time operating costs related to improving plant efficiencies, the write-off of production equipment amounting to $1,600 at the Milton facility and costs related to equipment commissioning at the Hillsdale and Brockville plants. Collectively, these factors negatively impacted net income for the second quarter of 2014 compared to the same period in 2013.

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 due to lower production volumes negatively affected operating results.

Finance expense was also higher in the first 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 and the unamortized transaction costs in the amount of $200 related to this replaced 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 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 certain changes in the operations that improved manufacturing performance.

Operating results in the fourth quarter of 2013 were 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.

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 and nine month periods ended September 30, 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 is disclosed; (a) for the year ended December 31, 2013 in Note 21 to the 2013 annual consolidated financial statements included in the Company's 2013 Annual Report; and (b) for the three and nine month periods ended September 30, 2014 in Note 15 to the condensed interim consolidated financial statements for such periods.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at September 30, 2014 is disclosed in Note 10 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 September 30, 2014 that were fully vested and convertible to Class A Subordinate Voting shares upon exercise by the option holders is disclosed in Note 11 to the condensed interim consolidated financial statements for the nine month period ended September 30, 2014. There have been no changes to the outstanding number of stock options to the date of this MD&A.

During the second quarter of 2014, the Toronto Stock Exchange ("TSX") accepted a notice of intention (the "Notice") filed by the Company to make a normal course issuer bid ("NCIB"). The notice provides that the Company may, during the 12 month period commencing May 6, 2014 and ending May 5, 2015, purchase on the TSX up to 460,086 Class A Subordinate Voting shares in total, being approximately 5% of the total number of Class A Subordinate Voting shares outstanding as of April 30, 2014. The price which the Company will pay for any such shares will be the market price at the time of acquisition. The actual number of Class A Subordinate Voting shares which may be purchased pursuant to the NCIB and the timing of any such purchases will be determined by management. The average daily trading volume of Class A Subordinate Voting shares ("ADTV") for the most recently completed six calendar months prior to TSX acceptance of the NCIB was 975. The maximum number of Class A Subordinate Voting shares that may be purchased in one day pursuant to the NCIB will be the greater of 1,000 and 25% of the ADTV. All Class A Subordinate Voting share purchases will be made on the open market through the facilities of the TSX and will be purchased for cancellation. As at September

30, 2014, the Company has not repurchased any Class A Subordinate Voting shares under the NCIB. Shareholders may obtain a copy of the Notice, without charge, by contacting the Company.

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 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 September 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

NON-IFRS MEASURES

In addition to the International Financial Reporting Standards ("IFRS") measures, this MD&A contains certain financial measures that do not have any standardized meaning prescribed by IFRS. Therefore, these financial measures may not be comparable to similar measures presented by other issuers. These measures are listed and defined below.

The Company uses the non-IFRS measure "adjusted working capital" and "adjusted working capital ratio". "Adjusted working capital" is defined by management as current assets less adjusted current liabilities, where adjusted current liabilities are current liabilities excluding the new demand revolving reducing term loan classified as a current liability. Management believes adjusted working capital is more indicative of the Company's working capital position pending the outcome of on-going discussions to revise the terms of the demand loan. Adjusted working capital does not have a standardized meaning prescribed by IFRS. Readers are cautioned that adjusted working capital should not be construed as an alternative to working capital determined in accordance with IFRS as a measure of the Company's liquidity or cash flows. The Company's method of calculating adjusted working capital may differ from that of other issuers or companies operating in similar sectors and, accordingly, may not be comparable to similar measures presented by other issuers. Management's calculation of adjusted working capital is provided in the table below:

	September 30, 2014
	$
Current assets	**51,977**
Current liabilities	69,994
Less: Demand revolving reducing term loan	(36,595)
Less: Adjusted current liabilities	**33,399**
Adjusted working capital	**18,578**

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.

Construction activity was more robust in the second and third quarters of 2014. This activity translated into positive top line growth for the Company's Canadian Masonry business and should, weather permitting, continue late into the year. Notwithstanding this growth, it is not expected that these gains will fully offset the slow start to the year resulting from the extreme winter conditions in the first four months of 2014.

The Company continues to fine tune its concrete plant rationalization strategy, incorporating the Atlas Block assets purchased at the start of 2014. The Milton concrete plant's land and buildings were disposed of on October 1, 2014 and all its production redistributed throughout the remaining plant network. The result of this program should see the Company operating with its most efficient assets, allowing for greater capacity utilization levels and an improved overall cost structure.

Volumes of some of the masonry products have grown since the Atlas Block transaction. For the balance of 2014, price stability, sales volumes and plant capacity utilization are expected to result in higher operating margins.

In the United States, both volumes and prices continue to remain subdued and well below historic levels. While some of the leading U.S. housing market indicators show positive trends, this is not yet evident in the Company's results. Supply conditions remain very competitive resulting in continued pricing instability.

The Company has seen notable growth in its sales of landscape products through the first nine months of 2014 and expects to end the year in the same vein. These positive results are attributable to the Company's expanded product portfolio and enhanced marketing programs and should support more growth going forward.

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 and the expected self-sufficiency on a cash basis of 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 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 4th day of November, 2014.

Condensed Interim Consolidated Balance Sheets

BRAMPTON BRICK Limited

(unaudited)(in thousands of Canadian dollars)	Notes	September 30, 2014	December 31, 2013
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 1,253**	$ 1,200
Trade and other receivables		**20,988**	9,891
Inventories		**26,303**	25,032
Taxes recoverable	12, 18	**–**	281
Other assets		**1,025**	2,565
Assets held for sale	7	**2,408**	–
		51,977	38,969
Non-current assets			
Loan receivable	5	**5,200**	5,200
Property, plant and equipment	6	**173,743**	168,095
		178,943	173,295
Total assets		**$ 230,920**	$ 212,264
LIABILITIES			
Current liabilities			
Bank operating advances	8	**$ 12,052**	$ 11,641
Trade payables		**13,861**	11,514
Income taxes payable	12, 18	**253**	–
Current portion of debt	9	**40,312**	5,704
Decommissioning provisions		**50**	50
Other liabilities		**3,466**	2,294
		69,994	31,203
Non-current liabilities			
Non-current portion of debt	9	**2,612**	20,980
Decommissioning provisions		**2,608**	2,315
Deferred tax liabilities	12	**14,034**	15,016
Total liabilities		**$ 89,248**	$ 69,514
EQUITY			
Equity attributable to shareholders of Brampton Brick Limited			
Share capital	10	**$ 33,711**	$ 33,711
Contributed surplus	11	**2,250**	2,078
Accumulated other comprehensive income		**2,852**	373
Retained earnings		**102,831**	106,559
		141,644	142,721
Non-controlling interests		**28**	29
Total equity		**$ 141,672**	$ 142,750
Total liabilities and equity		**$ 230,920**	$ 212,264

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

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Revenues	16, 17	**$ 37,451**	$ 30,998	**$ 83,129**	$ 73,797
Cost of sales		**28,232**	21,416	**68,857**	55,319
Selling expenses		**2,183**	2,192	**6,670**	5,973
General and administrative expenses		**1,764**	1,453	**5,106**	4,657
Loss (gain) on disposal of property, plant and equipment		**1**	(2)	**1,595**	347
Other expense (income)		**95**	(43)	**(6)**	(54)
Impairment loss on loan receivable		**–**	–	**–**	158
		32,275	25,016	**82,222**	66,400
Operating income	16	**5,176**	5,982	**907**	7,397
Finance expense	8, 9	**(593)**	(724)	**(5,233)**	(2,104)
Income (loss) before income taxes		**4,583**	5,258	**(4,326)**	5,293
(Provision for) recovery of income taxes	12				
Current		**(1,082)**	184	**(387)**	229
Deferred		**(147)**	(1,233)	**984**	(1,785)
		(1,229)	(1,049)	**597**	(1,556)
Net income (loss) for the period		**$ 3,354**	$ 4,209	**$ (3,729)**	$ 3,737
Net income (loss) attributable to:					
Shareholders of Brampton Brick Limited		**$ 3,355**	$ 4,151	**$ (3,728)**	$ 3,678
Non-controlling interests		**(1)**	58	**(1)**	59
Net income (loss) for the period		**$ 3,354**	$ 4,209	**$ (3,729)**	$ 3,737
Other comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation income (loss)		**$ 2,382**	$ (1,099)	**$ 2,479**	$ 1,575
Total comprehensive income (loss) for the period		**$ 5,736**	$ 3,110	**$ (1,250)**	$ 5,312
Total comprehensive income (loss) attributable to:					
Shareholders of Brampton Brick Limited		**$ 5,737**	$ 3,052	**$ (1,249)**	$ 5,253
Non-controlling interests		**(1)**	58	**(1)**	59
Total comprehensive income (loss) for the period		**$ 5,736**	$ 3,110	**$ (1,250)**	$ 5,312
Net income (loss) per Class A Subordinate Voting share and Class B Multiple Voting share attributable to shareholders of Brampton Brick Limited					
Basic	13	**$ 0.31**	$ 0.38	**$ (0.34)**	$ 0.34
Diluted	13	**$ 0.30**	$ 0.38	**$ (0.34)**	$ 0.33

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 income for the period		–	–	–	3,678	**3,678**	59	**3,737**
Other comprehensive income (net of taxes, $nil)		–	–	1,575	–	**1,575**	–	**1,575**
Comprehensive income for the period		**–**	**–**	**1,575**	**3,678**	**5,253**	**59**	**5,312**
Dividends paid to non-controlling interests						**–**	(63)	**(63)**
Share-based compensation	11	–	**147**	–	–	**147**	–	**147**
Balance – September 30, 2013		**$ 33,711**	**$ 2,042**	**$ (1,080)**	**$ 107,688**	**$ 142,361**	**$ 8**	**$ 142,369**
Balance – January 1, 2014		**$ 33,711**	**$ 2,078**	**$ 373**	**$ 106,559**	**$ 142,721**	**$ 29**	**$ 142,750**
Net loss for the period		–	–	–	(3,728)	**(3,728)**	(1)	**(3,729)**
Other comprehensive income (net of taxes, $nil)		–	–	2,479	–	**2,479**	–	**2,479**
Comprehensive income (loss) for the period		**–**	**–**	**2,479**	**(3,728)**	**(1,249)**	**(1)**	**(1,250)**
Share-based compensation	11	–	**172**	–	–	**172**	–	**172**
Balance – September 30, 2014		**$ 33,711**	**$ 2,250**	**$ 2,852**	**$ 102,831**	**$ 141,644**	**$ 28**	**$ 141,672**

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

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)(in thousands of Canadian dollars)	Notes	Nine months ended September 30, 2014	2013
Cash provided by (used for)			
Operating activities			
Net (loss) income for the period		**$ (3,729)**	$ 3,737
Items not affecting cash and cash equivalents			
Depreciation	6	**6,117**	5,446
Current taxes	12	**387**	(229)
Deferred taxes	12	**(984)**	1,785
Loss on disposal of property, plant and equipment		**1,595**	347
Unrealized foreign currency exchange loss (gain)		**15**	(138)
Impairment loss on loan receivable		**–**	158
Net interest expense	8, 9	**5,233**	2,104
Other		**172**	147
		8,806	13,357
Changes in non-cash items			
Trade and other receivables		**(10,977)**	(4,721)
Inventories		**(920)**	(372)
Other assets		**1,554**	(419)
Trade payables		**2,438**	(2,112)
Other liabilities		**1,033**	1,043
		(6,872)	(6,581)
Income tax refunds (payments)		**146**	(1,653)
Cash provided by operating activities		**2,080**	5,123
Investing activities			
Purchase of property, plant and equipment	6	**(10,521)**	(2,948)
Loan advances to Universal Resource Recovery Inc.		**–**	(1,875)
Proceeds from disposal of property, plant and equipment		**57**	46
Cash used for investing activities		**(10,464)**	(4,777)
Financing activities			
Increase in bank operating advances		**411**	3,158
Proceeds from issuance of the demand revolving reducing term loan	9	**36,595**	–
Payment of term loans	9	**(22,702)**	(1,564)
Interest paid	8, 9	**(4,912)**	(1,962)
Payments on obligations under finance leases		**(779)**	(393)
Payment of dividends by subsidiary to non-controlling interests	15	**–**	(63)
Cash provided by (used for) financing activities		**8,613**	(824)
Foreign exchange on cash held in foreign currency		**(176)**	29
Increase (decrease) in cash and cash equivalents		**53**	(449)
Cash and cash equivalents at the beginning of the period		**1,200**	1,412
Cash and cash equivalents at the end of the period		**$ 1,253**	$ 963

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. The Company's concrete products are manufactured at plants located in Markham, Hillsdale, Brampton, Brockville and Milton, Ontario and in Wixom, Michigan.

On January 7, 2014 the Company acquired substantially all of the property, plant and equipment from the court appointed receiver of Atlas Block. These assets form part of the Company's Hillsdale and Brockville plants which were commissioned and became fully operational in mid 2014. (see Note 6, Property, plant and equipment, for details).

The land and buildings at the Company's Milton facility were sold on October 1, 2014 (see Notes 7, Assets held for sale and 19, Subsequent event, for details).

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 September 30, 2014 and for the three and nine month periods ended September 30, 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 and nine month periods ended September 30, 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 and nine month periods ended September 30, 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 September 30, 2014 and for the three and nine month periods ended September 30, 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 November 4, 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* is effective for annual periods beginning on or after January 1, 2018 and 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 is evaluating the impact of this standard although it is not expected to materially impact the consolidated financial statements.

IFRS 15 *Revenue from contracts with customers* is effective for annual periods beginning on or after January 1, 2017 and is based on the principle that revenues should reflect the consideration to which the entity expects to be entitled to, in exchange for the transfer of promised goods or services. The standard provides a single, principle-based five step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures. The Company has not completed evaluating the impact of this standard on the consolidated financial statements.

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 combinations* 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. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

For the three and nine months ended September 30, 2014, the Company's share of Universal's net income amounted to \$14 and \$51, respectively (three and nine months ended September 30, 2013 – income of \$86 and loss of \$105, respectively). As a result, the Company's total share of cumulative unrecognized losses decreased to \$3,956 (December 31, 2013 – \$4,007) as at September 30, 2014.

5. LOAN RECEIVABLE

For the period ended September 30, 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 full recoverability of the loan from the sale proceeds of the property, is not expected to be received until the earlier of: the exercise of the tenant's option to purchase the property; or the expiry of the lease term.

6. 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 nine months ended September 30, 2014					
Additions	1,146	571	10,906	902	13,525
Disposals	–	–	(1,641)	(10)	(1,651)
Reclassified as assets held for sale	(1,191)	(1,217)	–	–	(2,408)
Depreciation for the period	(471)	(691)	(4,350)	(605)	(6,117)
Exchange differences	318	412	1,562	7	2,299
	(198)	**(925)**	**6,477**	**294**	**5,648**
As at September 30, 2014					
Cost	80,846	30,875	138,811	6,393	256,925
Accumulated depreciation and impairment loss	(14,824)	(12,547)	(51,458)	(4,353)	(83,182)
Net book value	**$ 66,022**	**$ 18,328**	**$ 87,353**	**$ 2,040**	**$ 173,743**

For the three and nine month periods ended September 30, 2014, depreciation expense totaled $2,045 (2013 – $1,835) and $6,117 (2013 – $5,446), respectively of which $1,974 (2013 – $1,772) and $5,894 (2013 – $5,252), respectively were included in Cost of sales and $71 (2013 – $63) and $223 (2013 – $194), respectively were 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.

During the second quarter of 2014, obsolete equipment amounting to $1,600 was written off as part of the Company's plan to integrate the newly acquired assets with its operational objectives and is recognized in the loss on disposal of property, plant and equipment on the condensed interim consolidated statements of comprehensive income (loss).

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

	September 30, 2014	December 31, 2013
Cost – financed leases	$ 7,185	$ 4,822
Accumulated depreciation	(3,527)	(3,344)
	$ 3,658	**$ 1,478**

7. ASSETS HELD FOR SALE

Pursuant to the Company's objectives of improving logistics and production efficiencies, in the third quarter of 2014 management committed to a plan to actively market and sell the land and buildings located at Milton, Ontario. Consequently, as at September 30, 2014, these assets were reclassified as Assets held for sale and are recognized at their carrying amount of $2,408, being the lower of their carrying amount and fair value less costs to sell.

On October 1, 2014, these assets were sold for gross proceeds of $5,800, less transaction costs totaling approximately $250. This transaction is described in more detail in Note 19, Subsequent Event.

8. 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 September 30, 2014, the Company is in compliance with all the financial covenants.

As at September 30, 2014, the borrowing limit was $22,000 (December 31, 2013 – $18,951). The utilization was $12,330 (December 31, 2013 – $11,905) and comprised of: a $12,000 (December 31, 2013 – $8,900) banker's acceptance, 90 day note; a current account balance of $52 (December 31, 2013 – $2,741); and outstanding letters of credit for $278 (December 31, 2013 – $264).

As at September 30, 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.

9. DEBT

Debt consists of the following:

	September 30, 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 commenced January 2014 to December 2019	**2,468**	2,598
Other term loans	**350**	417
	39,413	25,315
Obligations under finance leases	**3,511**	1,369
	42,924	26,684
Less: Payments due within one year – current portion	**40,312**	5,704
Non-current portion of debt	**2,612**	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.

10. 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 September 30, 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 Class A Subordinate Voting shares purchased under the Company's Normal Course Issuer Bid, which commenced May 6, 2014.

There were no changes in the Class A Subordinate Voting shares and Class B Multiple Voting shares during the period ended September 30, 2014.

11. 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 September 30, 2014, a total of 315,365 (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 on March 28, 2014. 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**

The total compensation cost charged against income for the three and nine month periods ended September 30, 2014, with respect to all stock options granted was $43 and $172 (2013 – $37 and $147) respectively.

As at September 30, 2014, an aggregate of 1,135,100 (December 31, 2013 – 1,022,100) stock options were outstanding, of which 797,600 (December 31, 2013 – 709,900) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $7.47 (December 31, 2013 – $8.58) per share.

12. 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.

13. NET INCOME (LOSS) PER SHARE

Net income (loss) per share is calculated on net income (loss) attributable to the shareholders of Brampton Brick Limited using the weighted average number of shares outstanding for the period. The diluted earnings (loss) per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options on earnings 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 income (loss) per share is as follows:

	Three months ended September 30					
	2014			2013		
	Net Income $	Shares (thousands)	Per share amount $	Net Income $	Shares (thousands)	Per share amount $
Basic earnings per share attributable to shareholders of Brampton Brick Limited	**3,355**	**10,940**	**0.31**	4,151	10,940	0.38
Dilutive effect of stock options	**–**	**210**	**(0.00)**	–	50	(0.00)
Diluted earnings per share attributable to shareholders of Brampton Brick Limited	**3,355**	**11,150**	**0.30**	4,151	10,990	0.38

In determining the diluted earnings per share, for the three month period ended September 30, 2014, 287,900 options to purchase Class A Subordinate Voting shares (2013 – 642,900), were considered to be anti-dilutive.

	Nine months ended September 30					
	2014			2013		
	Net Loss $	Shares (thousands)	Per share amount $	Net income $	Shares (thousands)	Per share amount $
Basic earnings (loss) per share attributable to shareholders of Brampton Brick Limited	**(3,728)**	**10,940**	**(0.34)**	3,678	10,940	0.34
Dilutive effect of stock options	**–**	**–**	**–**	–	66	(0.01)
Diluted earnings (loss) per share attributable to shareholders of Brampton Brick Limited	**(3,728)**	**10,940**	**(0.34)**	3,678	11,006	0.33

Dilutive employee stock options had no effect in the calculation of the diluted loss per share for the nine month period ended September 30, 2014 due to the loss incurred (2013 – 590,299 options were considered anti-dilutive).

14. COMMITMENTS AND CONTINGENCIES

As at September 30, 2014, the Company had capital expenditure commitments with suppliers totaling $1,225.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at September 30, 2014, the Company has contracted for its Canadian natural gas supply requirements estimated for the balance of 2014 and for the fiscal year 2015 at an aggregate estimated cost of $2,605, none of which was at fixed prices, and for its Canadian transportation requirements estimated for the balance of 2014 and for the fiscal year 2015 at an aggregate estimated cost of $1,565, of which 86% was at fixed prices. As at September 30, 2014, the Company's U.S. operations, have contracted for its October 2014 estimated natural gas transportation requirements at an estimated cost of $8 at fixed prices. The potential unrealized gain on the fixed price contracts was approximately $111 (2013 – unrealized gain of approximately $41), which was not taken to income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Letters of credit are issued by the Company's banker to provide security to certain service providers and in connection with certain governmental operating permits. The aggregate amount of letters of credit outstanding as at September 30, 2014 is $278 (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.

15. RELATED PARTY TRANSACTIONS

The Company has determined which of its customers are related to the Company via common directors or shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 3.0% (2013 – 2.8%) of revenues in aggregate for the three month period and 3.28% (2013 – 3.9%) for the nine month period ended September 30, 2014. As at September 30, 2014 the trade receivable balance from related customers was $22 (December 31, 2013 – $66).

Purchases from related parties amounted to $8 (2013 – $13) for the three month period and $43 for the nine month period ended September 30, 2014 (2013 – $57). Trade payables to related parties was $80 as at September 30, 2014 (December 31, 2013 – $182).

During the quarter ended September 30, 2014, dividends were paid to related shareholders of a subsidiary company amounting to $nil (2013 – $63).

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.

16. 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:

	Three months ended September 30		Nine months ended September 30	
i) Revenues	**2014 $**	2013 $	**2014 $**	2013 $
Masonry Products	**25,303**	21,262	**59,312**	54,697
Landscape Products	**12,148**	9,736	**23,817**	19,100
Revenues	**37,451**	30,998	**83,129**	73,797
ii) Operating income (loss)				
Masonry Products	**3,148**	3,723	**230**	5,875
Landscape Products	**2,036**	2,033	**685**	1,454
Other	**(8)**	226	**(8)**	68
Operating income	**5,176**	5,982	**907**	7,397
Finance expense	**(593)**	(724)	**(5,233)**	(2,104)
(Provision for) recovery of income taxes	**(1,229)**	(1,049)	**597**	(1,556)
Net income (loss) for the period	**3,354**	4,209	**(3,729)**	3,737

iii) Total assets	**September 30, 2014 $**	December 31, 2013 $
Masonry and Landscape Products	**225,010**	206,357
Other	**5,910**	5,907
Total assets	**230,920**	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:

	Three months ended September 30		Nine months ended September 30	
	2014 Revenues $	2013 Revenues $	2014 Revenues $	2013 Revenues $
Canada	**33,140**	27,247	**74,122**	65,354
United States	**4,311**	3,751	**9,007**	8,443
	37,451	30,998	**83,129**	73,797

	September 30, 2014 Property, plant and equipment $	December 31, 2013 Property, plant and equipment $
Canada	**125,790**	121,668
United States	**47,953**	46,427
	173,743	168,095

17. SEASONAL FLUCTUATIONS

The Company's business is seasonal. Historically, sales are greater in the second and third quarters of each year than in the first and fourth quarters. The Landscape Products business segment is affected to a greater degree than the Masonry Products business. Consequently, the results of operations and cash flows for the three and nine month periods ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year.

18. COMPARATIVE AMOUNTS

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

19. SUBSEQUENT EVENT

On October 1, 2014, land and buildings located in Milton, Ontario with a carrying amount of $2,408 were sold for net proceeds of approximately $5,600, after deducting sales transaction costs of approximately $250, resulting in a gain of approximately $2,600, net of taxes.

The funds were used to reduce bank operating advances.

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