BRAMPTON BRICK Limited

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2018

BRAMPTON BRICK LIMITED SECOND QUARTER REPORT

FOR THE SECOND QUARTER ENDED JUNE 30, 2018
PREPARED AS OF AUGUST 8, 2018

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three and six month interim periods ended June 30, 2018, should be read in conjunction with the Condensed Interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2018, and with the audited 2017 annual consolidated financial statements and the 2017 annual MD&A, included in the Company's 2017 Annual Report, and 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 June 30, 2018

The Company recorded net income of $8,043, or $0.73 per share for the second quarter ended June 30, 2018, compared to net income of $4,679, or $0.43 per share for the corresponding quarter in 2017. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the second quarter of 2018 and 2017 were 10,972,589 and 10,972,787, respectively.

Revenues increased to $50,852 for the second quarter of 2018 from $47,814 for the same quarter of 2017 due to higher shipments in the Masonry Products business segment. This growth was supported by an increase in multi-family housing construction in Ontario, Canada, during the second quarter of 2018, in spite of unfavourable weather conditions in April 2018 affecting shipments in that period.

Cost of sales for the second quarter ended June 30, 2018 increased to $35,371 from $34,577 for the corresponding quarter in 2017. The comparative increase in the cost of sales on higher shipments was favourably impacted by higher repair and maintenance costs incurred during the second quarter of 2017. In addition, higher production volumes, lower natural gas costs and efficiencies in electric power consumption during the second quarter of 2018 had a favourable impact on per unit manufacturing costs. The lower average U.S. dollar exchange rate during the second quarter of 2018 compared to the same period of 2017 had a favourable impact on a year-over-year comparison of the cost of sales of the U.S. operations.

Selling expenses for the second quarter of 2018 increased to $3,501 compared to $3,163 for the same quarter of 2017. An increase in marketing costs for promotional displays of both masonry and landscape products in the Company's Eastern market, to expand its geographic market share, as well as the timing of product promotion expenses recognized during the current quarter of 2018 resulted in the increase.

General and administrative expenses for the quarter ended June 30, 2018, decreased to $2,011 from $2,990 for the same period of 2017. This decrease was mainly due to the exercise of certain cash-settled stock options during the second quarter of 2017.

Share-based compensation costs amounting to $771 were recognized for the increase in fair market value ("FMV") at the date of settlement over the FMV at grant date during the corresponding quarter of 2017. In addition, compensation costs recorded on share appreciation rights totaled $39 in the three months ended June 30, 2018 compared to $298 during the corresponding period in the prior year. This decrease was mainly due to timing differences in expense recognition as compensation costs on share appreciation rights of $183 were recorded during the first quarter of 2018 compared to Nil in the corresponding first quarter of 2017. Compensation costs on share appreciation rights are measured at fair value and are impacted by estimated changes in the Company's exchange-traded share price.

The Company's share of income from its joint venture interest in Universal Resource Recovery Inc. ("Universal") amounted to $762 for the quarter ended June 30, 2018. On April 2, 2018, the Company acquired the remaining 50% interest in Universal, a 50% joint venture entity, for a purchase consideration of $6,500. This acquisition increased the Company's investment in Universal to 100%. The Company intends on developing Universal's Welland site into a state-of-the-art landscape and concrete masonry production facility, thus expanding the capacity of the Company's concrete plant network.

The acquisition of the remaining 50% interest in Universal is accounted for as an effective sale of the existing 50% interest in the joint venture and the acquisition of a 100% interest in Universal at fair value on the acquisition date. Based on the fair value of the underlying property in Universal, which was estimated to be $13,000 at the date of acquisition of the remaining 50% interest, the Company recognized a net gain of $762. This gain effectively represented the Company's partial recovery of the previously recorded impairment charges on its investment in the joint venture.

Operating income for the quarter ended June 30, 2018 increased to $10,681 from $7,036 for the same quarter in 2017.

Finance expense for the three months ended June 30, 2018 was $296 compared to finance expense of $118 for the corresponding quarter in 2017. Excluding the change in the fair value of the interest rate swap, which amounted to an unrealized gain of $24 (2017 – unrealized gain of $227), net interest expense for the current quarter decreased to $320 compared to $345 in the second quarter of 2017, due to lower outstanding debt balances. The decrease in these debt balances was the result of scheduled repayments amounting to $1,950 made during second half of 2017.

Provision for income taxes totaled $2,342 for the second quarter of 2018 compared to $2,239 for the same quarter of 2017. The provision for income taxes in the second quarters of 2018 and 2017, respectively, related 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.

BRAMPTON BRICK Limited

Six months ended June 30, 2018

The Company recorded net income of $7,094, or $0.65 per share for the six-month period ended June 30, 2018, compared to net income of $1,778, or $0.16 per share for the corresponding period in 2017. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the periods ended June 30, 2018 and June 30, 2017 was 10,973,168 and 10,964,530, respectively.

Revenues for the six months ended June 30, 2018 increased 9% to $75,809 from $69,483 for the same period in 2017, due to higher shipments in the Masonry Products and Landscape Products business segments. The strength in housing starts, as well as the lag in residential construction carried forward from 2017, contributed to an increase in shipments of masonry products, in spite of comparatively unfavourable weather conditions in the first half of 2018. Landscape shipments increased in the first six months of 2018 compared to the same period in 2017 mainly due to strong first-quarter shipments under the Company's dealer winter booking program, in advance of anticipated seasonal demand. These shipments were deferred from the last quarter of 2017 to the first quarter of 2018 due to production capacity constraints in 2017.

Cost of sales for the six months ended June 30, 2018 increased to $55,812 from $54,301 for the corresponding period in 2017. Higher costs due to the increase in shipments during the first half of 2018 were partially offset in the year-over-year comparison by higher repair and maintenance expenses incurred at the Brampton and Markham plants during the first half of 2017. In addition, lower natural gas costs and efficiencies in electric power consumption during the six-month period of 2018 favourably impacted per unit costs on the higher production volumes. Additionally, the decrease in the average U.S. dollar exchange rate on the Company's U.S. operations during the six-month period of 2018, compared to the same period of 2017, favourably impacted cost of sales during the first half of 2018.

Selling expenses for the six months ended June 30, 2018 were $6,485 compared to $5,979 for the same period in 2017. This increase in selling expenses was largely due to the reasons described above, in the discussion of operations for the three months ended June 30, 2018. In addition, an increase in marketing costs for new products and the design and engineering expenses related to potential new products, as well as a general increase in personnel costs related to higher shipments were incurred in the first half of 2018.

General and administrative expenses for the six-month period ended June 30, 2018, decreased to $4,132 from $4,876 for the corresponding period of 2017, for the same reasons noted above under the discussion for the three months ended June 30, 2018.

The Company's share of income from its joint venture interest in Universal totaled $762 for the six months ended June 30, 2018. This transaction is described in detail under the discussion for the three months ended June 30, 2018.

Other income of $112 for the six-month period ended June 30, 2018 compared to other expense of $128 for the corresponding period of 2017 relates primarily to the gain (loss) on translation of foreign currency transactions as a result of currency exchange fluctuations attributed to the U.S. dollar during the period.

Operating income for the six months ended June 30, 2018 increased to $10,182 from $4,275, for the same period in 2017.

Finance expense for the six-month period ended June 30, 2018 totaled $469 compared to finance expense of $578 for the corresponding period in 2017. Excluding the change in the fair value of the interest rate swap, which amounted to an unrealized gain of $110 (2017 – unrealized gain of $85), net interest expense for the first six months of 2018 decreased to $579 compared to $663 for the corresponding period of 2017, due to lower outstanding debt balances. The decrease in these debt balances was the result of scheduled repayments amounting to $1,950 made during second half of 2017.

Provision for income taxes totaled $2,619 for the first six months of 2018 compared to $1,919 for the same period in 2017. The provision for income taxes in the first half of 2018 and 2017, related 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.

The following paragraphs explain each operating business segment in more detail:

MASONRY PRODUCTS

Revenues of the Masonry Products business segment increased by 10% to $34,511 for the quarter ended June 30, 2018, compared to $31,487 for the corresponding quarter of 2017. The increase in shipments was supported by higher demand for new products, the continuing strength in multi-family residential construction and masonry product demand in commercial construction.

Cost of sales for the second quarter of 2018 decreased to $23,734 compared to $24,152 for the corresponding quarter in 2017. The cost of sales from higher shipments was offset by the favourable impact of lower planned repair and maintenance costs during the second quarter of 2018, lower natural gas costs and improved efficiencies in electric power consumption, largely attributed to the Brampton clay brick facility, on higher production volumes. In addition, higher production volumes and cost effective improvements in the product mix at the Farmersburg, Indiana clay brick plant positively contributed to lower per unit production costs. Production volumes in the Company's masonry concrete plant network were lower during the second quarter of 2018 due to scheduled equipment maintenance, following comparatively higher production levels in the first quarter of 2018, to balance inventory volumes. The resulting decrease in cost of sales was offset, in part, by higher distribution costs to facilitate customer deliveries.

The decrease in general and administrative expenses noted above under the discussion for the three months ended June 30, 2018 also positively impacted masonry products operating costs.

As a result, the operating income for the second quarter of 2018 increased to $7,072, compared to $3,248 for the corresponding quarter of 2017.

For the six months ended June 30, 2018, revenues of the Masonry Products business segment increased by 9% to $56,282 compared to $51,453 for the corresponding period in 2017. The continuing strength in housing starts, a reduction of the backlog of residential construction from 2017 in the Greater Toronto Area during the first quarter of 2018, a growing demand for new products and an integrated product marketing approach contributed to the increase in shipments during the first half of 2018.

Cost of sales for the first six months of 2018 decreased to $40,155 compared to $41,326 for the corresponding period in 2017. The decrease in cost of sales was due to the same reasons noted above for the three month period ended June 30, 2018. In addition, higher production volumes in the masonry concrete manufacturing plants had a positive impact on per unit fixed costs. The decrease in the average value of the U.S. dollar exchange rate related to U.S. operations during the six-month period in 2018 also positively impacted cost of sales.

The decrease in general and administrative expenses noted above under the discussion for the three months ended June 30, 2018 also positively impacted operating costs.

As a result, the operating income for the six months ended June 30, 2018 increased to $8,547, compared to $2,303 for the corresponding period in 2017.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment for the three months ended June 30, 2018 was $16,307, compared to $16,327 for the corresponding quarter of 2017. During the second quarter of 2018, landscape revenues were generally in line with the corresponding quarter in 2017, in spite of unfavourable weather conditions in April 2018, which impacted shipments.

Cost of sales for the quarter ended June 30, 2018 increased to $11,473 from $10,425 for the corresponding quarter of 2017. The increase in production volumes during the second quarter of 2018 favourably impacted per unit production costs and supported an inventory build-up to meet anticipated seasonal demand. However, higher freight costs were incurred during the three months ended June 30, 2018, in order to meet customer demand.

The increase in cost of sales was partially offset by a decrease in general and administrative expenses noted above under the discussion for the three months ended June 30, 2018.

As a result, the operating income for the second quarter of 2018 decreased to $3,061, compared to $3,788 for the same quarter in 2017.

Revenues of the Landscape Products business segment for the six months ended June 30, 2018 increased to $19,493, from $18,030 for the corresponding period of 2017. The increase in revenues during the six-month period of 2018 reflected higher overall demand levels, as well as the increase in first-quarter shipments under the 2017 – 2018 dealer winter booking program that were only delivered in the first three months of 2018, due to production capacity constraints in the Company's landscape products' facilities in 2017. The winter booking program is a landscape sales program designed to help the Company's dealer network pre-order landscape inventory in the fourth quarter of the year to ensure their yard inventory levels are optimized when the season opens in the spring.

Cost of sales for the six months ended June 30, 2018 increased to $15,493 from $12,975 for the corresponding period of 2017. The increase in cost of sales was due to higher shipments and was partially offset by lower per unit costs on higher production volumes. Higher distribution costs to meet customer demand and higher related selling expenses as described under the discussion for the six months ended June 30, 2018, were also incurred. These increases in operating costs were only partially offset by the decrease in the general and administrative expenses as described under the discussion for the three months ended June 30, 2018. In addition, the positive impact on the Company's U.S. operations from the relative strength in the average Canadian dollar exchange rate during the first half of 2018, also offset, in part, the increase in operating costs.

As a result, the operating income for the first six months of 2018 decreased to $1,087, from $1,972 for the same period in 2017.

CASH FLOWS

Cash used for operating activities increased to $7,755 for the six months ended June 30, 2018, compared to $6,366 for the corresponding period in 2017. Higher inventories, lower collections from trade and other receivables due to timing differences in collections and higher trade payable disbursements were partially offset by improved operating results and lower income tax payments. Income tax payments in the first six months of 2017 included the final income tax remittances for the 2016 taxation year.

Cash utilized for purchases of property, plant and equipment totaled $2,647 in the six-month period of 2018, compared to $3,446 for the same period of 2017. This amount includes additions during the six months of 2018 totaling $3,315 (2017 – 2,575) and net amounts paid relating to additions in the prior period. Additions included $2,242 (2017 – $1,127) for production process equipment and $636 (2017 – $1,010) for mobile equipment, of which none was financed by finance leases in 2018 (2017 – $323).

Cash paid for the purchase of the remaining 50% interest in Universal, a 50% joint venture entity, totaled $6,500 and is described in more detail under the discussion of operations for the three months ended June 30, 2018.

FINANCIAL CONDITION

The Company's Masonry Products and Landscape Products business segments are seasonal in nature. The Landscape Products business is affected by seasonality 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.

There were no bank operating advances outstanding as of June 30, 2018 and as of December 31, 2017.

Trade payables totaled $21,791 at June 30, 2018 compared to $20,485 at December 31, 2017.

The ratio of total liabilities to shareholders' equity was 0.53:1 at June 30, 2018 compared to 0.54:1 at December 31, 2017. This decrease in the ratio was primarily due to an increase in retained earnings on improved operating results, and an increase in accumulated other comprehensive income due to the strength in the exchange rate of the U.S. dollar as at the end of June 30, 2018 over the year-end exchange rate as at December 31, 2017.

As at June 30, 2018, the Company's current ratio was 2.65:1, representing working capital of $50,242, compared to 2.74:1 and $48,365, respectively, as at December 31, 2017. The decrease in the current ratio was due to a decrease in cash and cash equivalents and an increase in trade payables and other liabilities outstanding, due to higher sales taxes payable on higher revenues in the second quarter of 2018. The decrease in the ratio was partially offset by an increase in trade receivables and inventories. Cash and cash equivalents totaled $5,239 at June 30, 2018, compared to $22,010 at December 31, 2017 and $838 at June 30, 2017.

As noted above, under the discussion of operations for the three months ended June 30, 2018, the Company acquired the remaining 50% interest in Universal, a 50% joint venture entity, increasing its investment to 100%. Upon purchase of this investment on April 2, 2018, the secured, non-interest bearing, loan payable by Universal to its former 50% joint venture owner totaling $5,691, became payable to the Company. As a result, the secured, non-interest bearing, non-current loan receivable from Universal totaled $12,084 as at June 30, 2018 (December 31, 2017 - $6,393). In accordance with IAS 10, *Consolidated Financial Statements*, inter-company assets and liabilities held by the Company and its wholly-owned subsidiaries offset each other and, therefore, are not presented in the Condensed Interim Consolidated Financial Statements.

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. It is a demand facility secured by a general security agreement over all assets. The agreement also contains certain financial covenants.

As at June 30, 2018, the borrowing limit based on the margin formulae was $22,000, of which $372 in outstanding letters of credit was utilized.

The Company was in compliance with all financial covenants under its term financing agreement and operating credit facility as at June 30, 2018, 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.

Information with respect to the Company's material off-balance sheet arrangements, which consist primarily of operating leases, purchase commitments 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 2017 Annual Report and in Note 14 to the Condensed Interim Consolidated Financial Statements.

With respect to contractual obligations outstanding as at June 30, 2018, changes during the first six months include scheduled payments of interest on debt, as principal debt payments are made during the latter half of the year, and finance lease obligations and payments on operating leases. Additional changes include reductions in the remaining 2018 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	June 30		March 31		December 31		September 30	
	2018	2017	2018	2017	2017	2016	2017	2016
Revenues	$ 50,852	$ 47,814	$ 24,957	$ 21,669	$ 36,567	$ 36,739	$ 50,194	$ 43,811
Net income (loss)								
	$ 8,043	$ 4,679	$ (949)	$ (2,901)	$ (3,066)	$ 1,304	$ 7,232	$ 4,636
Net income (loss) per share								
Basic	$ 0.73	$ 0.43	$ (0.09)	$ (0.26)	$ (0.28)	$ 0.12	$ 0.66	$ 0.42
Diluted	$ 0.72	$ 0.41	$ (0.09)	$ (0.26)	$ (0.28)	$ 0.12	$ 0.64	$ 0.41

Due to changes in the weighted average number of shares outstanding during the current period or due to rounding, the basic and diluted net income (loss) per share by quarter may not add up precisely to the year-to-date total for each period.

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 described below:

QUARTERS ENDED JUNE 30

For the second quarter of 2018, revenues increased in the Masonry Products business segments, compared to the same quarter of 2017. The continuing strength in multi-family housing construction in Ontario, as well as growing demand for newly introduced products, and commercial construction and development supported the increase in masonry product revenues. Relatively unfavourable weather conditions in April 2018, affected shipments of landscape products resulting in slightly lower revenues compared to the corresponding quarter of 2017.

The increase in costs of sales due to higher shipments was positively impacted by lower per unit costs on higher production volumes in the masonry products operations, lower natural gas costs and greater efficiencies in electric power consumption during the second quarter of 2018, as well as higher repairs and maintenance scheduled in the second quarter of 2017. In addition, a decrease in the U.S. dollar exchange rate during the second quarter of 2018, positively impacted operating costs of the U.S. operations.

Operating costs decreased during the second quarter of 2018, compared to the same period of 2017, due to the exercise of certain cash-settled stock options in the second quarter of 2017. Share-based compensation costs recorded on the increase in fair market value of certain employee stock options, on exercise and cash-settlement thereof totaled $771 during the second quarter of 2017. In addition, compensation costs recorded on share appreciation rights, measured at fair value, totaled $39 in the three months ended June 30, 2018 compared to $298 during the corresponding period in the prior year due to differences in timing of recognition.

The Company's share of income from its joint venture interest in Universal amounted to $762 for the quarter ended June 30, 2018. This transaction is described in more detail under the discussion of operations for the three months ended June 30, 2018.

As a result, net income for the quarter ended June 30, 2018 increased to $8,043, compared to $4,679 for the same period in 2017.

QUARTERS ENDED MARCH 31

During the first quarter of 2018, revenues increased in both the Masonry Products and Landscape Products business segments. Despite unfavourable weather conditions in the first two months of the year, higher masonry product shipments were supported by the reduction of some of the backlog in residential construction carried forward from 2017 in the Greater Toronto Area. In addition, landscape product shipments increased during the first quarter of 2018 compared to the corresponding quarter of 2017, due to timing differences in shipments made under the Company's dealer winter booking program to meet the anticipated seasonal demand, as well as greater demand for the Company's expanded product portfolio.

The improvement in operating results was due to the positive impact of lower per unit manufacturing costs on higher production volumes, as well as the strength in the Canadian dollar compared to the same quarter of 2017 relating to the Company's U.S. operations.

QUARTERS ENDED DECEMBER 31

Revenues for the fourth quarter of 2017 were comparable to the revenues in the corresponding quarter of 2016. Higher shipments in the Landscape Products business segment were offset by lower shipments in the Masonry Products business segment. Costs of sales in the last quarter of 2017 were generally in line with the comparative quarter in the prior year.

The decrease in net income for the fourth quarter of 2017 from 2016 was primarily due to the recognition of an asset impairment charge of $6,285 on the Farmersburg, Indiana plant. This decrease was offset, in part, by an impairment reversal on the Loan receivable from Universal Resource Recovery Inc. ("Universal") of $1,875, net of taxes recognized as at December 31, 2017. Excluding the impact of these two non-recurring transactions, net income for the fourth quarter of 2017 was $1,344, compared to $1,304 for the corresponding quarter of 2016.

QUARTERS ENDED SEPTEMBER 30

During the third quarter of 2017, growth in revenues in the Masonry Products business segment continued the momentum of the first half of 2017. Shipments in the Landscape Products business segments increased significantly over the same period of 2016, positively impacting revenues during the third quarter of 2017.

Costs of sales increased on higher shipments, but benefited from lower costs due to higher production volumes. In 2016, higher costs were incurred at the Farmersburg, Indiana clay brick plant due to upgrades to process equipment made at that facility. These process improvements positively impacted production activity and increased overall production volume at the facility during the third quarter of 2017.

In addition, an unrealized gain on the change in fair value of the interest rate swap, amounting to $388, was recorded for the third quarter of 2017, compared to an unrealized gain of $50 in the comparative quarter of 2016.

As a result, net income for the quarter ended September 30, 2017 grew significantly to $7,232, from $4,636 for the corresponding prior quarter.

OTHER

Information with respect to "Changes in Accounting Policies" is contained in Note 2 to the 2017 annual consolidated financial statements included in the Company's 2017 Annual Report. The Condensed Interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2018 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2017. In addition, the newly effective accounting standards, as described in Note 2 of the Notes to the Condensed Interim Consolidated Financial Statements as at June 30, 2018, were also applied.

Information with respect to 'Critical Accounting Judgments and Estimates' is disclosed in the 2017 annual MD&A and in Note 3 to the 2017 annual consolidated financial statements included in the Company's 2017 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, 2017, in Note 24 to the 2017 annual consolidated financial statements included in the Company's 2017 Annual Report; and (b) for the three and six months ended June 30, 2018, in Note 15 to the Condensed Interim Consolidated Financial Statements.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at June 30, 2018 is disclosed in Note 9 to the Condensed Interim Consolidated Financial Statements. In addition, in July 2018, 1,500 Class A Subordinate Voting shares were repurchased at an average market price of $8.25 under the Company's Normal Course Issuer Bid ("NCIB"), which commenced July 17, 2017 and ended on July 16, 2018. These shares were held by the Company for cancellation at a later date. The total number of Class A Subordinate Voting shares outstanding was 9,228,623, to the date of this MD&A.

The aggregate number of outstanding stock options and share appreciation rights as at June 30, 2018 that were fully vested and exercisable by plan participants are disclosed in Note 10 to the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2018. On exercise, stock options are convertible to Class A Subordinate Voting shares, whereas share appreciation rights are settled in cash. There have been no changes to the number of stock options and share appreciation rights outstanding to the date of this MD&A.

Additional information relating to the Company includes the annual consolidated financial statements as at and for the year ended December 31, 2017, and the annual MD&A for the year ended December 31, 2017. These documents are included in Company's Annual Report and may be found on SEDAR **www.sedar.com**, along with the Annual Information Form for the year ended December 31, 2017 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders held on May 24, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the three months ended June 30, 2018 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 related to repair and remodeling expenditures.

As noted earlier, both business segments are seasonal, with the Landscape Products business affected to a greater degree than the Masonry Products business.

The Company's results for the second quarter showed an overall improvement in both top and bottom line performance over the same period in 2017.

The Company's Canadian masonry markets experienced growth in the second quarter as compared to the same quarter in 2017. For the balance of the fiscal 2018 year, while there is a lack of clarity concerning economic fundamentals and other factors impacting the demand for residential construction, the Company remains cautiously optimistic that some growth in these markets will continue.

The Company's Canadian landscape business grew in the first half of 2018 due to favourable market conditions. The positive effect of various strategic initiatives implemented over the past few years, and the Company's regional expansion into

Quebec and Eastern Ontario from its distribution site located in Boisbriand, Quebec is expected to support continued growth in this segment through the rest of 2018. The U.S. landscape business fell behind 2017 shipment levels due to shipping constraints in the overall U.S. trucking sector. A number of shipments scheduled to be delivered into the Canadian market were delayed until later in the year.

In the second quarter of 2018, the Company's U.S. clay brick plant continued to operate at the appropriate capacity utilization levels seen in the first quarter to service its current sales demand for both its commercial and residential product segments. This improved production capacity utilization resulted in lower per unit costs for this business operation. At the same time, this business unit's results could still be impacted by historically low industry capacity utilization and pricing levels.

Effective April 2, 2018, the Company acquired the remaining 50% interest in Universal from its joint venture partner. The Universal assets consist primarily of a 65-acre property containing two industrial buildings totaling approximately 600,000 square feet located in Welland, Ontario. The Company intends on initially developing a portion of this site into a state-of-the-art landscape and concrete masonry production facility, to expand the capacity of the Company's concrete plant network that was constrained in 2017.

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: the future development plans for the Universal property, 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, production levels, costs, productivity, results, business outlook and financial performance, including the statements contained in the "Outlook" section of this MD&A. 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 2017 annual MD&A, included in the Company's 2017 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, 2017), 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 areview of an interim financial report, the interim financial report must be accompanied by a notice indicating that the interim financial report has not been reviewed by an auditor.

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

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

Jeffrey G. Kerbel
President and Chief Executive Officer

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

Dated as of the 8th day of August, 2018.

Condensed Interim Consolidated Balance Sheets

(unaudited)(in thousands of Canadian dollars)	Notes	June 30, 2018	December 31, 2017
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 5,239**	$ 22,010
Trade and other receivables		**37,135**	21,287
Inventories		**36,642**	31,666
Other assets		**1,554**	1,065
Loan receivable		**96**	94
Current derivative financial instrument	8	**31**	-
		80,697	76,122
Non-current assets			
Loans receivable	4	**25**	6,457
Property, plant and equipment	5	**170,133**	157,365
Non-current derivative financial instrument		**316**	258
Other assets		**214**	181
		170,688	164,261
Total assets	16	**$ 251,385**	$ 240,383
LIABILITIES			
Current liabilities			
Trade payables		**$ 21,791**	$ 20,485
Income tax payable	11	**129**	746
Current portion of debt	7, 13	**2,211**	2,129
Current derivative financial instrument	8	**-**	21
Current provision on share appreciation rights	10	**538**	308
Decommissioning provisions		**31**	31
Other liabilities		**5,755**	4,037
		30,455	27,757
Non-current liabilities			
Non-current portion of debt	7, 13	**33,867**	34,037
Non-current provision on share appreciation rights	10	**135**	143
Decommissioning provisions		**6,698**	6,571
Deferred tax liabilities	11	**15,600**	15,885
		56,300	56,636
Total liabilities		**$ 86,755**	$ 84,393
EQUITY			
Share capital	9	**$ 33,897**	$ 33,915
Contributed surplus	10	**3,191**	3,146
Accumulated other comprehensive income		**9,782**	8,240
Retained earnings		**117,760**	110,689
Total equity		**$ 164,630**	$ 155,990
Total liabilities and equity		**$ 251,385**	$ 240,383

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

BRAMPTON BRICK Limited

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenues	15, 16, 17	**$ 50,852**	$ 47,814	**$ 75,809**	$ 69,483
Cost of sales		**35,371**	34,577	**55,812**	54,301
Selling expenses		**3,501**	3,163	**6,485**	5,979
General and administrative expenses		**2,011**	2,990	**4,132**	4,876
Loss (gain) on disposal of property, plant and equipment		**80**	(40)	**72**	(76)
Share of income from joint venture interest in Universal	4	**(762)**	-	**(762)**	-
Other (income) expense		**(30)**	88	**(112)**	128
		40,171	40,778	**65,627**	65,208
Operating income	16	**10,681**	7,036	**10,182**	4,275
Finance expense	6, 7, 8	**(296)**	(118)	**(469)**	(578)
Income before income taxes		**10,385**	6,918	**9,713**	3,697
(Provision for) recovery of income taxes	11				
Current		**(2,483)**	(2,308)	**(2,905)**	(2,156)
Deferred		**141**	69	**286**	237
		(2,342)	(2,239)	**(2,619)**	(1,919)
Net income for the period		**$ 8,043**	$ 4,679	**$ 7,094**	$ 1,778
Other comprehensive income (loss)					
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
Foreign currency translation gain (loss)		**$ 657**	$ (1,096)	**$ 1,542**	$ (1,460)
Total comprehensive income for the period		**$ 8,700**	$ 3,583	**$ 8,636**	$ 318
Net income per Class A Subordinate Voting share and Class B					
Basic	12	**$ 0.73**	$ 0.43	**$ 0.65**	$ 0.16
Diluted	12	**$ 0.72**	$ 0.41	**$ 0.63**	$ 0.16

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	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total Equity
Balance – January 1, 2017		**$ 33,755**	**$ 3,101**	**$ 10,829**	**$ 104,745**	**$ 152,430**
Net income for the period					1,778	**1,778**
Other comprehensive loss (net of taxes, $nil)				(1,460)		**(1,460)**
Total comprehensive (loss) income for the period		-	-	**(1,460)**	**1,778**	**318**
Cash-settled, share-based compensation	10		(167)			**(167)**
Stock options exercised	10	160	(25)			**135**
Share-based compensation	10		142			**142**
Balance - June 30, 2017		**$ 33,915**	**$ 3,051**	**$ 9,369**	**$ 106,523**	**$ 152,858**
Balance - January 1, 2018		**$ 33,915**	**$ 3,146**	**$ 8,240**	**$ 110,689**	**$ 155,990**
Net income for the period					7,094	**7,094**
Other comprehensive income (net of taxes, $nil)				1542		**1542**
Total comprehensive income for the period		-	-	**1,542**	**7,094**	**8,636**
Share-based compensation	10		45			**45**
Repurchase of Class A Subordinate Voting shares	9	(18)			(23)	**(41)**
Balance - June 30, 2018		**$ 33,897**	**$ 3,191**	**$ 9,782**	**$ 117,760**	**$ 164,630**

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

BRAMPTON BRICK Limited

Condensed Interim Consolidated Statements of Cash Flows

		Six months ended June 30,	
(unaudited)(in thousands of Canadian dollars)	Notes	2018	2017
Cash provided by (used for)			
Operating activities			
Net income for the period		**$ 7,094**	$ 1,778
Items not affecting cash and cash equivalents			
Depreciation	5	**4,677**	5,098
Current tax provision	11	**2,905**	2,156
Deferred tax recovery	11	**(286)**	(237)
Loss (gain) on disposal of property, plant and equipment		**72**	(76)
Share of income from joint venture investment in Universal	4	**(762)**	-
Unrealized foreign currency exchange (gain) loss		**(192)**	128
Net interest expense	6, 7	**579**	663
Derivative financial instrument gain	8	**(110)**	(85)
Other	10	**270**	439
		14,247	9,864
Changes in non-cash items			
Trade and other receivables		**(15,692)**	(11,916)
Inventories		**(4,437)**	(3,421)
Other assets		**(492)**	(563)
Trade payables		**507**	3,487
Other liabilities		**1,634**	1,388
		(18,480)	(11,025)
Income tax payments		**(3,522)**	(5,205)
Cash used for operating activities		**(7,755)**	(6,366)
Investing activities			
Purchase of property, plant and equipment		**(2,647)**	(3,446)
Purchase of investment in Universal	4	**(6,500)**	-
Cash acquired on purchase of investment in Universal		**769**	-
Proceeds from repayments of loans receivable		**36**	34
Proceeds from disposal of property, plant and equipment		**62**	246
Cash used for investing activities		**(8,280)**	(3,166)
Financing activities			
Increase in bank operating advances	6	**-**	593
Payment of term loans	13	**(5)**	(5)
Interest paid	6, 7	**(613)**	(677)
Payments on obligations under finance leases	13	**(91)**	(552)
Proceeds from exercise of stock options	10	**-**	135
Repurchase of Class A Subordinate Voting shares	9	**(41)**	-
Cash used for financing activities		**(750)**	(506)
Foreign exchange on cash held in foreign currency		**14**	(47)
Decrease in cash and cash equivalents		**(16,771)**	(10,085)
Cash and cash equivalents at the beginning of the period		**22,010**	10,923
Cash and cash equivalents at the end of the period		**$ 5,239**	$ 838

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. Facilities located in Markham, Hillsdale, Brampton and Brockville, Ontario, Boisbriand, Quebec and Wixom, Michigan manufacture and distribute concrete masonry and landscape products.

On April 2, 2018, the Company increased its 50% investment in Universal Resource Recovery Inc. ("Universal"), a joint venture entity, to 100% and recognized the entity as a wholly-owned subsidiary as of that date. This transaction is described in more detail in Note 4, Investment in Universal Resource Recovery Inc.

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 and for the three and six months ended June 30, 2018 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 six month periods ended June 30, 2018 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 2017 annual consolidated financial statements. In addition, on January 1, 2018, IFRS 15, ***Revenue from contracts with customers*** and IFRS 9, ***Financial Instruments*** became effective.

The condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2018 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2017, along with the newly adopted accounting standards effective January 1, 2018.

IFRS 15 *Revenue from contracts with customers*

Revenues reflect the consideration to which the Company expects to be entitled to, in exchange for the transfer of promised goods or services. The five-step model is applied to all customer contracts.

For masonry and landscape products, sales revenue is identified when the sales price can be measured reliably and collectibility is reasonably assured. These criteria are generally met at the time the product is shipped to the customer or picked up by the customer.

Revenues are recognized based on contractual performance obligations. Shipments arranged by the Company are sold F.O.B. job site. Customers therefore take ownership and assume the risk of loss upon delivery at final destination, and all products are invoiced on the same date as they are shipped. Pick ups arranged by the customer are sold F.O.B. plant. Customers take ownership and assume the risk of loss upon the shipment leaving the Company's yard.

The timing of revenue recognition is determined by when performance obligations have been satisfied. Cartage charges are invoiced at the time of shipment. If ultimate delivery is arranged by the Company, cartage is charged and revenue for cartage is recognized at the time of delivery.

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

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

IFRS 9 *Financial Instruments*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are subsequently measured at:

a) amortized cost, where the assets are held to collect contractual cash flows;

b) fair value through other comprehensive income, where the assets are held to collect proceeds from sales or from contractual cash flows; or

c) fair value through profit or loss, for assets not classified as above or have been designated as such.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are subsequently measured at amortized cost with the exception of certain transactions specified within the standard.

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

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

a) Fair value through profit or loss:
A financial asset or liability is classified at fair value through profit or loss if it is a derivative financial instrument or is designated as such upon initial recognition. Derivatives are included in this category unless they are designated as hedges. The interest rate swap contract and the provision for share appreciation rights are measured at fair value through profit or loss.

b) Amortized cost:
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market comprise of trade and other receivables, loans receivable and cash and cash equivalents. Such assets are recognized initially at the amount expected to be received, less, when material, a loss allowance at an amount equal to expected lifetime credit losses.

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

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

Impairment of financial assets: At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

Under the expected credit loss approach, a loss allowance equal to twelve-month expected credit losses may be recognized at the reporting date, unless the credit risk on a financial instrument has increased significantly requiring expected lifetime credit losses to be recognized. Alternatively, under the simplified approach, a loss allowance may be recognized for expected lifetime credit losses, regardless of changes in credit risk.

Expected credit losses of a financial instrument are measured to reflect a range of probability-weighted outcomes, the time value of money and reasonable information about past, current and future economic conditions.

If evidence of credit risk exists, the Company recognizes an impairment loss, as the difference between the carrying value and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

The adoption of the new accounting standards did not result in any changes to the Consolidated Balance Sheets as at December 31, 2017 and at June 30, 2018.

Statement of compliance

These condensed interim consolidated financial statements as at and for the three and six month periods ended June 30, 2018 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 August 8, 2018.

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 16 *Leases* is effective for annual periods beginning on or after January 1, 2019. It eliminates the classification of leases as either operating leases or finance leases as is required by ***IAS 17, Leases***. It establishes principles for the recognition, measurement,

presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information for all leases with a term of more than twelve months, unless the underlying asset is of low value for those transactions.

The standard introduces a single lessee accounting model which requires a lessee to recognize:

a) assets by recognizing the present value of the lease payments;

b) liabilities by recognizing its obligation to make future payments; and

c) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Company has not completed evaluating the impact of this standard on the consolidated financial statements. The standard specifies the measurement and disclosure requirements where an asset is represented by the lessee's right to use the underlying asset. A right-of-use asset and an offsetting liability must be recognized at inception of the lease. The transitional provisions on adoption of this standard are expected to have disclosure requirements in the consolidated financial statements.

IFRIC 23 *Uncertainty over income tax treatments* is effective for annual periods beginning on or after January 1, 2019 and clarifies the approach to help determine the accounting treatment for uncertain income tax outcomes under *IAS 12, Income taxes*. The interpretation requires that an entity:

a) apply judgment in ascertaining if the tax treatment would collectively or individually impact associated transactions;

b) assume that the taxation authority would have full knowledge of all relevant information;

c) ascertain the probability that the relevant taxation authority will accept the tax treatment applied;

d) based upon the best prediction for the resolution of the uncertainty, should apply the corresponding income tax treatment; and

e) in case of any changes to facts and circumstances should require a reassessment of judgments and assumptions to be considered.

This standard provides enhanced guidance for the application of *IAS 12, Income taxes*. No significant changes to the consolidated financial statements are expected to result from the adoption of the standard.

Amendment to *IAS 23 Borrowing costs* is effective for annual periods beginning or after January 1, 2019. Under the standard when an entity borrows funds in the ordinary course of business and uses them to purchase a qualifying asset, the capitalization rate used to determine borrowing costs eligible for capitalization is the weighted average borrowing cost of all borrowings outstanding during the period. However, the amendment clarifies that an entity shall exclude from this calculation those borrowing costs incurred specifically towards obtaining a qualifying asset until substantially all activities necessary to prepare the asset for its intended use are completed.

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

4. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

On April 2, 2018, the Company acquired the remaining 50% interest in Universal, a 50% joint venture entity, for a purchase consideration of $6,500. This acquisition increased the Company's investment in Universal to 100%. The Company intends on developing this site into a state-of-the-art landscape and concrete masonry production facility, thus expanding the capacity of the Company's concrete plant network.

On purchase of the remaining 50% interest in Universal, the secured, non-interest bearing loan payable by Universal to its former 50% joint venture owner totaling $5,691 became payable to the Company. As a result, the total loan receivable from Universal totaled $12,084 as at June 30, 2018 (December 31, 2017 - $6,393). In accordance with IAS 10, Consolidated Financial Statements, inter-company assets and liabilities held by the Company and its wholly-owned subsidiaries are eliminated upon consolidation and therefore are not presented in the Condensed Interim Consolidated Financial Statements.

The acquisition of the remaining 50% interest in Universal is accounted for as an effective sale of the existing 50% interest in the joint venture and the acquisition of a 100% interest in Universal at fair value on the acquisition date. Based on the fair value of the underlying property in Universal, which was estimated to be $13,000 at the date of acquisition of the remaining 50% interest, the Company recognized a net gain of $762. This gain effectively represented the Company's partial recovery of the previously recorded impairment charges on its investment in the joint venture.

Effective April 2, 2018, rental revenues, related expenses, as well as individual assets and liabilities of Universal are included in the Condensed Interim Consolidated Financial Statements and the investment in joint venture and related income (loss) from investment in joint venture no longer exist.

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2017					
Cost	89,075	34,855	159,051	7,982	290,963
Accumulated depreciation and impairment loss	(20,045)	(19,502)	(87,644)	(6,407)	(133,598)
Net book value	**69,030**	**15,353**	**71,407**	**1,575**	**157,365**

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
For the six months ended June 30, 2018					
Additions	198	-	2,481	636	3,315
Assets acquired on purchase of investment in Universal	2,500	10,500	-	-	13,000
Disposals	-	-	(134)	-	(134)
Depreciation for the period	(421)	(566)	(3,319)	(371)	(4,677)
Exchange differences	189	205	853	17	1,264
	2,466	**10,139**	**(119)**	**282**	**12,768**

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at June 30, 2018					
Cost	92,317	45,960	163,255	8,557	310,089
Accumulated depreciation and impairment loss	(20,821)	(20,468)	(91,967)	(6,700)	(139,956)
Net book value	**71,496**	**25,492**	**71,288**	**1,857**	**170,133**

For the three and six months ended June 30, 2018, depreciation expense totaled $2,427 (2017 – $2,583) and $4,677 (2017 – 5,098), respectively, of which $2,347 (2017 – $2,501) and $4,517 (2017 – 4,932), respectively, were included in Cost of sales and $80 (2017 – $82) and $160 (2017 – 166), respectively, were included in General and administrative expenses.

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

	June 30, 2018	December 31, 2017
Cost – financed leases	$ 3,911	$ 3,982
Accumulated depreciation	(3,704)	(3,711)
	$ 207	**$ 271**

6. BANK OPERATING ADVANCES

The Company's operating credit facility provides for borrowings up to a maximum of $22,000 (2017 – $22,000) based on margin formulae for trade receivables and inventories, less priority claims. It is a demand facility secured by a general security agreement over all assets. The agreement contains certain financial covenants. As at June 30, 2018, the Company was in compliance with all the financial covenants.

As at June 30, 2018, the borrowing limit available based on the margin formulae was at the maximum available amount of $22,000 (December 31, 2017 – $22,000), of which $372 (December 31, 2017 – $356) was utilized for outstanding letters of credit. There was no current account overdraft balance outstanding as at June 30, 2018 (December 31, 2017 – Nil).

As at June 30, 2018, the rate of interest on the current account overdraft is based on the Canadian bank prime rate plus a credit spread of 0.25%.

7. DEBT

Debt consists of the following:

		June 30, 2018 $	December 31, 2017 $
Committed term A credit facility – monthly instalments commenced July 2017 to November 2019, maturing December 29, 2019	(a)	**25,550**	25,550
Committed term B credit facility – monthly instalments commenced July 2017 to November 2019, maturing December 29, 2019	(b)	**10,165**	10,165
Other term loans		**4**	9
		35,719	35,724
Obligations under finance leases		**359**	442
		36,078	36,166
Less: Payments due within one year – current portion		**2,211**	2,129
Non-current portion of debt		**33,867**	34,037

The loans under the credit agreement are secured by a general security agreement over all assets and a first-priority mortgage over certain properties located in Canada. The debt includes the following credit facilities:

(a) The committed term A credit facility in the original amount of $27,000 is a non-revolving term loan which bears interest at the bankers' acceptance rate plus 1.60%. The term of the loan is three years and requires monthly interest payments for the duration of the loan. This term loan will be repaid by way of principal repayments of $290 per month from July to November each year, from 2017 to 2019, with the loan balance payable on December 29, 2019.

The Company has entered into a floating-to-fixed interest rate swap agreement to fix the interest rate on this term loan, as further described in Note 8, 'Derivative Financial Instrument'.

(b) The committed term B credit facility provided up to a maximum borrowing of $10,665, which was fully drawn down and is a non-revolving term loan, bearing interest at the bankers' acceptance rate plus 1.60%. The term of the loan is three years and requires monthly interest payments for the duration of the loan. This term loan will be repaid by way of principal repayments of $100 per month from July to November each year, from 2017 to 2019, with the loan balance payable on December 29, 2019.

This credit agreement includes a revolving, committed capital expenditure credit facility, which provides up to a maximum amount of $5,000, none of which has been utilized as at June 30, 2018.

The agreements for these loans contain certain financial covenants. As at June 30, 2018, the Company is in compliance with all the financial covenants.

8. DERIVATIVE FINANCIAL INSTRUMENT

The Company has a floating-to-fixed interest rate swap with a notional value of $25,550 as at June 30, 2018, (December 29, 2016, original notional value - $27,000), to minimize its exposure to fluctuations in cash flows from changes in interest rates on term debt of the same amount. The swap notional value decreases proportionately with the outstanding balance of the underlying committed term A credit facility as scheduled repayments are made over its duration. As a result of this transaction, the Company's interest rate for the committed term A credit facility is fixed at 3.48%.

The Company has not applied hedge accounting for the period ended June 30, 2018 or in the prior periods. The change in fair value of the interest rate swap recognized in 'Finance expense' on the Consolidated Statement of Comprehensive Income (Loss) for the three and six months ended June 30, 2018 amounted to unrealized gains of $24 (2017 - $227) and $110 (2017 – $85). The fair value of the interest rate swap derivative in the amounts of $31 (December 31, 2017 - $21, current derivative financial liability) and $316 (December 31, 2017 - $258, non-current derivative financial asset) were classified as a current derivative financial asset and a non-current derivative financial asset, respectively.

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 Mutiple 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.

On July 12, 2017, The Toronto Stock Exchange (the "TSX") accepted a notice of intention (the "Notice") filed by the Company to make a Normal Course Issuer Bid ("NCIB"). The Notice provided that the Company, could purchase on the TSX up to 461,756 Class A Subordinate Voting shares in total, being approximately 5% of the total number of Class A Subordinate Voting shares outstanding as of July 10, 2017, during the 12-month period which commenced on July 17, 2017 and ended on July 16, 2018. During the second quarter of 2018, 5,000 Class A Subordinate Voting shares were repurchased at an average market price of $8.17 under the NCIB and held by the Company.

As at June 30, 2018 issued share capital consisted of 9,235,123 Class A Subordinate Voting shares (December 31, 2017 – 9,235,123) and 1,738,631 Class B Multiple Voting shares (December 31, 2017 – 1,738,631). As noted above, the Company repurchased 5,000 Class A Subordinate Voting shares during the second quarter of 2018, which will be cancelled at a later date. As a result, outstanding share capital as at June 30, 2018 consisted of 9,230,123 Class A Subordinate Voting shares (December 31, 2017 – 9,235,123) and 1,738,631 Class B Multiple Voting shares (December 31, 2017 – 1,738,631). In July 2018, 1,500 Class A Subordinate Voting shares were repurchased at an average market price of $8.25 under the NCIB and held by the Company, decreasing the total Class A Subordinate Voting shares outstanding to 9,228,623 at issuance of these Condensed Interim Consolidated Financial Statements.

Changes to the issued and outstanding share capital during the six-month period in the prior year are discussed in Note 10 below.

10. SHARE-BASED COMPENSATION

a) Equity-settled stock options:

Under the Brampton Brick Limited Stock Option Incentive Plan ("the Plan"), the Company may grant stock options to the officers, full-time employees and directors of the Company and its subsidiaries up to an aggregate of 1,680,965 (December 31, 2017 – 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 June 30, 2018, a total of 255,065 (December 31, 2017 – 148,065) stock options were available for grant under the Plan. There were no stock options granted during the first half of 2018 and the comparative period in 2017. A total of 4,000 stock options were forfeited in the second quarter of 2018 (2017 – 1,800).

For the first quarter of 2017, 25,500 stock options were exercised at an average price of $5.14. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $131. In addition, during the second quarter of 2017, 1,000 stock options were exercised at an average price of $3.60. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $4.

In the second quarter of 2017, 173,700 stock options were exercised and cash-settled in the amount of $938, of which $167 was previously recognized over the vesting period of these stock options. Cash paid in excess of the fair market value ("FMV") at grant date amounted to $771 and was expensed to compensation cost during the three months ended June 30, 2017. No Class A Subordinate Voting shares were issued on exercise of these options.

For the three and six months ended June 30, 2018, the total compensation cost written back to or charged against income with respect to all stock options granted was a credit of $2 (2017 – $818) and an expense of $45 (2017 – $913), respectively, of which:

a) The change in the fair value of the cash-settled stock options from the grant date FMV on these stock options was Nil (2017 – $771 expense) for each of the three and six months in 2018 and 2017; and

b) A credit of $2 (2017 – $47) and an expense of $45 (2017 - $142) pertain to the recognition of compensation cost at FMV as at the date of grant on outstanding stock options for the three and six month periods in 2018 and 2017, respectively.

As at June 30, 2018, an aggregate of 973,500 (December 31, 2017 – 1,086,500) stock options were outstanding, of which 864,400 (December 31, 2017 – 864,700) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $6.00 (December 31, 2017 – $6.24) per share.

b) Share appreciation rights:

Under the Brampton Brick Limited Share Appreciation Rights Plan (the "SARs Plan"), the Company may grant share appreciation rights to all executive officers, certain employees and to all non-management members of the Board of directors of the Company. The base price of each share appreciation right is determined by the Board of Directors and cannot be less than the volume weighted average trading price ("VWAP") of the Company's Class A Subordinate Voting shares for the five trading days immediately

preceding the effective date of the grant, and the maximum exercise term of a share appreciation right is ten years. Upon exercise of the share appreciation right, the excess of the FMV, being the five-day VWAP, as of the day preceding the date of exercise, over the base price will be payable to the participant.

On March 28, 2018 and on March 31, 2017, the Company granted share appreciation rights to all executive officers, certain employees and to all non-management members of the Board of directors of the Company. Share appreciation rights 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, 2018**	**March 31, 2017**
Number of share appreciation rights granted	**207,500**	**205,500**
Base price	**$ 8.48**	**$ 9.01**
Fair value of each share appreciation right as at June 30, 2018	**$ 3.52**	**$ 3.38**
Assumptions:		
Risk-free interest rate	**2.12%**	**2.12%**
Expected life	**7.0 years**	**7.0 years**
Volatility (determined by reference to historically observed prices of the Class A Subordinate Voting shares)	**42.24%**	**42.24%**
Expected dividend yield	**0.0%**	**0.0%**
Expected forfeitures	**Nil**	**Nil**

No share appreciation rights were exercised during the six-month period of 2018. 10,000 share appreciation rights were forfeited during the second quarter of 2018.

In the second quarter of 2017, 600 share appreciation rights were exercised and settled in cash, for the increase in FMV over the Base price amounting to $1. A total of 2,400 share appreciation rights were forfeited during the quarter ended June 30, 2017.

For the three and six months ended June 30, 2018, total compensation cost recorded was $39 (2017 – $298) and $222 (2017 – $298). As at June 30, 2018, an aggregate of 395,000 (December 31, 2017 – 202,500) share appreciation rights were outstanding, of which 117,500 (December 31, 2017 – 40,500) were fully vested and exercisable. The fair value of the share appreciation rights recognized, in the amounts of $538 (December 31, 2017 – $308) and $135 (December 31, 2017 – $143), were classified as current and non-current provisions for share appreciation rights, respectively.

11. INCOME TAX

The Company computes an income tax (provision) recovery 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% (2017 – 26.5%) in the Canadian jurisdictions and from 21.0% to 26.5% (2017 – 34.0% to 36.5%) in the U.S. jurisdictions.

In interim periods, the income tax (provision) recovery 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 INCOME PER SHARE

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

	Three months ended June 30					
	2018			2017		
Earnings per share	**Net Income $**	**Shares (thousands)**	**Per share amount $**	**Net Income $**	**Shares (thousands)**	**Per share amount $**
Basic	**8,043**	**10,973**	**0.73**	4,679	10,973	0.43
Dilutive effect of stock options		**255**	**(0.01)**		371	(0.02)
Diluted		**11,228**	**0.72**		11,344	0.41

	Six months ended June 30					
	2018			2017		
Earnings per share	**Net Income $**	**Shares (thousands)**	**Per share amount $**	**Net Income $**	**Shares (thousands)**	**Per share amount $**
Basic	**7,094**	**10,973**	**0.65**	1,778	10,965	0.16
Dilutive effect of stock options		**229**	**(0.02)**		351	-
Diluted		**11,202**	**0.63**		11,316	0.16

In determining the dilutive earnings per share, Nil (2017 – 103,000) and 41,541 (2017 – 138,925) options to purchase Class A Subordinate Voting shares were considered anti-dilutive for the three and six month periods ended June 30, 2018, respectively.

13. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the periods ended June 30, 2018 and June 30, 2017, cash provided by (used for) financing activities resulted in the following changes to the Company's financing liabilities.

	Term Loans		Finance Leases	
	Current	**Non-current**	**Current**	**Non-current**
Balance as at December 31, 2017	**$ 1,959**	**$ 33,765**	**$ 170**	**$ 272**
Cash flows:				
Payments during the period	(5)		(91)	
Changes from cash flows	**(5)**		**(91)**	
Non-cash changes:				
Impact of currency exchange rates			2	6
Other non-cash movements	-	-	176	(176)
Non-cash changes	-	-	**178**	(170)
Balance as at June 30, 2018	**$ 1,954**	**$ 33,765**	**$ 257**	**$ 102**

	Term Loans		Finance Leases	
	Current	**Non-current**	**Current**	**Non-current**
Balance as at December 31, 2016	**$ 1,960**	**$ 35,724**	**$ 678**	**$ 186**
Cash flows:				
Payments during the period	(5)		(552)	
Changes from cash flows	**(5)**		**(552)**	
Non-cash changes:				
Increase in financial obligations			111	212
Impact of currency exchange rates			(2)	(5)
Other non-cash movements	5	(5)	37	(37)
Non-cash changes	**5**	**(5)**	**146**	**170**
Balance as at June 30, 2017	**$ 1,960**	**$ 35,719**	**$ 272**	**$ 356**

14. COMMITMENTS AND CONTINGENCIES

As at June 30, 2018, the Company had capital expenditure commitments with suppliers totaling $2,821.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at June 30, 2018, the Company has contracted for its estimated remaining 2018 Canadian natural gas supply requirements at an aggregate estimated cost of $590, none of which was at fixed prices, and for its estimated remaining 2018 Canadian transportation requirements at an aggregate estimated cost of $558, of which 64% was at fixed prices. The potential unrealized gain on the fixed price transportation contracts was approximately $103 (2017 – approximately Nil), and 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 June 30, 2018 is $372 (December 31, 2017 – $356).

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. These customers are controlled by common directors or significant shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 4.4% (2017 – 5.9%) and 4.8% (2017 – 6.2%) of revenues in aggregate for the three and six months ended June 30, 2018, respectively. As at June 30, 2018, the trade receivable balance outstanding from related customers was $18 (December 31, 2017 – $26).

Trade payables to related parties totaled $120 as at June 30, 2018 (December 31, 2017 – $46) and includes payables for rebates.

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. Although the Company operates several plants, the nature of products, production methods and type of customers for their products and services share similar economic characteristics within each segment.

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 primarily of the Company's share of income from its joint venture investment in Universal prior to April 2, 2018 as well as post-acquisition rental revenues, related costs and assets of the wholly-owned subsidiary. The purchase transaction on April 2, 2018 is described in Note 4, Investment in Universal Resource Recovery Inc. In 2017, 'Other' assets comprised primarily of the loan receivable from Universal.

Segmented information, with comparative information for 2017, is as follows:

	Three months ended June 30		Six months ended June 30	
i) Revenues	**2018 $**	2017 $	**2018 $**	2017 $
Masonry Products	**34,511**	31,487	**56,282**	51,453
Landscape Products	**16,307**	16,327	**19,493**	18,030
Other	**34**	-	**34**	-
Revenues	**50,852**	47,814	**75,809**	69,483
ii) Operating income				
Masonry Products	**7,072**	3,248	**8,547**	2,303
Landscape Products	**3,061**	3,788	**1,087**	1,972
Other	**548**	-	**548**	-
Operating income	**10,681**	7,036	**10,182**	4,275
Finance expense	**(296)**	(118)	**(469)**	(578)
Income taxes	**(2,342)**	(2,239)	**(2,619)**	(1,919)
Net income for the period	**8,043**	4,679	**7,094**	1,778

iii) Total assets	**June 30, 2018 $**	December 31, 2017 $
Masonry and Landscape Products	**237,740**	233,987
Other	**13,645**	6,396
Total assets	**251,385**	240,383

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 June 30,		Six months ended June 30,	
	2018 Revenues $	**2017 Revenues $**	**2018 Revenues $**	**2017 Revenues $**
Canada	**44,617**	42,004	**67,544**	61,622
United States	**6,235**	5,810	**8,265**	7,861
	50,852	47,814	**75,809**	69,483

	June 30, 2018 Property, plant and equipment $	**December 31, 2017 Property, plant and equipment $**
Canada	**138,375**	127,237
United States	**31,758**	30,128
	170,133	157,365

17. SEASONAL FLUCTUATIONS

The Company's business is seasonal. Historically, sales and results 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 by seasonality to a greater degree than the Masonry Products business. Consequently, the results of operations and cash flows for the three and six months ended June 30, 2018 are not necessarily indicative of the results to be expected for the full year.

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