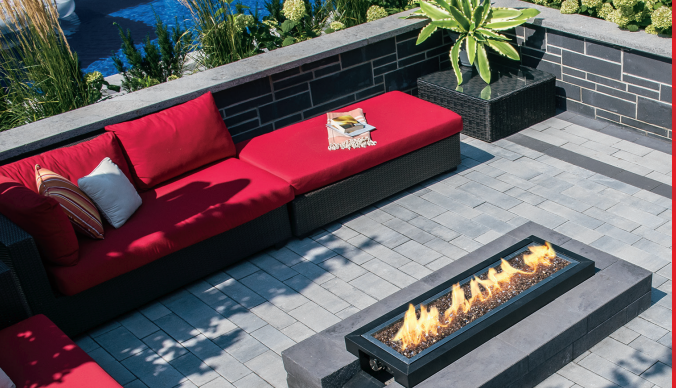

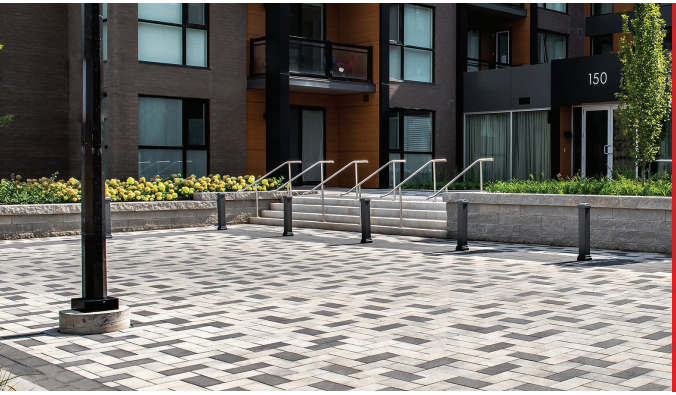

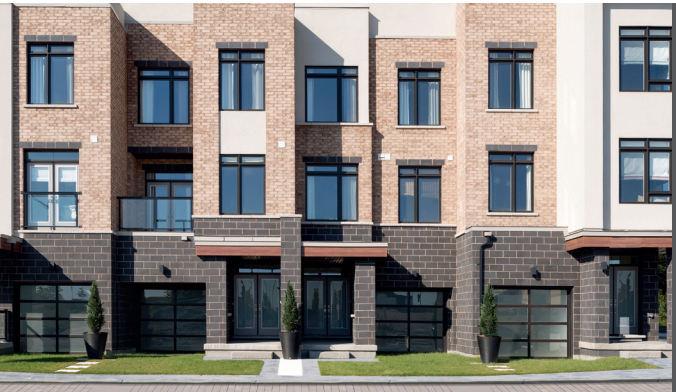

BRAMPTON BRICK Limited

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SECOND QUARTER REPORT | 2019

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

FOR THE SECOND QUARTER ENDED JUNE 30, 2019
PREPARED AS OF AUGUST 8, 2019

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, 2019, should be read in conjunction with the Condensed Interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2019, and with the audited 2018 annual consolidated financial statements and the 2018 annual MD&A included in the Company's 2018 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, 2019

The Company recorded net income of $5,289, or $0.48 per share compared to net income of $8,043, or $0.73 per share for the corresponding quarter in 2018. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the second quarter of 2019 and 2018 were 11,006,363 and 10,972,589, respectively.

Revenues for the second quarter of 2019 were $42,604 compared to $50,852 for the same quarter of 2018. The decrease in masonry and landscape product shipments in the Company's Canadian markets was due to unfavourable weather conditions and a slowdown in residential construction, following the implementation of fiscal measures in past years to contain price appreciation in the Ontario housing market. Although shipments in the Company's U.S. markets were slightly below the corresponding quarter of 2018, revenues were favourably impacted by the strength in the average U.S. dollar during the second quarter of 2019.

Cost of sales for the second quarter ended June 30, 2019 decreased to $29,190 from $35,371 for the corresponding quarter of 2018 due to lower shipments of masonry and landscape products. In addition, freight and delivery expenses and repair and maintenance costs were also lower during the second quarter of 2019 than in the comparable quarter of 2018. Although the unfavourable impact of lower production volumes of masonry products on per unit costs partially offset the decrease in these costs, referenced above, increases in production of landscape products favourably impacted cost of sales of these products. Additionally, the cost of sales for the corresponding quarter in 2018 was lower due to higher production levels and lower natural gas and electricity expenses during that period. As a result, the cost of sales was comparatively higher in the 2019 period.

Selling expenses for the second quarter of 2019 decreased to $3,291 compared to $3,501 for the same quarter of 2018. The decrease was due to lower personnel expenses and reduced spending for various marketing materials due to timing of these expenditures throughout the year. Higher costs incurred for software enhancements did offset, to some extent, the magnitude of the other reductions.

General and administrative expenses for the quarter ended June 30, 2019, decreased to $1,760 from $2,011 for the same period of 2018. The decrease was due to lower employee-related expenses and lower provisions for share appreciation rights. These reductions were offset, in part, by higher provisions for trade receivables and legal expenses related to the business acquisition noted below in the section entitled "Discussion of Operations" for the six months ended June 30, 2019.

Loss on disposal of property, plant and equipment for the quarter ended June 30, 2019, was $920 compared to $80 for the corresponding quarter of 2018. The loss in the 2019 period relates primarily to the Boisbriand, Quebec concrete products plant. In order to optimize efficiencies in the Company's overall concrete plant network, the operation of this plant will be exclusively for product finishing activities. As a result, certain surplus production equipment at this plant was disposed for proceeds of $150 during the second quarter of 2019.

Other expense was $148 for the three-month period ended June 30, 2019 compared to other income of $30 for the corresponding quarter of 2018. This expense primarily relates to the 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 quarter ended June 30, 2019 decreased to $7,295 from $10,681 for the same quarter in 2018, for the reasons noted above.

Finance expense for the three months ended June 30, 2019 was $409 compared to $296 for the corresponding quarter in 2018. Excluding the change in the fair value of the interest rate swap, which amounted to an unrealized loss of $69 (2018 – $24 unrealized gain), net interest expense for the current quarter of 2019 increased to $340 compared to $320 for the second quarter of 2018. This increase during the period was due to imputed interest related to the promissory notes acquired on the settlement of the business acquisition discussed below in the section entitled "Discussion of Operations" for the six-month period ended June 30, 2019. This increase was partially offset by lower interest expense on lower term loan balances outstanding under the Company's banking credit facilities, as a result of scheduled repayments amounting to $1,950 made during the second half of 2018.

The provision for income taxes totaled $1,597 for the second quarter of 2019 compared to a provision for income taxes of $2,342 for the same quarter of 2018. The decreased provision for income taxes was due to the lower operating results. The provisions for income taxes in both periods are 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 in the current or any prior period.

Six months ended June 30, 2019

The Company recorded net income of $791, or $0.07 per share, for the six-month period ended June 30, 2019, compared to net income of $7,094, or $0.65 per share, for the corresponding period in 2018. The aggregate weighted average number of

Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the periods ended June 30, 2019 and June 30, 2018 was 10,985,389 and 10,973,168, respectively.

Revenues for the six months ended June 30, 2019 were $61,960 compared to $75,809 for the same period in 2018, due to lower shipments in both the Masonry Products and Landscape Products business segments. Shipments in Ontario and Quebec, Canada were significantly affected by inclement weather conditions for most of the first half of 2019. In addition, past fiscal measures to moderate growth in the Ontario housing market appreciably slowed single-family detached residential construction. These decreases were partially offset by the favourable impact of shipments from the recently acquired concrete products plant located in Cambridge, Ontario. On a comparative basis, higher revenues in the first quarter of 2018 were favourably impacted by the carry-forward of construction projects from 2017 and the deferral of landscape shipments from 2017 to the first quarter of 2018 under the 2017 – 2018 dealer winter booking program.

Cost of sales for the six months ended June 30, 2019 decreased to $48,155 from $55,812 for the corresponding period in 2018. Both masonry product and landscape product shipments decreased during the period which lowered production, freight and delivery expenses. The related increase in per unit costs of production on lower production volumes, was partially offset by lower labour, natural gas and electricity costs. Additionally, the increase in the average U.S. dollar exchange rate increased cost of sales of the Company's U.S. operations during the six-month period of 2019.

Selling expenses for the six months ended June 30, 2019 were $6,634 compared to $6,485 for the same period in 2018. The increase in selling expenses was due to one-time employee severance costs incurred during the first quarter of 2019 and was partially offset by lower sales commissions and lower marketing and promotional costs for both masonry and landscape products. In addition, higher costs were also incurred for enhancements to the Company's customer relationship application software.

General and administrative expenses for the six-month period ended June 30, 2019 increased to $4,399 from $4,132 for the corresponding period of 2018. Higher legal expenses related to the acquisition discussed below and an increase in provisions for trade receivables were the primary reason for the year over year differential. A lower provision for share appreciation rights recognized during the six-month period of 2019 partially offset these increases.

Loss on disposal of property, plant and equipment for the six-month period ended June 30, 2019, was $899 compared to $72 for the corresponding quarter of 2018, for the reasons noted above under the section entitled "Discussion of Operations" for the three months ended June 30, 2019.

Other expense was $280 for the six-month period ended June 30, 2019, compared to other income of $112 for the corresponding period of 2018. This primarily relates to the loss on translation of foreign currency transactions as a result of currency exchange fluctuations attributed to the U.S. dollar during the period.

On February 4, 2019, the Company acquired the business of a concrete block manufacturing plant located in Cambridge, Ontario. Assets acquired at fair value totaled $7,500 and included land, building, production equipment and inventory.

The purchase consideration was settled by a cash payment of $2,500 and a vendor take-back loan in the form of two non-interest bearing promissory notes totaling $5,000, payable in equal instalments over five years. On the date of acquisition, the fair value of the business acquired exceeded the acquisition-date fair value of the purchase consideration due to the non-interest bearing, deferred settlement terms on the vendor take-back loan recognized at present value. Accordingly, a gain of $573 was recognized from the bargain purchase of this concrete block business in the Consolidated Statement of Comprehensive Income (Loss) in the first quarter of 2019.

Operating income for the six months ended June 30, 2019 decreased to $2,166 from $10,182 for the same period in 2018, for the reasons noted above.

Finance expense for the six months ended June 30, 2019 was $902 compared to $469 for the corresponding period in 2018. Excluding the change in the fair value of the interest rate swap, which amounted to an unrealized loss of $291 (2018 – unrealized gain of $110), net interest expense increased to $611 for the 2019 period compared to $579 for same period of 2018. The reasons for this increase are noted above under the section entitled "Discussion of Operations" for the three months ended June 30, 2019. Higher interest income on cash balances held partially offset the increase in overall finance expenses.

Provision for income taxes decreased to $473 for the first six months of 2019 on lower operating results, compared to a provision for income taxes of $2,619 for the same period of 2018. The provision for income taxes in both periods 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 in the current or any prior period.

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

MASONRY PRODUCTS

Revenues of the Masonry Products business segment were $27,361 for the quarter ended June 30, 2019, compared to $34,511 for the corresponding quarter of 2018. During the second quarter of 2019, the decrease in shipments of masonry products in the Canadian market was impacted by very unfavourable weather conditions. Higher shipments from the newly acquired business located in Cambridge, Ontario, as well as strength in commercial and other development activity helped to partially offset the negative impacts of the weather and lower residential construction activity. Shipments in the Company's U.S. markets were slightly lower during the second quarter of 2019, however the increase in the average U.S. dollar exchange rate favourably impacted revenues.

Cost of sales for the second quarter of 2019 decreased to $20,409 compared to $23,734 for the corresponding quarter in 2018, due to lower shipments, lower freight and delivery expenses and lower repair and maintenance expenses. Higher per unit costs on lower production volumes, and production costs incurred at the newly acquired concrete block business partially offset the decrease in cost of sales related to lower sales volumes.

Loss on disposal of property, plant and equipment totaled $925 for the second quarter of 2019 compared to $55 for the corresponding period of 2018 for the reasons noted under the section entitled "Discussion of Operations" for the three months ended June 30, 2019.

Operating income for the second quarter of 2019 was $2,702 compared to operating income of $7,072 for the corresponding quarter of 2018.

For the six months ended June 30, 2019, revenues of the Masonry Products business segment were $45,035 compared to $56,282 for the corresponding period of 2018. As noted above, unfavourable weather conditions significantly affected residential construction during the first half of 2019. This decrease in residential construction was the primary cause of the negative variance. Partially offsetting this decrease was growth in commercial activity, and the favourable impact of the newly acquired concrete block plant. Revenues in the 2018 period were favourably impacted by a carry-forward of construction projects from 2017.

Cost of sales for the first six months of 2019 decreased to $35,925 compared to $40,155 for the corresponding period of 2018, due primarily to lower shipments. In addition, lower labour costs and lower natural gas and electricity costs also contributed to the decline. Lower production volumes, and initiatives to optimize inventory levels, increased per unit costs. Production costs incurred at the newly acquired concrete block plant, and an increase in the average U.S. dollar exchange rate during the 2019 period also partially offset the comparative decrease.

General and administrative expenses increased during the first six months of 2019 for the reasons noted above under the section entitled "Discussion of Operations" for the six months ended June 30, 2019.

Loss on disposal of property, plant and equipment totaled $906 for the first six months of 2019, compared to $48 for the corresponding period of 2018, for the reasons noted under the section entitled "Discussion of Operations" for the three months ended June 30, 2019.

The gain from the bargain purchase of a concrete block business in Cambridge, Ontario totaling $573 was recognized during the first quarter of 2019 and is described in more detail above under the section entitled "Discussion of Operations" for the six months ended June 30, 2019.

Operating income for the first six months of 2019 was $728 compared to operating income of $8,547 for the corresponding period of 2018.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment for the three months ended June 30, 2019 were $15,208, compared to $16,307 for the corresponding quarter of 2018. Shipments of landscape products were impacted by unfavourable weather conditions.

Cost of sales for the quarter ended June 30, 2019 decreased to $8,648 from $11,473 for the corresponding quarter of 2018 due to lower product shipments and lower freight costs for product transfers to meet customer demand. Higher production volumes favourably impacted per unit costs as inventory levels were increased to support higher anticipated sales in the second half of the year.

Operating income for the second quarter of 2019 increased to $4,714 compared to $3,061 for the same quarter in 2018.

Revenues of the Landscape Products business segment for the six months ended June 30, 2019 were $16,855, compared to $19,493 for the corresponding period of 2018. During the first half of 2019, unsuitable weather conditions for landscaping projects decreased shipments. On a comparative basis, first-quarter shipments of 2018 included deliveries under the 2017 – 2018 dealer winter booking program that were deferred from 2017, due to production capacity constraints in the Company's landscape products' facilities. In addition, the increase in the average U.S. dollar exchange rate during the 2019 period increased revenues.

Cost of sales for the six months ended June 30, 2019 decreased to $11,897 from $15,493 for the corresponding period of 2018. Lower shipments, along with a decrease in freight and distribution costs were the key factors in the year-over-year decline.

Operating income for the first six months of 2019 increased to $1,696 compared to $1,087 for the same period of 2018.

CASH FLOWS

Cash used for operating activities increased to $9,927 for the six months ended June 30, 2019 compared to $7,755 for the corresponding period in 2018, primarily due to a decrease in operating results and higher inventory levels. This increase in cash used for operating activities was offset, in part, by an increase in collections of trade and other receivables and lower income tax instalment payments.

Cash utilized for purchases of property, plant and equipment totaled $4,671 for the six-month period of 2019 compared to $2,647 for the same period of 2018. Assets acquired from the business acquisition of the concrete block manufacturing plant located in Cambridge, Ontario, totaled $6,250, excluding inventory. Of the initial cash payment of $2,500 on acquisition of this business, the cash payment allocated to property, plant and equipment was $2,083 with the remainder for inventory on hand.

Excluding the above-noted transaction, purchases of property, plant and equipment during the first six months of 2019 totaled $2,662 as compared to $3,315 for the same period of 2018 and includes net amounts paid relating to additions in the prior period.

Production process equipment expenditure totalled $2,095 (2018 - $2,242), with $253 (2018 - $636) spent for mobile equipment, of which $97 (2018 – nil) was financed by leases.

On January 1, 2019, the new accounting standard, IFRS 16, Leases, became effective. The impact of this accounting standard is described in more detail in Notes 3 and 13 to the Condensed Interim Consolidated Financial Statements.

FINANCIAL CONDITION

The Company's Masonry Products and Landscape Products business segments are seasonal in nature. The Landscape Products business segment 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, 2019 and as of December 31, 2018.

Trade payables totaled $17,361 at June 30, 2019 compared to $17,429 at December 31, 2018.

The ratio of total liabilities to shareholders' equity was 0.49:1 at June 30, 2019 compared to 0.46:1 both at January 1, 2019 and at December 31, 2018. This increase in the ratio was primarily due to an increase in debt, for the acquisition of the concrete block business discussed above, and an increase in other liabilities resulting from timing differences in sales tax remittances for the period. Additionally, a decrease in accumulated other comprehensive income due to a decrease in the value of the exchange rate of the U.S. dollar at the end of June 30, 2019, from the year-end exchange rate as at December 31, 2018 also increased the ratio.

As at June 30, 2019, the Company's current ratio was 3.23:1, representing working capital of $58,544, compared to 3.32:1 and $57,428, respectively, as at January 1, 2019 and 3.33:1 and $57,547, respectively, as at December 31, 2018. The decrease in the current ratio was basically due to a decrease in cash and cash equivalents compared to December 31, 2018, and the increase in the current portion of debt due to the acquisition of the concrete block business noted above. This decrease was partially offset by an increase in inventories and trade and other receivables outstanding at June 30, 2019. Cash and cash equivalents totaled $11,982 at June 30, 2019, compared to $27,043 at December 31, 2018 and $5,239 at June 30, 2018.

The change in balances in the January 1, 2019 balance sheet from December 31, 2018 is due to the adoption of the new accounting standard, IFRS 16, Leases, on January 1, 2019. The impact of the initial adoption of this standard is discussed in more detail in Notes 3 and 13 to 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, 2019, the borrowing limit based on the margin formulae was $22,000, of which $371 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, 2019 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 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 2018 Annual Report and in Note 13 to the Condensed Interim Consolidated Financial Statements.

With respect to contractual obligations outstanding as at June 30, 2019, changes during the first six months include only scheduled payments of interest on debt, as principal debt payments are made during the latter half of the year, and payments of lease obligations. Additional changes include reductions in the remaining 2019 balances of the Company's purchase obligations under its natural gas supply and transportation contracts. These are more fully described in Note 13 to the Condensed Interim Consolidated Financial Statements.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly financial information for each of the eight most recently completed quarters (in thousands of dollars, except per share amounts):

TOTAL OPERATIONS	June 30		March 31		December 31		September 30	
	2019	2018	2019	2018	2018	2017	2018	2017
Revenues	$ 42,604	$ 50,852	$ 19,356	$ 24,957	$ 34,244	$ 36,567	$ 49,832	$ 50,194
Net income (loss)								
	$ 5,289	$ 8,043	$ (4,498)	$ (949)	$ 991	$ (3,066)	$ 5,359	$ 7,232
Net income (loss) per share								
Basic	$ 0.48	$ 0.73	$ (0.41)	$ (0.09)	$ 0.09	$ (0.28)	$ 0.49	$ 0.66
Diluted	$ 0.48	$ 0.72	$ (0.41)	$ (0.09)	$ 0.09	$ (0.28)	$ 0.48	$ 0.64

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 2019, revenues decreased in both the Masonry Products and Landscape Products business segments, compared to the same quarter of 2018. The decrease in shipments was due to unfavourable weather conditions and lower single-family housing starts, following fiscal measures implemented in past years to moderate price appreciation in the Ontario housing market. These decreases were partially offset by masonry concrete revenues from the newly acquired concrete block plant, noted above, as well as from strength in commercial and other activity.

Costs of sales for the second quarter of 2019 decreased due to lower shipments, lower freight and delivery expenses, lower repairs and maintenance, and the favourable impact of higher landscape production volumes to meet anticipated seasonal demand. These decreases were partially offset by higher per unit costs on lower masonry production volumes, as well as by production costs incurred at the newly acquired concrete block plant.

General and administrative costs decreased during the second quarter of 2019 compared to the same period of 2018. This decrease was due to comparatively lower employee severance expenses and lower provisions for share appreciation rights. Offsetting factors included higher provisions for trade receivables and legal expenses related to the business acquisition noted above in the section entitled "Discussion of Operations" for the six months ended June 30, 2019.

Loss on disposal of property, plant and equipment increased during the second quarter due to the disposal of certain production equipment at the Boisbriand, Quebec plant as noted in the section entitled "Discussion of Operations" for the three months ended June 30, 2019.

As a result, net income for the quarter ended June 30, 2019 decreased to $5,289, compared to $8,043 for the same period in 2018.

QUARTERS ENDED MARCH 31

Revenues for the first quarter of 2019 were below the corresponding quarter of 2018 due to comparatively unfavourable weather conditions, as well as a decrease in housing starts. Revenues for the corresponding quarter of 2018 were favourably impacted by the reduction of a backlog in residential construction carried forward from 2017, as well as due to timing differences in landscape shipments made under

the Company's dealer winter booking program in the first quarter of 2018.

Cost of sales incurred during the first quarter of 2019 were below the corresponding prior quarter of 2018 due to a decrease in shipments. This decrease was offset, in part, by higher per unit production costs on lower production volumes, as well as higher scheduled repairs and maintenance expenses.

Selling and general and administrative expenses increased during the first quarter of 2019 compared to the corresponding period in 2018, primarily due to employee severance expenses. Higher finance expenses incurred during the first quarter of 2019 was primarily due to an unrealized loss from changes in the fair value of the interest rate swap. These increases were partially offset by a gain of $573 from the bargain purchase of the concrete block business recognized on February 4, 2019 described under the section entitled "Discussion of Operations" for the six months ended June 30, 2019.

As a result, net loss for the first quarter of 2019 was $4,498 compared to net loss of $949 for the corresponding prior quarter of 2018.

QUARTERS ENDED DECEMBER 31

Revenues for the fourth quarter of 2018 decreased compared to the corresponding quarter of the prior year. Unfavourable weather conditions and the introduction of fiscal measures to moderate housing demand slowed the pace of residential construction in Ontario, Canada. Higher shipments of landscape products and masonry concrete products partially offset this decrease in shipments. Cost of sales in the last quarter of 2018 were below costs incurred for the corresponding prior quarter. Operating efficiencies attributed largely to the Brampton, Ontario and Farmersburg, Indiana clay brick plants were partially offset by lower production volumes which increased per unit costs.

The increase in net income for the fourth quarter of 2018 was due to the recognition of an asset impairment charge of $6,285 on the Farmersburg, Indiana plant in 2017. This impairment charge 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 non-recurring transactions, net income for the fourth quarter of 2018 was $991, compared to $1,344 for the corresponding quarter of 2017.

QUARTERS ENDED SEPTEMBER 30

Revenues in the third quarter of 2018 were impacted by lower housing starts, most notably in the Southern Ontario market region. The pace of growth in residential construction was impacted after certain legislative and economic measures were adopted in the Canadian mortgage market, as well as from the implementation of the *Non-resident speculation tax* imposed in the Province of Ontario. The increase in revenues for the third quarter of 2017 was supported by the continuing momentum in residential construction during that period.

Costs of sales increased in the third quarter of 2018 compared to the corresponding quarter of the prior year due to higher per unit production costs related to a reduction in production volumes to optimize inventory levels, and higher freight costs incurred on product transfers to meet customer demand. These increases in costs were partially offset by higher production volumes at the Farmersburg, Indiana clay brick plant, which favourably impacted per unit production costs. In addition, the increase in the value of the average U.S. dollar exchange rate during the third quarter of 2018 increased the overall Canadian dollar operating costs of the Company.

An unrealized gain on the change in fair value of the interest rate swap, amounting to $142, was recorded for the third quarter of 2018 compared to a gain of $388 in the comparative quarter of 2017.

As a result, net income for the quarter ended September 30, 2018 decreased to $5,359, from $7,232 for the corresponding prior quarter.

OTHER

Information with respect to changes in accounting policies is contained in Note 2 to the 2018 annual consolidated financial statements included in the Company's 2018 Annual Report. The Condensed Interim Consolidated Financial Statements as at and for the three and six months ended June 30, 2019 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2018, along with the newly adopted accounting standard IFRS 16, *Leases*, that became effective on January 1, 2019. The initial adoption of this standard is described in Note 3 to the Condensed Interim Consolidated Financial Statements. Other accounting standard changes and amendments effective January 1, 2019, discussed in Note 2 of the Notes to the 2018 annual consolidated financial statements, did not have a significant impact on the condensed interim consolidated financial statements.

Information with respect to critical accounting judgments and estimates is disclosed in the 2018 annual MD&A and in Note 3 to the 2018 annual consolidated financial statements included in the Company's 2018 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, 2018 in Note 23 to the 2018 annual consolidated financial statements included in the Company's 2018 Annual Report; and (b) for the three and six months ended June 30, 2019, in Note 14 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, 2019 is disclosed in Note 8 to the Condensed Interim Consolidated Financial Statements. There have been no changes to the shares outstanding during the interim period from June 30, 2019 to the date of this MD&A.

During the six months ended June 30, 2019, 11,000 Class A Subordinate Voting shares were repurchased at an average market price of $6.13 and subsequently cancelled under the Company's Normal Course Issuer Bid which commenced September 7, 2018 and ends on September 6, 2019. This is discussed in greater detail in Note 8, Share Capital of the Notes to the Condensed Interim Consolidated Financial Statements.

The aggregate number of outstanding stock options and share appreciation rights as at June 30, 2019 that were fully vested and exercisable by plan participants is disclosed in Note 9 to the Condensed Interim Consolidated Financial Statements for the period ended June 30, 2019. 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 during the interim period from June 30, 2019 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, 2018, and the annual MD&A for the year ended December 31, 2018. These documents are included in the 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, 2018 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders held on May 22, 2019.

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, 2019 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.

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

Unseasonable wet and cold weather conditions that prevailed in the first quarter of 2019, continued through most of the second quarter and as a result impacted construction activity in the Company's masonry and landscape markets.

Improved weather conditions in the late second quarter and early third quarter of 2019 should help some of the delayed construction activity to be completed. However, housing starts are expected to remain relatively soft as the market adjusts to increased mortgage cost levels introduced over the past 18 months. The recent Bank

of Canada reduction in the stress test rate could assist in improving what has become a soft market for the Company's Canadian residential masonry business.

Helping the outlook for the remainder of the year will be the volumes and improved operating efficiencies associated with the concrete block business acquired in February 2019.

For 2019, business activity for landscape products across the Company's market regions is anticipated to be similar to 2018 levels, which is lower than previously expected. This change in activity is predominantly weather-related as customers have chosen to postpone major projects to 2020 due to the extended 2019 winter conditions. Notwithstanding this overall adjustment, the Company's Quebec and Eastern Ontario markets have demonstrated year-over-year growth in the Landscape Products business segment.

For 2019, the Company's U.S. clay brick plant continues to operate at the appropriate capacity utilization levels to service its commercial and residential product markets, resulting in an improved cost structure for that facility and lower per unit costs. At the same time, the Company's results are still being impacted by historically low industry capacity utilization levels in its related market regions.

The assets of the Company's wholly-owned subsidiary, Universal consist primarily of a 65-acre property containing two industrial buildings totaling approximately 600,000 square feet located in Welland, Ontario. The Company is in the process of marketing the facility as a rental property.

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 rental prospects 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 the section entitled "Risks and Uncertainties" in the 2018 annual MD&A, included in the Company's 2018 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, 2018), 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 8th day of August, 2019.

Condensed Interim Consolidated Balance Sheets

(unaudited)(in thousands of Canadian dollars)	Notes	June 30, 2019	January 1, 2019	December 31, 2018
ASSETS				
Current Assets				
Cash and cash equivalents		**$ 11,982**	$ 27,043	$ 27,043
Trade and other receivables		**26,551**	18,137	18,137
Inventories		**43,938**	35,583	35,583
Other assets		**1,522**	1,210	1,210
Income tax recoverable		**748**	119	119
Loan receivable		**25**	64	64
Current derivative financial instrument	7	**-**	77	77
		84,766	82,233	82,233
Non-current assets				
Property, plant and equipment	3, 4	**171,251**	169,338	169,075
Non-current derivative financial instrument	7	**–**	129	129
Other assets		**15**	79	79
		171,266	169,546	169,283
Total assets	15	**$ 256,032**	$ 251,779	$ 251,516
LIABILITIES				
Current liabilities				
Trade payables		**$ 17,361**	$ 17,429	$ 17,429
Current portion of debt	3, 6, 12	**3,226**	2,537	2,418
Current derivative financial instrument	7	**2**	–	–-
Current provision on share appreciation rights	9	**426**	402	402
Other liabilities		**5,207**	4,437	4,437
		26,222	24,805	24,686
Non-current liabilities				
Non-current portion of debt	3, 6, 12	**35,933**	32,385	32,241
Non-current derivative financial instrument	7	**83**	–	–
Non-current provision on share appreciation rights	9	**91**	161	161
Decommissioning provisions		**7,034**	6,974	6,974
Deferred tax liabilities	10	**15,018**	15,334	15,334
		58,159	54,854	54,710
Total liabilities		**$ 84,381**	$ 79,659	$ 79,396
EQUITY				
Share capital	8	**$ 34,145**	$ 33,909	$ 33,909
Contributed surplus	9	**3,191**	3,218	3,218
Accumulated other comprehensive income		**9,506**	10,947	10,947
Retained earnings		**124,809**	124,046	124,046
Total equity		**$ 171,651**	$ 172,120	$ 172,120
Total liabilities and equity		**$ 256,032**	$ 251,779	$ 251,516

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 June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Revenues	14, 15, 16	**$ 42,604**	$ 50,852	**$ 61,960**	$ 75,809
Cost of sales		**29,190**	35,371	**48,155**	55,812
Selling expenses		**3,291**	3,501	**6,634**	6,485
General and administrative expenses		**1,760**	2,011	**4,399**	4,132
Loss on disposal of property, plant and equipment		**920**	80	**899**	72
Share of income from joint venture interest in Universal		**–**	(762)	**–**	(762)
Other expense (income)		**148**	(30)	**280**	(112)
Gain from bargain purchase of concrete block business	4	**–**	–	**(573)**	–
		35,309	40,171	**59,794**	65,627
Operating income	15	**7,295**	10,681	**2,166**	10,182
Finance expense	5, 6, 7	**(409)**	(296)	**(902)**	(469)
Income before income taxes		**6,886**	10,385	**1,264**	9,713
(Provision for) recovery of income taxes	10				
Current		**(1,728)**	(2,483)	**(787)**	(2,905)
Deferred		**131**	141	**314**	286
		(1,597)	(2,342)	**(473)**	(2,619)
Net income for the period		**$ 5,289**	$ 8,043	**$ 791**	$ 7,094
Other comprehensive income (loss)					
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
Foreign currency translation (loss) gain		**$ (714)**	$ 657	**$ (1,441)**	$ 1,542
Total comprehensive income (loss) for the period		**$ 4,575**	$ 8,700	**$ (650)**	$ 8,636
Net income per Class A Subordinate Voting share and Class B Multiple Voting share					
Basic	11	**$ 0.48**	$ 0.73	**$ 0.07**	$ 0.65
Diluted	11	**$ 0.48**	$ 0.72	**$ 0.07**	$ 0.63

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, 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, $nil)				1,542		1,542
Total comprehensive income for the period		**–**	**–**	**1,542**	**7,094**	**8,636**
Share-based compensation	9		45			**45**
Repurchase of Class A Subordinate Voting shares		(18)			(23)	**(41)**
Balance - June 30, 2018		**$ 33,897**	**$ 3,191**	**$ 9,782**	**$117,760**	**$164,630**
Balance – January 1, 2019		**$ 33,909**	**$ 3,218**	**$ 10,947**	**$124,046**	**$172,120**
Net income for the period					791	791
Other comprehensive loss (net of taxes, $nil)				(1,441)		(1,441)
Total comprehensive (loss) income for the period		**–**	**–**	**(1,441)**	**791**	**(650)**
Stock options exercised	9	277	(39)			**238**
Share-based compensation	9		12			**12**
Repurchase of Class A Subordinate Voting shares	8	(41)			(28)	**(69)**
Balance - June 30, 2019		**$ 34,145**	**$ 3,191**	**$ 9,506**	**$124,809**	**$171,651**

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	Six months ended June 30, 2019	2018
Cash provided by (used for)			
Operating activities			
Net income for the period		**$ 791**	$ 7,094
Items not affecting cash and cash equivalents			
Depreciation	4	**4,693**	4,677
Current tax provision	10	**787**	2,905
Deferred tax recovery	10	**(314)**	(286)
Loss on disposal of property, plant and equipment		**899**	72
Share of income from joint venture investment in Universal		**–**	(762)
Unrealized foreign currency exchange loss (gain)		**261**	(192)
Gain from bargain purchase of concrete block business	4	**(573)**	–
Net interest expense	5, 6	**611**	579
Derivative financial instrument loss (gain)	7	**291**	(110)
Other	9	**(34)**	270
		7,412	14,247
Changes in non-cash items			
Trade and other receivables		**(8,524)**	(15,692)
Inventories		**(8,021)**	(4,437)
Other assets		**(260)**	(492)
Trade payables		**172**	507
Other liabilities		**710**	1,634
		(15,923)	(18,480)
Income tax payments		**(1,416)**	(3,522)
Cash used for operating activities		**(9,927)**	(7,755)
Investing activities			
Purchase of property, plant and equipment		**(4,671)**	(2,647)
Purchase of investment in Universal		**–**	(6,500)
Cash acquired on purchase of investment in Universal		**–**	769
Proceeds from repayments of loans receivable		**39**	36
Proceeds from disposal of property, plant and equipment		**202**	62
Cash used for investing activities		**(4,430)**	(8,280)
Financing activities			
Payment of term loans	12	**–**	(5)
Interest paid	5, 6	**(426)**	(613)
Payments on obligations under leases	12	**(360)**	(91)
Proceeds from exercise of stock options	9	**238**	–
Repurchase of Class A Subordinate Voting shares	8	**(69)**	(41)
Cash used for financing activities		**(617)**	(750)
Foreign exchange on cash held in foreign currency		**(87)**	14
Decrease in cash and cash equivalents		**(15,061)**	(16,771)
Cash and cash equivalents at the beginning of the period		**27,043**	22,010
Cash and cash equivalents at the end of the period		**$ 11,982**	$ 5,239

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, Cambridge and Brockville, Ontario, Boisbriand, Quebec and Wixom, Michigan manufacture and distribute concrete masonry and landscape products.

On February 4, 2019, the Company acquired a concrete block manufacturing plant located in Cambridge, Ontario for a purchase consideration of $7,500. This acquisition is discussed in more detail in Note 4, below.

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 (the "TSX") 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, 2019 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 months ended June 30, 2019 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 2018 annual consolidated financial statements.

The condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2019 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2018, along with the newly adopted accounting standard IFRS 16, *Leases*, that became effective on January 1, 2019. The initial adoption of this standard is described in Note 3, below. Other accounting standard changes and amendments effective January 1, 2019 discussed in Note 2 of the Notes to the 2018 Annual Consolidated Financial Statements did not have a significant impact on the condensed interim consolidated financial statements.

STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2019 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, 2019.

3. ACCOUNTING STANDARD IFRS 16, *LEASES*

Effective January 1, 2019, the Company adopted the new accounting standard IFRS 16, *Leases*. The standard eliminates the classification of leases as either operating leases or finance leases. Under this standard's single accounting model, the right to use an asset must be recognized on the consolidated balance sheets, regardless of the transfer of substantially all risks and rewards of ownership of the asset for all leases with a term of more

than twelve months, unless the underlying asset is of low value for those transactions.

Assets are recognized as Right-of-Use assets at the present value of their future lease payments or at an amount equal to the lease liability, adjusted for prepaid or accrued lease payments. The offsetting obligations are recognized as lease liabilities at the present value of future lease payments. Asset values recorded under leases are amortized on a straight-line basis over the term of the lease. Lease obligations are reduced by lease payments net of imputed interest, which is recognized as interest expense.

On adoption of this standard on January 1, 2019, the Modified Retrospective method was applied to the opening condensed interim consolidated balance sheet. The retrospective cumulative effect of initially applying the standard was recognized at the date of initial application but had no impact on Retained Earnings as the Right-of-Use assets for operating leases were recognized at an amount equal to the lease liability. This is described in the table below:

Net Book Value – Property, plant and equipment		**June 30, 2019 $**	**January 1, 2019 $**	**December 31, 2018 $**
Right-of-Use assets:				
Right-of-Use assets - finance leases		591	763	763
Right-of-Use assets - operating leases		293	263	–
Right-of-Use assets	**A**	**884**	**1,026**	**763**
Owned assets	**B**	**170,367**	**168,312**	**168,312**
Property, plant and equipment	**A + B**	**171,251**	**169,338**	**169,075**
Current portion of debt:				
Current finance lease obligations		336	468	468
Current operating lease obligations		112	119	–
Current lease obligations	**C**	**448**	**587**	**468**
Current term loans	**D**	**2,778**	**1,950**	**1,950**
Current portion of debt	**C + D**	**3,226**	**2,537**	**2,418**
Non-current portion of debt:				
Non-current finance lease obligations		262	426	426
Non-current operating lease obligations		183	144	–
Non-current lease obligations	**E**	**445**	**570**	**426**
Non-current term loans	**F**	**35,488**	**31,815**	**31,815**
Non-current portion of debt	**E + F**	**35,933**	**32,385**	**32,241**
Retained Earnings (impact of lease accounting)	**A - C - E**	**(9)**	**(131)**	**(131)**

4. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at January 1, 2019					
Cost	93,087	46,570	167,202	9,381	316,240
Accumulated depreciation and impairment loss	(21,928)	(21,508)	(96,762)	(6,704)	(146,902)
Net book value	**71,159**	**25,062**	**70,440**	**2,677**	**169,338**
For the six months ended June 30, 2019					
Additions	4,759	500	3,346	307	8,912
Disposals	–	–	(1,094)	(16)	(1,110)
Depreciation for the period	(325)	(696)	(3,100)	(572)	(4,693)
Exchange differences	(163)	(191)	(817)	(25)	(1,196)
	4,271	**(387)**	**(1,665)**	**(306)**	**1,913**
As at June 30, 2019					
Cost	97,308	46,484	166,029	8,999	318,820
Accumulated depreciation and impairment loss	(21,878)	(21,809)	(97,254)	(6,628)	(147,569)
Net book value	**75,430**	**24,675**	**68,775**	**2,371**	**171,251**

The change in the balances from December 31, 2018 to January 1, 2019 is described in Note 3 above and the closing balances as at December 31, 2018 are included in Note 7 of the notes to the 2018 annual consolidated financial statements included in the Company's 2018 Annual Report.

For the three and six months ended June 30, 2019, depreciation expense totaled $2,397 (2018 - $2,427), and $4,693 (2018 – $4,677), respectively, of which $2,311 (2018 - $2,347) and $4,521 (2018 – $4,517), respectively, were included in Cost of sales, $6 (2018 – nil) and $13 (2018 – nil), respectively, were included in Selling expenses and $80 (2018 - $80) and $159 (2018 - $160), respectively, were included in General and administrative expenses.

On February 4, 2019, the Company acquired the business of a concrete block manufacturing plant located in Cambridge, Ontario. Assets acquired at fair value totaled $7,500 and included land, building, production equipment and inventory. The purchase consideration was settled by a cash payment of $2,500 and a vendor take-back loan in the form of two non-interest bearing promissory notes totaling $5,000, payable in equal instalments over five years. On the date of acquisition, the fair value of the business acquired exceeded the acquisition-date fair value of the purchase consideration due to the non-interest bearing, deferred settlement terms on the vendor take-back loan recognized at present value. Accordingly, a gain of $573 was recognized from the bargain purchase of this concrete block business in the Consolidated Statement of Comprehensive Income (loss).

Loss on disposal of property, plant and equipment for the quarter ended June 30, 2019, was $920 (2018 - $80). The loss in the 2019 period relates primarily to the Boisbriand, Quebec concrete products plant. In order to optimize efficiencies in the Company's concrete plant network, the operating assets of this concrete products plant are exclusively employed in only product finishing actvities and not in the production of new products. As a result, certain surplus production equipment at this plant was disposed for proceeds of $150 during the three-month period in 2019.

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

	June 30, 2019 $	January 1, 2019 $	December 31, 2018 $
Cost – finance lease assets	1,374	1,388	1,388
Cost – operating lease assets	351	263	–
Cost – Right-of-Use assets	**1,725**	**1,651**	**1,388**
Accumulated depreciation – finance lease assets	(783)	(625)	(625)
Accumulated depreciation – operating lease assets	(58)	–	–
Accumulated depreciation – Right-of-Use assets	**(841)**	**(625)**	**(625)**
Net book value – Right-of-Use Assets	**884**	**1,026**	**763**

5. BANK OPERATING ADVANCES

The Company's operating credit facility provides for borrowings up to a maximum of $22,000 (2018 - $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, 2019, the Company was in compliance with all the financial covenants.

As at June 30, 2019, the borrowing limit available based on the margin formulae was at the maximum available amount of $22,000 (December 31, 2018 - $22,000), of which $371 (December 31, 2018 - $386) was utilized for outstanding letters of credit. There was no current account overdraft balance outstanding as at June 30, 2019 (December 31, 2018 – Nil).

As at June 30, 2019, the rate of interest on the current account overdraft is based on the Canadian bank prime rate plus a credit spread of 0.25%.

6. DEBT

Debt consists of the following:

		June 30, 2019 $	January 1, 2019 $	December 31, 2018 $
Committed term A credit facility – monthly instalments commenced July 2017 to November 2020, maturing January 29, 2021	(i)	**24,100**	24,100	24,100
Committed term B credit facility – monthly instalments commenced July 2017 to November 2020, maturing January 29, 2021	(ii)	**9,665**	9,665	9,665
	a	**33,765**	33,765	33,765
Non-interest bearing, promissory notes		**5,000**	–	–
Less: Unamortized imputed interest		**(499)**	–	–
	b	**4,501**	–	–
Obligations under finance leases		**598**	894	894
Obligations under operating leases		**295**	263	–

Obligations under leases	c	**893**	1,157	894
	a+b+c	**39,159**	34,922	34,659
Less: Payments due within one year – current portion		**3,226**	2,537	2,418
Non-current portion of debt		**35,933**	32,385	32,241

a) 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:

(i) The committed term A credit facility is a non-revolving term loan, which bears interest at the bankers' acceptance rate plus 1.60%. The term loan requires monthly interest payments for its duration and is to be repaid by way of principal repayments of $290 per month during the months of July to November from 2017 each year to maturity date.

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 7, "Derivative Financial Instrument".

(ii) The committed term B credit facility is a non-revolving term loan, bearing interest at the bankers' acceptance rate plus 1.60%. The term loan requires monthly interest payments for its duration and is to be repaid by way of principal repayments of $100 per month during the months of July to November each year from 2017 to maturity date.

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 at June 30, 2019.

The agreements for these loans contain certain financial covenants. As at June 30, 2019, the Company is in compliance with all the financial covenants.

b) On February 4, 2019, the Company acquired the business of a concrete block manufacturing plant, as described in Note 4, above. The purchase consideration included a vendor take-back loan, in the form of two non-interest bearing promissory notes totaling $5,000, payable annually in equal instalments over five years. The promissory notes are secured by a first ranking general security interest over the acquired assets.

7. DERIVATIVE FINANCIAL INSTRUMENT

The Company has a floating-to-fixed interest rate swap with a notional value of $24,100 as at June 30, 2019 (December 31, 2018, $24,100), 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, 2019 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, 2019 amounted to an unrealized loss of $69 (2018 - $24 unrealized gain) and $291 (2018 - $110 unrealized gain), respectively. The fair value of the interest rate swap derivative in the amounts of $2 (December 31, 2018 - $77, current derivative financial asset) and $83 (December 31, 2018 - $129, non-current derivative

financial asset) were classified as a current derivative financial liability and a non-current derivative financial liability, respectively.

8. 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 September 5, 2018, 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 461,431 Class A Subordinate Voting shares in total, being approximately 5% of the total number of Class A Subordinate Voting shares outstanding as of August 31, 2018, during the 12-month period which commenced on September 7, 2018 and ends on September 6, 2019. Under this NCIB, 11,000 Class A Subordinate Voting shares were repurchased at an average market price of $6.13 and subsequently cancelled during the six-month period ended June 30, 2019. In 2018, 12,000 Class A Subordinate Voting shares were repurchased at an average market price of $8.36 under this NCIB and subsequently cancelled.

As at June 30, 2019, issued and outstanding share capital consisted of 9,259,523 Class A Subordinate Voting shares (December 31, 2018 – 9,223,023) and 1,738,631 Class B Multiple Voting shares (December 31, 2018 – 1,738,631).

Changes to the issued and outstanding share capital due to the exercise of stock options during the periods ended June 30, 2019 and June 30, 2018 are discussed in Note 9 below.

9. 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, 2018 – 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, 2019, a total of 290,065 (December 31, 2018 – 255,065) stock options were available for grant under the Plan. There were no stock options granted during the period ended June 30, 2019 and the comparative period in 2018. During the second quarter of 2019, a total of 29,000 stock options were forfeited (2018 – 4,000) and 6,000 stock options were cancelled (2018 - 6,000).

During the period ended June 30, 2019, 47,500 stock options were exercised at an average price of $4.99. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $238. No stock options were exercised during the corresponding period of 2018.

For the three and six months ended June 30, 2019, the total share-based compensation cost with respect to all stock options granted was a credit of $9 (2018 – $2 credit to income) and an expense charge of $12 (2018 – $45 expense), respectively.

As at June 30, 2019, an aggregate of 884,600 (December 31, 2018 – 967,100) stock options were outstanding, of which 850,100 (December 31, 2018 – 858,000) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $5.96 (December 31, 2018 - $5.79) 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 27, 2019, 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 27, 2019**	**March 28, 2018**	**March 31, 2017**
Number of share appreciation rights granted	**196,500**	**207,500**	**205,500**
Base price	**$ 6.51**	**$ 8.48**	**$ 9.01**
Fair value of each share appreciation right as at June 30, 2019	**$ 2.28**	**$ 1.35**	**$ 1.29**
Assumptions:			
Risk-free interest rate	**1.41%**	**1.40%**	**1.40%**
Expected life	**7.3 years**	**5.8 years**	**6.0 years**
Volatility (determined by reference to historically observed prices of Class A Subordinate Voting Shares)	**33.22%**	**31.31%**	**31.38%**
Expected dividend yield	**0.0%**	**0.0%**	**0.0%**
Expected forfeitures	**Nil**	**Nil**	**Nil**

No share appreciation rights were exercised during the six-month periods ended June 30, 2019 and June 30, 2018, respectively. During the 2019 period, 14,000 share appreciation rights were forfeited (2018 -10,000) and 6,000 share appreciation rights (2018 – 5,000) were cancelled.

For the three and six months ended June 30, 2019, the change in fair value of the provision for share appreciation rights was an unrealized gain of $39 (2018 – $39 unrealized loss) and an unrealized gain of $46 (2018 - $222 unrealized loss), respectively. As at June 30, 2019, an aggregate of 571,500 (December 31, 2018 – 395,000) share appreciation rights were outstanding, of which 225,800 (December 31, 2018 – 117,500) were fully vested and exercisable. The fair value of the share appreciation rights recognized, in the amounts of $426 (December 31, 2018 – $402)

and $91 (December 31, 2018 – $161), were classified as current and non-current provisions for share appreciation rights, respectively.

10. 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% (2018 – 26.5%) in the Canadian jurisdictions and from 21.0% to 23.2% (2018 – 21.0% to 23.2%) 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 in the current period or in prior years.

11. 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 income 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 per share is as follows:

	Three months ended June 30					
	2019			2018		
Earnings Per Share	**Net Income $**	**Shares (thousands)**	**Per share amount $**	**Net Income $**	**Shares (thousands)**	**Per share amount $**
Basic earnings per share	**5,289**	**11,006**	**0.48**	8,043	10,973	0.73
Dilutive effect of stock options		**108**	**–**		255	(0.01)
Diluted earnings per share		**11,114**	**0.48**		11,228	0.72

	Six months ended June 30					
	2019			2018		
Earnings Per Share	**Net Income $**	**Shares (thousands)**	**Per share amount $**	**Net Income $**	**Shares (thousands)**	**Per share amount $**
Basic earnings per share	**791**	**10,985**	**0.07**	7,094	10,973	0.65
Dilutive effect of stock options		**119**	**–**		229	(0.02)
Diluted earnings per share		**11,104**	**0.07**		11,202	0.63

In determining the dilutive earnings per share, 337,400 (2018 – Nil) and 337,400 (2018 – 41,541) options to purchase Class A Subordinate Voting shares were considered anti-dilutive for the three and six month periods of 2019 and 2018, respectively.

12. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the periods ended June 30, 2019 and June 30, 2018, cash provided by (used for) financing activities resulted in the following changes to the Company's financing liabilities. The balances as at December 31, 2018 and the changes in balances from December 31, 2018 to January 1, 2019 are included in Note 3.

	Term loans		Leases	
	Current	Non-current	Current	Non-current
Balance as at January 1, 2019	**$ 1,950**	**$ 31,815**	**$ 587**	**$ 570**
Cash flows:				
Payments during the period	–	–	(360)	–
Changes from cash flows	**–**	**–**	**(360)**	**–**
Non-cash changes:				
Increase in financial obligations	814	3,612	13	84
Impact of currency exchange rates	–	–	(2)	1
Unwinding of discount on promissory notes	75	–	–	–
Other non-cash movements	(61)	61	210	(210)
Non-cash changes	**828**	**3,673**	**221**	**(125)**
Balance as at June 30, 2019	**$ 2,778**	**$ 35,488**	**$ 448**	**$ 445**

	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**

13. COMMITMENTS AND CONTINGENCIES

As at June 30, 2019, the Company had capital expenditure commitments with suppliers totaling $1,480.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at June 30, 2019, the Company has contracted for its estimated remaining 2019 Canadian natural gas supply requirements at an aggregate estimated cost of $372, none of which was at fixed prices, and for its estimated remaining 2019 Canadian transportation requirements at an aggregate estimated cost of $523, of which 73% was at fixed prices. The potential unrealized gain on the fixed price transportation contracts was approximately $24 (2018 – approximately $103 unrealized gain), 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, 2019 is $371 (December 31, 2018 - $386).

Effective January 1, 2019, operating leases are recognized as Right-of-Use assets in property, plant and equipment (refer to Note 3), with an offsetting lease obligation at the present value of their future lease payments. The closing balances of operating leases as at December 31, 2018 were carried forward to January 1, 2019 and changes during the period to June 30, 2019 are described below.

Operating leases	**$**
Balance as at January 1, 2019	**277**
Less: Payments of lease liabilities	**(66)**
Add: Additions	**109**
Less: Interest paid	**(5)**
Balance as at June 30, 2019	**315**
Current operating lease obligation	**112**
Non-current operating lease obligation	**183**
Add: Imputed interest	**20**
	315

As at June 30, 2019, the future aggregate minimum lease payments under operating leases, (primarily mobile equipment and vehicles) are as follows:

Operating leases	**June 30, 2019**	**December 31, 2018**
	$	**$**
January – June 2019	**–**	70
July – December 2019	**65**	58
2020	**116**	89
2021	**80**	53
2022	**35**	7
2023	**16**	–
2024	**3**	–
	315	277

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

14. RELATED PARTY TRANSACTIONS

The Company has determined which of its customers are related to the Company. 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 5.3% (2018 – 4.4%) and 6.2% (2018 – 4.8%) of revenues in aggregate for the three and

six months ended June 30, 2019, respectively. As at June 30, 2019, the trade receivable balance outstanding from related customers was $31 (December 31, 2018 - $14).

Trade payables to related parties, including payables for rebates, totaled $68 as at June 30, 2019 (December 31, 2018 - $176).

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

15. OPERATING SEGMENTS

The Company considers that for purposes of operating decision making and assessing performance it operates within two dominant business segments: Masonry Products and Landscape Products. 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 investment in Universal Resource Recovery Inc., which includes rental revenues, related costs and assets of this wholly-owned subsidiary.

Segmented information, with comparative information for 2018, is as follows:

	Three months ended June 30		Six months ended June 30	
i) Revenues	**2019 $**	2018 $	**2019 $**	2018 $
Masonry Products	**27,361**	34,511	**45,035**	56,282
Landscape Products	**15,208**	16,307	**16,855**	19,493
Other	**35**	34	**70**	34
Revenues	**42,604**	50,852	**61,960**	75,809
ii) Operating income (loss)				
Masonry Products	**2,702**	7,072	**728**	8,547
Landscape Products	**4,714**	3,061	**1,696**	1,087
Other	**(121)**	548	**(258)**	548
Operating income	**7,295**	10,681	**2,166**	10,182
Finance expense	**(409)**	(296)	**(902)**	(469)
Provision for income taxes	**(1,597)**	(2,342)	**(473)**	(2,619)
Net income for the period	**5,289**	8,043	**791**	7,094

iii) Total assets	**June 30, 2019 $**	**January 1, 2019 $**	**December 31, 2018 $**
Masonry and Landscape Products	**242,694**	238,376	238,113
Other	**13,338**	13,403	13,403

Total assets	**256,032**	251,779	251,516

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,	
	2019 Revenues $	**2018 Revenues $**	**2019 Revenues $**	**2018 Revenues $**
Canada	**36,334**	44,617	**53,617**	67,544
United States	**6,270**	6,235	**8,343**	8,265
	42,604	50,852	**61,960**	75,809

	June 30, 2019 Property, plant and equipment $	**January 1, 2019 Property, plant and equipment $**	**December 31, 2018 Property, plant and equipment $**
Canada	**140,910**	137,080	136,833
United States	**30,341**	32,258	32,242
	171,251	169,338	169,075

16. 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 segment. Consequently, the results of operations and cash flows for the three and six months ended June 30, 2019 are not necessarily indicative of the results to be expected for the full year.

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