BRAMPTON BRICK Limited

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THIRD QUARTER REPORT | 2019

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

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2019
PREPARED AS OF NOVEMBER 6, 2019

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three and nine month interim periods ended September 30, 2019, should be read in conjunction with the Condensed Interim Consolidated Financial Statements as at and for the three and nine months ended September 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 September 30, 2019

The Company recorded net income of $3,276, or $0.30 per share for the three months ended September 30, 2019 compared to net income of $5,359, or $0.49 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 third quarter of 2019 and 2018 were 10,997,054 and 10,966,602, respectively.

Revenues for the third quarter of 2019 were $46,750 compared to $49,832 for the same quarter of 2018. Overall revenues of the Masonry Products business segment decreased due to legislation introduced at the provincial and federal levels which has impacted residential construction in Ontario. However, masonry product shipments for commercial and other developmental construction did increase during the quarter. Shipments in the Company's U.S. markets during the third quarter of 2019 were affected by unfavourable weather conditions, however, revenues were favourably impacted by the strength in the average U.S. dollar exchange rate during the third quarter of 2019. The decrease in revenues in the 2019 period was partially offset by an increase in shipments in the Landscape Products business segment.

Cost of sales for the third quarter ended September 30, 2019 was $37,493 compared to $37,472 for the same quarter of 2018. Higher per unit costs of manufacturing due to lower production volumes during the three-month period in 2019 offset decreases in costs of sales on lower shipments, freight and delivery expenses, and repair and maintenance costs during the third quarter of 2019.

Selling expenses for the third quarter of 2019 was $3,144 compared to $3,192 for the same quarter of 2018. During the third quarter of 2019, decreases in personnel expenses were offset by higher marketing expenses, and enhancements to customer relationship management applications.

General and administrative expenses for the quarter ended September 30, 2019 decreased to $1,487 from $2,199 for the same period of 2018. The decrease was due to lower provisions required for share appreciation rights and lower reserves needed for potential bad debt expense. Partial offsets to these reductions were costs incurred

for consulting fees related to new projects evaluating the company's ERP systems and operations' optimization models.

Other income was $128 for the three-month period ended September 30, 2019 compared to other expense of $33 for the corresponding quarter of 2018. This income primarily relates to the gain 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 September 30, 2019 decreased to $4,769 from $7,029 for the same quarter in 2018, for the reasons noted above.

Finance expense for the three months ended September 30, 2019 was $252 compared to $144 for the corresponding quarter in 2018. Excluding the change in the fair value of the interest rate swap, which amounted to an unrealized gain of $51 (2018 – $141), net interest expense for the third quarter of 2019 increased to $303 compared to $285 for the same period 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 nine-month period ended September 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 third quarter of 2019 and the last quarter of 2018.

The provision for income taxes totaled $1,241 for the third quarter of 2019 compared to a provision for income taxes of $1,526 for the same quarter of 2018. The decreased provision for income taxes was due to 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.

Nine months ended September 30, 2019

The Company recorded net income of $4,067, or $0.37 per share, for the nine-month period ended September 30, 2019, compared to net income of $12,453, or $1.14 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 September 30, 2019 and September 30, 2018 was 10,989,320 and 10,970,955, respectively.

Revenues for the nine-month period ended September 30, 2019 were $108,710 compared to $125,641 for the corresponding period in 2018, due to lower shipments in both the Masonry Products and Landscape Products business segments. Unfavourable weather conditions in the Company's markets in Canada during the first half of 2019 and the negative impact on residential construction of legislation introduced at the provincial and federal levels affected shipments during the nine months of 2019. Revenues in the Company's U.S. markets for the period ended September 30, 2019 were favourably impacted by the strength in the average U.S.

dollar exchange rate, however shipments were lower due to harsh weather conditions experienced in certain markets during periods of historically higher seasonal sales. The favourable impact of shipments from the recently acquired concrete products plant located in Cambridge, Ontario offset, in part, some of these decreases.

During the nine-month period of 2018, revenues were comparatively higher due to 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 nine months ended September 30, 2019 decreased to $85,648 from $93,284 for the corresponding period in 2018. Costs of sales decreased due to lower shipments, lower trucking and delivery expenses and a decrease in repair and maintenance expense during the 2019 period. This decrease was offset, in part, by higher per unit costs on production of lower volumes. The comparative strength in the average U.S. dollar exchange rate during the 2019 period also increased cost of sales of the U.S. operations.

Selling expenses for the nine months ended September 30, 2019 were $9,778 compared to $9,677 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, which was partially offset by lower sales commissions. Higher costs to upgrade software for the Company's customer relationship management application were also incurred.

General and administrative expenses for the nine-month period ended September 30, 2019 decreased to $5,886 from $6,331 for the corresponding period of 2018. This decrease in expense is described in the section entitled "Discussion of Operations" for the three months ended September 30, 2019. Additionally, an increase in legal expenses related to the acquisition noted below partially offset this decrease.

Loss on disposal of property, plant and equipment for the period ended September 30, 2019, was $884 compared to a gain of $21 for the same period in 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, this new plant now operates exclusively for product finishing activities. As a result, certain surplus production equipment at this plant was disposed of for proceeds of $150 during the second quarter of 2019.

Other expense was $152 for the nine-month period ended September 30, 2019, compared to other income of $79 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 nine months ended September 30, 2019 decreased to $6,935 from $17,211 for the same period in 2018, for the reasons noted above.

Finance expense for the nine months ended September 30, 2019 was $1,154 compared to $613 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 $240 (2018 – unrealized gain of $252), net interest expense increased to $914 for the 2019 period from $865 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 September 30, 2019. Higher interest income on cash balances held partially offset the increase in overall finance expenses.

Provision for income taxes decreased to $1,714 for the nine-month period of 2019 on lower operating results, compared to a provision for income taxes of $4,145 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 $28,473 for the quarter ended September 30, 2019, compared to $32,962 for the corresponding quarter of 2018. Lower shipments of masonry products in the Company's Canadian market, due to the continuing slow pace in residential construction during the third quarter of 2019, were partially offset by an increase in revenues from commercial and other construction activity and the favourable impact of shipments from the Cambridge, Ontario plant acquired in the first quarter of 2019. In the Company's U.S. markets shipments were impacted by unfavourable weather conditions experienced during periods of higher seasonal demand. The comparative strength in the average U.S. dollar exchange rate during the third quarter of 2019 partially offset this decrease.

Cost of sales for the third quarter of 2019 decreased to $24,090 compared to $24,292 for the corresponding quarter in 2018. Costs of sales on lower shipments, lower freight and delivery expenses and lower repair and maintenance expenses incurred during the current quarter were largely offset by higher per unit costs on lower production volumes and production costs incurred at the newly acquired concrete block business.

General and administrative expenses for the third quarter of 2019 decreased to $842 from $1,429 for the same reasons described above under the section entitled "Discussion of Operations" for the three-month period ended September 30, 2019.

Operating income for the third quarter of 2019 was $1,629 compared to $5,299 for the same quarter of 2018.

For the nine months ended September 30, 2019, revenues of the Masonry Products business segment were $73,508, compared to $89,244 for the corresponding period of 2018. This decrease was primarily due to unfavourable weather conditions in the first half of 2019 and the slowdown in residential construction following the implementation of fiscal measures to contain price appreciation in the Ontario housing market. Revenues from the newly acquired concrete block plant and higher demand from commercial and other construction activity offset some of the reduced revenue from a decrease in shipments during the nine-month period of 2019. The decrease in shipments in the Company's U.S. markets is described above under the section entitled "Masonry Products" for the three months ended September 30, 2019. Revenues in the Company's Canadian markets in the 2018 period were favourably impacted by a carry-forward of construction projects from 2017.

Cost of sales for the nine-month period of 2019 decreased to $60,015 compared to $64,447 for the corresponding period of 2018 due primarily to lower shipments, lower labour costs and lower natural gas and electricity costs. This comparative decrease was partially offset by higher per unit costs on lower production volumes, initiatives to optimize inventory levels and production costs incurred at the newly acquired concrete block plant, as well as an increase in the average U.S. dollar exchange rate during the 2019 period.

Loss on disposal of property, plant and equipment totaled $896 for the nine months of 2019 compared to a gain of $14 for the corresponding period of 2018 for the reasons noted under the section entitled "Discussion of Operations" for the nine months ended September 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 under the section entitled "Discussion of Operations" for the nine months ended September 30, 2019.

Operating income for the nine months of 2019 was $2,356 compared to $13,846 for the corresponding period of 2018.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment for the three months ended September 30, 2019 increased to $18,231 compared to $16,836 for the corresponding quarter of 2018. Landscape shipments were favourably impacted by weather conditions conducive to exterior renovations in the third quarter of 2019, following comparatively unfavourable weather in the second quarter of 2019, a period

of historically higher sales. During the corresponding third quarter of 2018, fiscal measures to contain rising prices affected the momentum in the housing market in Ontario, which slowed customer demand for home exterior upgrades, affecting shipments in that period.

Cost of sales for the quarter ended September 30, 2019 was $13,195 compared to $13,002 for the corresponding quarter of 2018 due to higher shipments as well as higher per unit costs on lower production volumes, which comparatively increased costs of sales for the current quarter. Cost of sales in the 2018 period was affected by higher inter-plant freight costs for product transfers to meet customer demand.

Operating income for the third quarter of 2019 increased to $3,437 compared to $1,945 for the same quarter in 2018.

Revenues of the Landscape Products business segment for the nine months ended September 30, 2019 were $35,086, compared to $36,329 for the corresponding period of 2018. As noted above, higher third quarter shipments in 2019 helped to offset some of the decrease in shipments during the first half of the year. In the first three quarters of 2018, revenues were favourably impacted due to shipments made in the first quarter of 2018 that were deferred from the latter part of 2017 because of capacity constraints in the company's landscape products facilities during that period.

Cost of sales for the nine months ended September 30, 2019 decreased to $25,092 from $28,495 for the corresponding period of 2018. Costs of sales during the 2019 period decreased due to lower shipments, which were partially offset by the effects of higher per unit costs on lower production volumes. Costs of sales in the comparative period of 2018 were higher due to increased shipment volumes, on the deferral of 2017 shipments to the first quarter of 2018 as noted above. In addition, costs of sales were higher in the 2018 period due to higher trucking expenses for product transfers to facilitate customer delivery.

Operating income for the first nine months of 2019 increased to $5,134 compared to $3,032 for the same period of 2018.

CASH FLOWS

Cash provided by operating activities decreased to $3,597 for the nine months ended September 30, 2019 compared to $10,174 for the corresponding period in 2018, primarily due to a decrease in operating results. This year-over-year decrease in cash provided by operating activities was offset, in part, by a decrease in income tax instalment payments.

Cash utilized for purchases of property, plant and equipment totaled $5,479 for the nine-month period of 2019 compared to $3,928 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.

Capital expenditures for machinery and equipment totaled $2,775 (2018 - $3,088), with

$904 (2018 - $1,215) for mobile equipment, of which $169 (2018 – $449) was financed by leases and $275 (2018 - $454) and $6 (2018 – $23) for land improvements and buildings, respectively, as is described in more detail in Note 4 to the Condensed Interim Consolidated Financial Statements. Cash utilized for capital expenditures during the period ended September 30, 2019 totaled $3,396 (2018 - $3,878), excluding the assets acquired from the business acquisition.

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 Note 3 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 September 30, 2019 and as of December 31, 2018.

Trade payables totaled $17,358 at September 30, 2019 compared to $17,429 at December 31, 2018.

The ratio of total liabilities to shareholders' equity was 0.48:1 at September 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 September 30, 2019, from the year-end exchange rate as at December 31, 2018 also increased the ratio.

As at September 30, 2019, the Company's current ratio was 3.32:1, representing working capital of $61,826, 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. There was basically no change in the current ratio from January 1, 2019 to September 30, 2019. Increases to the ratio from increases in trade and other receivables and other assets were offset by a decrease in cash and cash equivalents, as well as an increase in other liabilities and an increase in the current portion of debt due to the acquisition of the concrete block business noted above. Cash and cash equivalents totaled $23,235 at September 30, 2019, compared to $27,043 at December 31, 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

Note 3 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 September 30, 2019, the borrowing limit based on the margin formulae was $22,000, of which $375 (December 31, 2018 - $386) 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 September 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 Company's 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 September 30, 2019, changes during the period ended September 30, 2019 include scheduled principal and interest payments on debt 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, as well as purchase obligations for the Company's 2020 estimated 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	September 30		June 30		March 31		December 31	
	2019	2018	2019	2018	2019	2018	2018	2017
Revenues	$ 46,750	$ 49,832	$ 42,604	$ 50,852	$ 19,356	$ 24,957	$ 34,244	$ 36,567
Net income (loss)								
	$ 3,276	$ 5,359	$ 5,289	$ 8,043	$ (4,498)	$ (949)	$ 991	$ (3,066)
Net income (loss) per share								
Basic	$ 0.30	$ 0.49	$ 0.48	$ 0.73	$ (0.41)	$ (0.09)	$ 0.09	$ (0.28)
Diluted	$ 0.30	$ 0.48	$ 0.48	$ 0.72	$ (0.41)	$ (0.09)	$ 0.09	$ (0.28)

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 SEPTEMBER 30

Revenues in the third quarter of 2019 were below the comparative prior period in 2018 due to a slowdown in residential construction in Ontario. The decrease in shipments for residential construction was partially offset by increases in demand from commercial and other developmental activity and shipments from the newly acquired plant in Cambridge, Ontario. Landscape shipments in the Company's Canadian market increased during the third quarter of 2019 over the same quarter of 2018. This increase was due to favourable weather conducive to construction following unsuitable weather conditions for most of the second quarter of 2019, which is historically a period of higher seasonal sales.

Costs of sales in the third quarter of 2019 were comparable to the same quarter of 2018. Although shipments were lower, higher per unit production costs on significantly lower production volumes increased costs of sales during the third quarter of 2019. This increase offset decreases in costs of sales on lower shipments, freight and delivery expenses, and repair and maintenance costs during the quarter. In addition, the increase in the value of the average U.S. dollar exchange rate during the third quarter of 2019 increased the overall Canadian dollar operating costs of the Company.

As a result, net income for the quarter ended September 30, 2019 decreased to $3,276, from $5,359 for the corresponding prior quarter.

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 development 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 nine months ended September 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 nine months ended September 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 nine months ended September 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.

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 nine months ended September 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 nine months ended September 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 September 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 September 30, 2019 to the date of this MD&A.

Under the Company's current Normal Course Issuer Bid, which commenced September 9, 2019 and ends on September 8, 2020, 1,000 Class A Subordinate Voting shares were repurchased at an average market price of $6.48 and subsequently cancelled for the period ended September 30, 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 September 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 September 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 September 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 September 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 Company's Landscape Products business affected to a greater degree than the Masonry Products business segment.

The third quarter of 2019 saw a significant improvement in weather conditions from the unseasonably wet and cold conditions that prevailed in the first half of 2019. Despite these improved conditions, the Company's business activity still trailed the results in the corresponding quarter in 2018 due to a softening of overall construction activity in the Company's masonry and landscape markets from the strong conditions that existed in late 2017 and early 2018.

If the improved temperatures continue into late November, it is possible that some of the delayed construction activity in the early months can still be completed in 2019. Housing starts remain relatively weak due to increased mortgage cost levels introduced in the past 18 months. A continued softness in housing activity levels is anticipated to continue for at least the next 12-24 months before positive changes can possibly be realized.

The Company's overall Canadian results have been impacted by the softer housing conditions in Ontario but somewhat offset by increased volumes and efficiencies generated from the acquisition of the additional concrete block manufacturing business in February, which has been fully operational since the date of acquisition.

For 2019, business activity for landscape products across the Company's market regions is anticipated to be slightly below 2018 levels. This change in activity is predominantly weather-related as customers chose to postpone major projects to 2020 due to the extended 2019 winter conditions. Notwithstanding this adjustment, the Company's Quebec and Eastern Ontario markets have seen 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 could still be impacted by historically low industry capacity utilization levels in its related market regions.

The Company purchased the remaining 50% interest in Universal from its joint venture partner in 2018. The assets of Universal consists 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 6th day of November, 2019.

Condensed Interim Consolidated Balance Sheets

(unaudited) (in thousands of Canadian dollars)	Notes	September 30, 2019	January 1, 2019	December 31, 2018
ASSETS				
Current Assets				
Cash and cash equivalents		**$ 23,235**	$ 27,043	$ 27,043
Trade and other receivables		**26,886**	18,137	18,137
Inventories		**36,103**	35,583	35,583
Other assets		**1,854**	1,210	1,210
Income tax recoverable		**392**	119	119
Loan receivable		**–**	64	64
Current derivative financial instrument	7	**5**	77	77
		88,475	82,233	82,233
Non-current assets				
Property, plant and equipment	3, 4	**170,672**	169,338	169,075
Non-current derivative financial instrument	7	**–**	129	129
Other assets		**27**	79	79
		170,699	169,546	169,283
Total assets	15	**$ 259,174**	$ 251,779	$ 251,516
LIABILITIES				
Current liabilities				
Trade payables		**$ 17,358**	$ 17,429	$ 17,429
Current portion of debt	3, 6, 12	**3,233**	2,537	2,418
Current provision on share appreciation rights	9	**364**	402	402
Other liabilities		**5,694**	4,437	4,437
		26,649	24,805	24,686
Non-current liabilities				
Non-current portion of debt	3, 6, 12	**34,744**	32,385	32,241
Non-current derivative financial instrument	7	**39**	–	–
Non-current provision on share appreciation rights	9	**100**	161	161
Decommissioning provisions		**7,087**	6,974	6,974
Deferred tax liabilities	10	**15,215**	15,334	15,334
		57,185	54,854	54,710
Total liabilities		**83,834**	79,659	79,396
EQUITY				
Share capital	8	**34,134**	33,909	33,909
Contributed surplus	9	**3,197**	3,218	3,218
Accumulated other comprehensive income		**9,933**	10,947	10,947
Retained earnings		**128,076**	124,046	124,046
Total equity		**175,340**	172,120	172,120
Total liabilities and equity		**$ 259,174**	$ 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 September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenues	14, 15, 16	**$ 46,750**	$ 49,832	**$108,710**	$ 125,641
Cost of sales		**37,493**	37,472	**85,648**	93,284
Selling expenses		**3,144**	3,192	**9,778**	9,677
General and administrative expenses		**1,487**	2,199	**5,886**	6,331
(Gain) loss on disposal of property, plant and equipment		**(15)**	(93)	**884**	(21)
Share of income from joint venture interest in Universal		**–**	–	**–**	(762)
Other (income) expense		**(128)**	33	**152**	(79)
Gain from bargain purchase of concrete block business	4	**–**	–	**(573)**	–
		41,981	42,803	**101,775**	108,430
Operating income	15	**4,769**	7,029	**6,935**	17,211
Finance expense	5, 6, 7	**(252)**	(144)	**(1,154)**	(613)
Income before income taxes		**4,517**	6,885	**5,781**	16,598
(Provision for) recovery of income taxes	10				
Current		**(1,045)**	(1,606)	**(1,832)**	(4,511)
Deferred		**(196)**	80	**118**	366
		(1,241)	(1,526)	**(1,714)**	(4,145)
Net income for the period		**$ 3,276**	$ 5,359	**$ 4,067**	$ 12,453
Other comprehensive income (loss)					
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
Foreign currency translation gain (loss)		**$ 427**	$ (706)	**$ (1,014)**	$ 836
Total comprehensive income for the period		**$ 3,703**	$ 4,653	**$ 3,053**	$ 13,289
Net income per Class A Subordinate Voting share and Class B Multiple Voting share					
Basic	11	**$ 0.30**	$ 0.49	**$ 0.37**	$ 1.14
Diluted	11	**$ 0.30**	$ 0.48	**$ 0.37**	$ 1.11

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

Condensed Interim Consolidated Statements of Changes in Equity

BRAMPTON BRICK Limited

(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					12,453	12,453
Other comprehensive income (net of taxes, $nil)				836		836
Total comprehensive income for the period		**–**	**–**	**836**	**12,453**	**13,289**
Share-based compensation	9		67			**67**
Repurchase of Class A Subordinate Voting shares	8	(42)			(54)	**(96)**
Balance– September 30, 2018		**$ 33,873**	**$ 3,213**	**$ 9,076**	**$123,088**	**$169,250**
Balance – January 1, 2019		**$ 33,909**	**$ 3,218**	**$ 10,947**	**$124,046**	**$172,120**
Net income for the period					4,067	4,067
Other comprehensive loss (net of taxes, $nil)				(1,014)		(1,014)
Total comprehensive (loss) income for the period		**–**	**–**	**(1,014)**	**4,067**	**3,053**
Stock options exercised	9	277	(39)			**238**
Share-based compensation	9		18			**18**
Repurchase of Class A Subordinate Voting shares	8	(52)			(37)	**(89)**
Balance– September 30, 2019		**$ 34,134**	**$ 3,197**	**$ 9,933**	**$128,076**	**$175,340**

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

Condensed Interim Consolidated Statements of Cash Flows

(unaudited) (in thousands of Canadian dollars)	Notes	Nine months ended September 30, 2019	2018
Cash provided by (used for)			
Operating activities			
Net income for the period		**$ 4,067**	$ 12,453
Items not affecting cash and cash equivalents			
Depreciation	4	**6,885**	7,104
Current tax provision	10	**1,832**	4,511
Deferred tax recovery	10	**(118)**	(366)
Loss (gain) on disposal of property, plant and equipment		**884**	(21)
Share of income from joint venture investment in Universal		**-**	(762)
Unrealized foreign currency exchange loss (gain)		**215**	(188)
Gain from bargain purchase of concrete block business	4	**(573)**	-
Net interest expense	5, 6	**914**	865
Derivative financial instrument loss (gain)	7	**240**	(252)
Other	9	**(81)**	349
		14,265	23,693
Changes in non-cash items			
Trade and other receivables		**(8,830)**	(8,943)
Inventories		**(38)**	228
Other assets		**(599)**	(767)
Trade payables		**(253)**	(156)
Other liabilities		**1,157**	983
		(8,563)	(8,655)
Income tax payments		**(2,105)**	(4,864)
Cash provided by operating activities		**3,597**	10,174
Investing activities			
Purchase of property, plant and equipment	4	**(5,479)**	(3,928)
Purchase of investment in Universal		**–**	(6,500)
Cash acquired on purchase of investment in Universal		**–**	769
Proceeds from repayments of loans receivable		**64**	65
Proceeds from disposal of property, plant and equipment		**217**	192
Cash used for investing activities		**(5,198)**	(9,402)
Financing activities			
Payment of term loans	12	**(1,170)**	(1,178)
Interest paid	5, 6	**(658)**	(864)
Payments on obligations under leases	12	**(482)**	(169)
Proceeds from exercise of stock options	9	**238**	–
Repurchase of Class A Subordinate Voting shares	8	**(89)**	(96)
Cash used for financing activities		**(2,161)**	(2,307)
Foreign exchange on cash held in foreign currency		**(45)**	(23)
Decrease in cash and cash equivalents		**(3,807)**	(1,558)
Cash and cash equivalents at the beginning of the period		**27,043**	22,010
Cash and cash equivalents at the end of the period		**$ 23,235**	$ 20,452

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. Its registered office address is 225 Wanless Drive, Brampton, Ontario L7A 1E9.

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 nine months ended September 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 nine months ended September 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 nine months ended September 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 nine months ended September 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 November 6, 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		**September 30, 2019 $**	**January 1, 2019 $**	**December 31, 2018 $**
Right-of-Use assets:				
Right-of-Use assets - finance leases		527	763	763
Right-of-Use assets - operating leases		298	263	–
Right-of-Use assets	A	825	1,026	763
Owned assets	B	169,847	168,312	168,312
Property, plant and equipment	A + B	170,672	169,338	169,075
Current portion of debt:				
Current finance lease obligations		324	468	468
Current operating lease obligations		123	119	–
Current lease obligations	C	447	587	468
Current term loans	D	2,786	1,950	1,950
Current portion of debt	C + D	3,233	2,537	2,418
Non-current portion of debt:				
Non-current finance lease obligations		210	426	426
Non-current operating lease obligations		177	144	–
Non-current lease obligations	E	387	570	426
Non-current term loans	F	34,357	31,815	31,815
Non-current portion of debt	E + F	34,744	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 nine months ended September 30, 2019					
Additions	4,774	506	4,026	904	10,210
Disposals	–	–	(1,094)	(16)	(1,110)
Depreciation for the period	(410)	(1,042)	(4,579)	(854)	(6,885)
Exchange differences	(120)	(140)	(602)	(19)	(881)
	4,244	**(676)**	**(2,249)**	**15**	**1,334**
As at September 30, 2019					
Cost	97,468	46,647	167,394	9,577	321,086
Accumulated depreciation and impairment loss	(22,065)	(22,261)	(99,203)	(6,885)	(150,414)
Net book value	**75,403**	**24,386**	**68,191**	**2,692**	**170,672**

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 nine months ended September 30, 2019, depreciation expense totaled $2,192 (2018 - $2,427), and $6,885 (2018 – $7,104), respectively, of which $2,109 (2018 - $2,362) and $6,630 (2018 – $6,879), respectively, were included in Cost of sales, $4 (2018 – nil) and $17 (2018 – nil), respectively, were included in Selling expenses and $79 (2018 - $65) and $238 (2018 - $225), 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 during the nine-month period of 2019, was $884 (2018 - $21 gain on disposal). 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 operating assets of this concrete products plant are now exclusively employed in only product finishing activities and not in the production of new products. As a result, certain surplus production equipment at this plant was disposed of for proceeds of $150 during the nine months ended September 30, 2019.

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

	September 30, 2019 $	January 1, 2019 $	December 31, 2018 $
Cost – finance lease assets	1,402	1,388	1,388
Cost – operating lease assets	380	263	–
Cost – Right-of-Use assets	**1,782**	**1,651**	**1,388**
Accumulated depreciation – finance lease assets	(875)	(625)	(625)
Accumulated depreciation – operating lease assets	(82)	–	–
Accumulated depreciation – Right-of-Use assets	**(957)**	**(625)**	**(625)**
Net book value – Right-of-Use Assets	**825**	**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 September 30, 2019, the Company was in compliance with all the financial covenants.

As at September 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 $375 (December 31, 2018 - $386) was utilized for outstanding letters of credit. There was no current account overdraft balance outstanding as at September 30, 2019 (December 31, 2018 – Nil).

As at September 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:

		September 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)	**23,230**	24,100	24,100
Committed term B credit facility – monthly instalments commenced July 2017 to November 2020, maturing January 29, 2021	(ii)	**9,365**	9,665	9,665
	a	**32,595**	33,765	33,765
Non-interest bearing, promissory notes		**5,000**	–	–
Less: Unamortized imputed interest		**(452)**	–	–
	b	**4,548**	–	–

Obligations under finance leases		**534**	894	894
Obligations under operating leases		**300**	263	-
Obligations under leases	c	**834**	1,157	894
	a + b + c	**37,977**	34,922	34,659
Less: Payments due within one year – current portion		**3,233**	2,537	2,418
Non-current portion of debt		**34,744**	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 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 September 30, 2019.

The agreements for these loans contain certain financial covenants. As at September 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 $23,230 as at September 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 September 30, 2019 or in the prior periods. The change in fair value of the interest rate swap recognized in the line item in "Finance expense" on the Consolidated Statement of Comprehensive Income (Loss) for the three and nine months ended September 30, 2019 amounted to an

unrealized gain of $51 (2018 - $142 unrealized gain) and an unrealized loss of $240 (2018 - $252 unrealized gain), respectively. The fair value of the interest rate swap derivative in the amounts of $5 (December 31, 2018 - $77, current derivative financial asset) and $39 (December 31, 2018 - $129, non-current derivative financial asset) were classified as a current derivative financial asset 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, 2019, 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 462,871 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, 2019, during the 12-month period, which commenced on September 9, 2019 and ends on September 8, 2020. Under this NCIB, 1,000 Class A Subordinate Voting shares were repurchased at an average market price of $6.48 and subsequently cancelled.

Under the preceding NCIB for the period from September 7, 2018 to September 6, 2019, 13,100 Class A Subordinate Voting shares were repurchased at an average market price of $6.17 during the nine-month period ended September 30, 2019 and subsequently cancelled. In 2018, 5,000 Class A Subordinate Voting shares were repurchased at an average market price of $8.50 under this NCIB and subsequently cancelled.

As at September 30, 2019, issued and outstanding share capital consisted of 9,256,423 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 September 30, 2019 and September 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 September 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 September 30, 2019 or in the comparative period in 2018. During the 2019 period, a total of 29,000 stock options were forfeited (2018 – 4,000) and 6,000 stock options expired (2018 - 6,000).

During the period ended September 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 nine months ended September 30, 2019, the total share-based compensation cost with respect to all stock options granted was $6 (2018 – $22) and an expense charge of $18 (2018 – $67 expense), respectively.

As at September 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 September 30, 2019	**$ 1.83**	**$ 1.06**	**$ 1.02**
Assumptions:			
Risk-free interest rate	**1.38%**	**1.40%**	**1.39%**
Expected life	**7.0 years**	**5.5 years**	**5.8 years**
Volatility (determined by reference to historically observed prices of the Class A Subordinate Voting shares)	**31.70%**	**31.00%**	**31.40%**
Expected dividend yield	**0.0%**	**0.0%**	**0.0%**
Expected forfeitures	**Nil**	**Nil**	**Nil**

No share appreciation rights were exercised during the nine-month periods ended September 30, 2019 and September 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) expired.

For the three and nine months ended September 30, 2019, the change in fair value of the provision for share appreciation rights was an unrealized gain of $53 (2018 – $57 unrealized loss) and an unrealized gain of $99 (2018 - $279 unrealized loss), respectively. As at September 30, 2019, an aggregate of 591,500 (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 $364 (December 31, 2018 – $402) and $100 (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 (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% (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 follow:

	Three months ended September 30					
	2019			2018		
Earnings per share	**Net Income $**	**Shares (thousands)**	**Per share amount $**	**Net Income $**	**Shares (thousands)**	**Per share amount $**
Basic earnings per share	**3,276**	**10,997**	**0.30**	5,359	10,967	0.49
Dilutive effect of stock options		**87**	**–**		282	(0.01)
Diluted earnings per share		**11,084**	**0.30**		11,249	0.48

Earnings per share	Nine months ended September 30					
	2019			2018		
	Net Income $	Shares (thousands)	Per share amount $	Net Income $	Shares (thousands)	Per share amount $
Basic earnings per share	**4,067**	**10,989**	**0.37**	12,453	10,971	1.14
Dilutive effect of stock options		**109**	**–**		247	(0.03)
Diluted earnings per share		**11,098**	**0.37**		11,218	1.11

In determining the dilutive earnings per share, 337,400 (2018 – Nil) and 337,400 (2018 – 27,542) options to purchase Class A Subordinate Voting shares were considered anti-dilutive for the three and nine month periods of 2019 and 2018, respectively.

12. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the periods ended September 30, 2019 and September 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	(1,170)	–	(482)	–
Changes from cash flows	**(1,170)**	**–**	**(482)**	**–**
Non-cash changes:				
Net increase in financial obligations	814	3,613	41	120
Impact of currency exchange rates	–	–	(2)	–
Unwinding of discount on promissory notes	121	–	–	–
Other non-cash movements	1,071	(1,071)	303	(303)
Non-cash changes	**2,006**	**2,542**	**342**	**(183)**
Balance as at September 30, 2019	**$ 2,786**	**$ 34,357**	**$ 447**	**$ 387**

	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	(1,178)	–	(169)	–
Changes from cash flows	**(1,178)**	**–**	**(169)**	**–**
Non-cash changes:				
Net increase in financial obligations			147	302
Impact of currency exchange rates	–	–	2	4
Other non-cash movements	1,170	(1,170)	239	(239)
Non-cash changes	**1,170**	**(1,170)**	**388**	**67**
Balance as at September 30, 2018	**$ 1,951**	**$ 32,595**	**$ 389**	**$ 339**

13. COMMITMENTS AND CONTINGENCIES

As at September 30, 2019, the Company had capital expenditure commitments with suppliers totaling $1,095.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at September 30, 2019, the Company had contracted for its estimated remaining 2019 Canadian natural gas supply requirements and for its estimated 2020 Canadian natural gas supply requirements at an aggregate estimated cost of $1,312, none of which was at fixed prices, and for its estimated remaining 2019 Canadian transportation requirements and for its estimated 2020 Canadian transportation requirements at an aggregate estimated cost of $991, of which 88% was at fixed prices. The potential unrealized loss on the fixed price transportation contracts was approximately $53 (2018 – approximately $53 unrealized gain), and was not charged to income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Letters of credit are issued by the Company's banker to provide security to certain service providers and in connection with certain governmental operating permits. The aggregate amount of letters of credit outstanding as at September 30, 2019 was $375 (December 31, 2018 - $386).

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 2.6% (2018 – 4.0%) and 4.7% (2018 – 4.3%) of revenues in aggregate for the three and nine months ended September 30, 2019, respectively. As at September 30, 2019, the trade receivable balance outstanding from related customers was $23 (December 31, 2018 - $14).

Trade payables to related parties, including payables for rebates, totaled $144 as at September 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 September 30,		Nine months ended September 30,	
i) Revenues	**2019 $**	2018 $	**2019 $**	2018 $
Masonry Products	**28,473**	32,962	**73,508**	89,244
Landscape Products	**18,231**	16,836	**35,086**	36,329
Other	**46**	34	**116**	68
Revenues	**46,750**	49,832	**108,710**	125,641
ii) Operating income (loss)				
Masonry Products	**1,629**	5,299	**2,356**	13,846
Landscape Products	**3,437**	1,945	**5,134**	3,032
Other	**(297)**	(215)	**(555)**	333
Operating income	**4,769**	7,029	**6,935**	17,211
Finance expense	**(252)**	(144)	**(1,154)**	(613)
Income taxes	**(1,241)**	(1,526)	**(1,714)**	(4,145)
Net income for the period	**3,276**	5,359	**4,067**	12,453

iii) Total assets	**September 30, 2019 $**	January 1, 2019 $	December 31, 2018 $
Masonry and Landscape Products	**246,078**	238,376	238,113
Other	**13,096**	13,403	13,403
Total assets	**259,174**	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 September 30,		Nine months ended September 30,	
	2019 Revenues $	**2018 Revenues $**	**2019 Revenues $**	**2018 Revenues $**
Canada	**40,378**	43,547	**93,995**	111,091
United States	**6,372**	6,285	**14,715**	14,550
	46,750	49,832	**108,710**	125,641

	September 30, 2019 Property, plant and equipment $	January 1, 2019 Property, plant and equipment $	December 31, 2018 Property, plant and equipment $
Canada	**140,447**	137,080	136,833
United States	**30,225**	32,258	32,242
	170,672	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 nine months ended September 30, 2019 are not necessarily indicative of the results to be expected for the full year.

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