Notes to Consolidated Financial Statements

December 31, 2020 and 2019 (in thousands of Canadian dollars, unless otherwise stated)

Independant Auditor's Report

To the Shareholders of Brampton Brick Limited

OPINION

We have audited the consolidated financial statements of Brampton Brick Limited and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements,including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Property, Plant and Equipment

DESCRIPTION OF THE KEY AUDIT MATTER

The Company performed an analysis of whether any of its cash generating units exhibited indicators of impairment. As a result of the net assets of the Company being higher than the market capitalization, the Company concluded that impairment testing was required for all cash generating units. The impairment testing resulted in the recognition of impairment on the Company's Farmersburg, Indiana clay brick plant in the current period. Refer to Note 8 to the consolidated financial statements.

This area was important to our audit due to the significance of estimates involved in the determination of the recoverable amount for each cash generating unit and the resulting impairment. The significant estimates involved included the underlying cash flow forecasts, gross margins, and discount rates.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our audit approach involved the assistance of our internal valuation professionals. Our audit procedures included, but were not limited to, the following:

- Assessing management's assumptions about revenue growth rates forecasts, expected gross margin and terminal growth rates in light of recent historical results and projected future economic and market conditions.
- Assessing discount rates used by management against discount rate ranges independently developed from publicly available data sets and consideration of comparable company metrics.
- Reviewing the disclosures on the assumptions and the outcome of the impairment testing, and the sensitivity analysis presented in the consolidated financial statements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in Management's Discussions and Analyses of Financial Condition and Results of Operations for the year ended December 31, 2020.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussions and Analyses of Financial Condition and Results of Operations prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTs

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Daniel Hlavacek, CPA, CA.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario
March 17, 2021

Consolidated Balance Sheets

(in thousands of Canadian dollars)	Notes	December 31, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	4	**$ 47,940**	$ 30,953
Trade and other receivables	5	**17,673**	16,520
Inventories	6	**29,470**	33,354
Other assets		**848**	1,018
Income tax recoverable		**-**	1,338
Current derivative financial instrument	12	**-**	21
		95,931	83,204
Non-current assets			
Property, plant and equipment	7, 8	**150,767**	159,326
Non-current derivative financial instrument	12	**-**	19
Other assets		**12**	24
		150,779	159,369
Total assets	23	**$ 246,710**	$ 242,573
LIABILITIES			
Current liabilities			
Trade payables		**$ 19,657**	$ 16,350
Income tax payable	18	**2,329**	-
Current portion of debt	2, 11, 20	**3,076**	3,223
Current derivative financial instrument	12	**300**	-
Current provision on share appreciation rights	15	**2,302**	492
Other liabilities		**9,008**	3,239
		36,672	23,304
Non-current liabilities			
Non-current portion of debt	2, 11, 20	**30,857**	33,933
Non-current provision on share appreciation rights	15	**-**	161
Decommissioning provisions	13	**6,921**	6,102
Deferred tax liabilities	18	**15,292**	15,713
		53,070	55,909
Total liabilities		**$ 89,742**	$ 79,213
EQUITY			
Share capital	14	**$ 34,236**	$ 34,130
Contributed surplus	15	**1,664**	3,204
Accumulated other comprehensive income		**8,595**	8,959
Retained earnings		**112,473**	117,067
Total equity		**$ 156,968**	$ 163,360
Total liabilities and equity		**$ 246,710**	$ 242,573

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

Consolidated Statements of Comprehensive Income (loss)

(in thousands of Canadian dollars, except per share amounts)	Notes	Year ended December 31, 2020	2019
Revenues	22, 23, 24	**$ 149,917**	$ 141,629
Cost of sales		**120,494**	115,447
Selling expenses		**11,446**	13,090
General and administrative expenses		**9,734**	8,032
Loss on disposal of property, plant and equipment		**25**	822
Other income		**(41)**	(159)
Gain from bargain purchase of concrete block business		**-**	(573)
Asset impairment	8	**5,038**	9,094
		146,695	145,753
Operating income (loss)	23	**3,222**	(4,124)
Finance expense	10, 11, 12	**(1,525)**	(1,300)
Income (loss) before income taxes		**1,697**	(5,424)
Provision for income taxes	18		
Current		**(3,369)**	(1,135)
Deferred		**421**	(380)
		(2,948)	(1,515)
Net loss for the year		**$ (1,251)**	$ (6,939)
Other comprehensive loss			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Foreign currency translation loss		**$ (364)**	$ (1,988)
Total comprehensive loss for the year		**$ (1,615)**	$ (8,927)
Net loss per Class A Subordinate Voting share and Class B Multiple Voting share			
Basic	19	**$ (0.11)**	$ (0.63)
Diluted	19	**$ (0.11)**	$ (0.63)

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

Consolidated Statements of Changes in Equity

(in thousands of Canadian dollars)	Notes	Share Captal	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total Equity
Balance - January 1, 2019		**$ 33,909**	**$ 3,218**	**$ 10,947**	**$ 124,046**	**$ 172,120**
Net loss for the year					(6,939)	(6,939)
Other comprehensive loss (net of taxes, $nil)				(1,988)		(1,988)
Total comprehensive loss for the year		**-**	**-**	**(1,988)**	**(6,939)**	**(8,927)**
Stock options exercised	**15**	**277**	**(39)**			**238**
Share-based compensation	**15**		**25**			**25**
Repurchase of Class A Subordinate Voting shares	**14**	**(56)**			**(40)**	**(96)**
Balance -December 31, 2019		**$ 34,130**	**$ 3,204**	**$ 8,959**	**$ 117,067**	**$ 163,360**
Balance - January 1, 2020		**$ 34,130**	**$ 3,204**	**$ 8,959**	**$ 117,067**	**$ 163,360**
Net loss for the year					(1,251)	(1,251)
Other comprehensive loss (net of taxes, $nil)				(364)		(364)
Total comprehensive loss for the year		**-**	**-**	**(364)**	**(1,251)**	**(1,615)**
Increase in fair value of outstanding stock options that may be cash-settled	**15**		**(1,504)**		**(3,343)**	**(4,847)**
Stock options exercised	**15**	**106**	**(19)**			**87**
Share-based compensation	**15**		**(17)**			**(17)**
Balance - December 31, 2020		**$ 34,236**	**$ 1,664**	**$ 8,595**	**$ 112,473**	**$ 156,968**

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

Consolidated Statements of Cash Flows

(in thousands of Canadian dollars)	Notes	Year ended December 31, 2020	2019
Cash provided by (used for)			
Operating activities			
Net loss for the year		**$ (1,251)**	$ (6,939)
Items not affecting cash and cash equivalents			
Depreciation	7	**8,912**	9,143
Current tax provision	18	**3,369**	1,135
Deferred tax (recovery) provision	18	**(421)**	380
Loss on disposal of property, plant and equipment		**24**	822
Unrealized foreign currency exchange loss		**255**	3
Gain from bargain purchase of concrete block business		**-**	(573)
Asset impairment	8	**5,038**	9,094
Net interest expense	10, 11	**1,186**	1,134
Derivative financial instrument loss	12	**339**	166
Other	15	**1,656**	115
		19,107	14,480
Changes in non-cash items			
Trade and other receivables		**(1,241)**	1,494
Inventories		**3,696**	2,489
Other assets		**177**	234
Trade payables		**3,181**	(1,802)
Other liabilities		**954**	(1,290)
		6,767	1,125
Income tax payments		**297**	(2,354)
Cash provided by operating activities		**26,171**	13,251
Investing activities			
Purchase of property, plant and equipment	7	**(4,882)**	(6,419)
Proceeds from repayments of loans receivable		**-**	64
Proceeds from disposal of property, plant and equipment		**116**	331
Cash used for investing activities		**(4,766)**	(6,024)
Financing activities			
Increase in bank operating advances	3, 10, 20	**20,000**	-
Payment of bank operating advances	3, 10, 20	**(20,000)**	-
Proceeds from committed capital expenditure credit facility	3, 11, 20	**3,250**	-
Payment of term debt and promissory notes	3, 11, 20	**(6,200)**	(1,950)
Interest paid	10, 11	**(1,023)**	(816)
Payments on obligations under leases	20	**(428)**	(604)
Proceeds from exercise of stock options	15	**87**	238
Repurchase of Class A Subordinate Voting shares	14	**-**	(96)
Cash used for financing activities		**(4,314)**	(3,228)
Foreign exchange on cash held in foreign currency		**(104)**	(88)
Increase in cash and cash equivalents		**16,987**	3,911
Cash and cash equivalents at the beginning of the year		**30,953**	27,043
Cash and cash equivalents at the end of the year		**$ 47,940**	$ 30,953

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

1. GENERAL INFORMATION

Brampton Brick Limited and its subsidiaries, together referred to as the ("Company"), 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.

Brampton Brick Limited is incorporated and domiciled in Canada. The address of its registered office is 225 Wanless Drive, Brampton, Ontario.

The Company's Class A Subordinate Voting shares trade on the Toronto Stock Exchange under the ticker symbol "BBL.A". The Company's Class B Multiple Voting shares do not trade on any public market.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are based on the accounting policies as described below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 17, 2021.

BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention, except for share appreciation rights and derivative financial instruments which are measured at fair value through profit or loss.

BASIS OF CONSOLIDATION

The Company consolidates an entity when it exercises power over the entity and is exposed, or has rights, to variable returns and has the ability to affect those returns through its control. These entities are deconsolidated from the date that control ceases.

These consolidated financial statements include the accounts of Brampton Brick Limited and its wholly-owned subsidiaries, Brampton Brick Inc., Oaks Concrete Products Inc., 1813435 Ontario Limited and Universal Resource Recovery Inc. ("Universal").

All significant intercompany transactions, balances and gains and losses from intercompany transactions are eliminated on consolidation.

BUSINESS COMBINATIONS

Acquisition of a business or entity by the Company is reported as a business combination, applying the acquisition method. Under this method, assets, liabilities and contingent liabilities acquired are brought into the Company's consolidated financial statements at the fair value as of the acquisition date. Transaction costs are expensed as incurred.

LEASES

The lessee recognizes assets 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.

The lessor recognizes lease payments from operating leases as income either on a straight-line basis over the non-cancellable term of the lease or another systematic basis, if that basis is more representative of the pattern in which the benefit from the use of the underlying asset is diminished. The lease term is determined as the non-cancellable term of the lease and includes periods covered by options to extend or terminate the lease when the lessee is reasonably certain to exercise the option. A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each consolidated entity of Brampton Brick Limited are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is Brampton Brick Limited's functional currency. The financial statements of the Company's U.S. subsidiaries, (Brampton Brick Inc. and Oaks Concrete Products Inc.) which have the U.S. dollar as the functional currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the balance sheet statement date, and income and expenses – at the average rate of the reporting period (as this is considered a reasonable approximation of actual rates). All foreign currency differences are recognized in other comprehensive income.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If the Company disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary is reallocated between controlling and non-controlling interests.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. For-

eign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at month-end exchange rates of monetary assets and liabilities denominated in currencies other than the Company's functional currency are recognized in 'Other expense (income)' in the consolidated statement of comprehensive income (loss).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash and short-term deposits with original maturities of three months or less that are readily convertible into a known amount of cash and which are subject to an insignificant risk of changes in value.

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

b) Amortized cost:

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

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

TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the normal course of business, net of any allowance for doubtful accounts and sales discounts.

INVENTORIES

Inventories of manufactured items and work-in-process are recorded at the lower of cost, determined on an average production cost basis, and net realizable value.

Raw materials and resale inventories are recorded at the lower of cost, determined on a first-in, first-out basis, and replacement cost for raw materials and net realizable value for resale inventory.

Average production cost comprises raw materials, direct labour, other direct costs and related production overheads, based on normal production capacity, including applicable depreciation on property, plant and equipment. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling cost. If the carrying value exceeds the net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of comprehensive income (loss) during the period in which they are incurred.

DEPRECIATION

Asset classes are sub-divided into major components to recognize differences in the useful life of the components identified. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment and each component is depreciated separately. Residual values, the method of depreciation and useful lives of assets are reviewed annually and adjusted if appropriate.

Depreciation is provided on a straight-line basis at rates designed to write off the property, plant and equipment components over their estimated useful lives, as follows:

Land improvements	10 to 20 years
Buildings	10 to 40 years
Machinery and equipment	3 to 40 years
Mobile equipment	3 to 10 years

Quarries are amortized on the unit of production method based on shale extraction and estimated remaining shale reserves.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are presented as 'gains and losses on disposal of property, plant and equipment' in the consolidated statement of comprehensive income (loss).

IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment are assessed at the end of each reporting period to determine whether there is an indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment charge. For the purpose of measuring recoverable amounts, assets are grouped into cash-generating units or "CGUs". These are the lowest levels at which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment charge is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment charges for potential reversals when events or circumstances warrant such consideration.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the normal course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

PROVISIONS

Provisions, where applicable, are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period and are discounted to present value where the effect is material.

BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statement of comprehensive income (loss) in the period in which they are incurred.

GOVERNMENT GRANTS

Monetary assistance received from the government, based on compliance of certain conditions relating to the operating activities of the entity, are recognized as government grants. Government grants are recognized in the consolidated statement of comprehensive income (loss) on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. A forgivable loan may be treated as a government grant if there is reasonable assurance that the terms for forgiveness of the loan would be met.

INVESTMENT PROPERTY

Property held to earn rentals or for capital appreciation or both is recognized as investment property. Investment property is measured initially at

cost and may be subsequently measured either under the fair value model recognizing a gain or loss arising from a change in the fair value in the consolidated statement of comprehensive income (loss), or under the cost model in accordance with IAS 16, ***Property, Plant and Equipment***.

DECOMMISSIONING PROVISIONS

The cost of the Company's obligation to rehabilitate its shale quarries is estimated based on the present value of expected future rehabilitation costs and is recognized in the period in which the obligation is incurred. The present value of these costs is added to the cost of the associated asset and amortized over its useful life, while the corresponding liability will accrete to its future value over the same period.

The present value of the rehabilitation liability is determined based on a pre-tax discount rate that takes into account the time value of money and the risks specific to the liability. The liability is reviewed at each reporting date to determine if the discount rate is still applicable and to determine if changes are required to the original estimate.

Changes to estimated future costs are recognized on the balance sheet by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with IAS 16, ***Property, Plant and Equipment***. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of comprehensive income (loss).

INCOME TAXES

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income (loss) or directly in equity, in which case the tax is also recognized in other comprehensive income (loss) or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized, using the liability method, in respect of temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is calculated on a non-discounted basis using tax rates and laws that have been enacted or substantially enacted at the end of the reporting period and are expected to be in effect in the periods in which the deferred tax assets and liabilities are expected to be realized or settled.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority or either the same taxable group company; or different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

SHARE CAPITAL

Class A Subordinate Voting shares and Class B Multiple Voting shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

DIVIDENDS

Dividends on Class A Subordinate Voting shares and Class B Multiple Voting shares are recognized in the Company's consolidated financial statements in the period in which the dividends are approved by the Board of Directors of the Company.

REVENUE RECOGNITION

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

Revenues are recognized based on contractual performance obligations. For masonry and landscape products, sales revenue is recognized when the sales price can be measured reliably and collectibility is reasonably assured. These criteria are generally met at the time the product is shipped to the customer or picked up by the customer. Shipments arranged by the Company are sold Free On Board ("F.O.B.") job site. Customers therefore take ownership and assume the risk of loss upon delivery at final destination, and all products are invoiced on the same date as they are shipped. Pick ups arranged by the customer are sold F.O.B. plant. Customers take ownership and assume the risk of loss upon the shipment leaving the Company's yard.

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

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

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

COST OF SALES

Cost of sales includes cost of finished goods sold, costs related to shipping, handling of product and inventory write-downs.

EARNINGS PER SHARE

Basic earnings per share ("EPS") is calculated by dividing the net income (loss) for the period by the weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding to assume conversion of all dilutive outstanding stock options. The number of shares outstanding is increased by the number of additional shares that would be issued upon the exercise of "in-the-money" stock options, if dilutive, and is reduced by the number of shares that could be repurchased, at the average market price, with the cash proceeds therefrom.

SHARE-BASED COMPENSATION

Stock options are accounted for under the fair value method. Each tranche in a grant is considered a separate grant with its own vesting period and grant date fair value. The fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Forfeitures are estimated for the purposes of determining the fair value of each tranche. Compensation expense is recognized over the vesting period of each tranche, based on the number of options expected to vest, with a corresponding credit to contributed surplus. The number of options expected to vest is reviewed at least annually, with any impact being recognized immediately. For forfeitures, no compensation expense is recognized for options that do not ultimately vest and previously recognized compensation expense is reversed. For expired and cancelled options, compensation expense is not reversed and the related credit remains in contributed surplus.

When options are exercised, the Company issues new Class A Subordinate Voting shares. The proceeds received are credited to share capital, together with the related amounts previously added to contributed surplus.

Cash-settled share-based transactions are measured at the fair value of the liability at each reporting period, with an changes in fair value recognized in the consolidated statements of comprehensive income (loss) for the period. Modifications to the terms and conditions of stock options from equity-settled to cash-settled results in a reclassification of the share-based payment to a financial liability. If the modification occurs after the vesting period, the incremental amount is accounted for as a deduction from equity.

Share appreciation rights are measured at fair value using the Black-Scholes option pricing model. Compensation expense is recorded for the increase in the fair value of the share appreciation rights over the base price as specified in the Share Appreciation Rights Grant Agreement until settlement or expiration. The offsetting liability is recognized as Current and Non-Current based on the estimated timing of settlement. Compensation expense is recognized for share appreciation rights over the vesting period. Each vesting period represents a tranche, which is treated as a separate grant. Forfeitures are estimated in the determination of vested rights.

EMPLOYEE BENEFITS – DEFINED CONTRIBUTION PENSION PLANS

The Company's employee pension plans are defined contribution plans. The Company pays contributions into separate entities and does not have any legal or constructive obligation to pay further amounts. The obligations are recognized as an employee benefit expense in the consolidated statement of comprehensive income (loss) in the periods during which services are rendered by employees.

ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET APPLIED

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

Amendment to IAS 1 ***Presentation of Financial Statements*** is effective for annual periods beginning on or after January 1, 2022. The amendment clarifies the classification of liabilities as non-current where an entity has the right to defer settlement for at least twelve months after the reporting period end and complies with related specific conditions at the end of the reporting period regardless of the timing of compliance testing. This amendment is not expected to have a significant impact on the consolidated financial statements.

Amendment to IAS 16 ***Property, plant and equipment*** is effective for annual periods beginning on or after January 1, 2022. The measurement of directly attributable costs included in Property, plant and equipment includes costs of testing an asset's physical and technical performance net of proceeds from sales of items produced when testing the asset's functioning capability. The amendment revises the measurement and presentation of such directly attributable costs and requires that proceeds from sales of items produced when testing the asset's performance must be recognized in the statement of comprehensive income (loss) in accordance with IAS 2, Inventories and will require disclosure if not reported separately on the statement of comprehensive income (loss). This amendment is not expected to have a significant impact on the consolidated financial statements.

Amendment to IFRS 9 ***Financial Instruments*** is effective for annual periods beginning on or after January 1, 2022. A transaction between an existing borrower and a lender of debt instrument is accounted for as an extinguishment of the original debt and the recognition of a new financial liability, where the discounted present value of cash flows under the new terms, including fees paid net of fees received, are at least 10% different from the discounted present value of cash flows remaining on the original financial liability. The amendment clarifies that in determining the fees paid net of fees received, the borrower must only include fees paid or received between the borrower and lender and any fees paid or received on the other's behalf. This amendment is not expected to have a significant impact on the consolidated financial statements.

3. SUMMARY OF CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES AND THE ACCOUNTING IMPACT OF COVID-19

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Significant judgments and estimates:

a) Impairment of non-financial assets

Impairment is measured as the amount by which the carrying value of the property, plant and equipment exceeds the recoverable amount. In deriving the recoverable amount of the property, plant and equipment, management makes judgments and estimates such as determining the CGUs, based on the lowest group of assets to which cash flows can be reliably attributed, the estimated future cash flows and discount rates to be used in the impairment models. Management has determined that the Brampton clay brick plant, the Canadian concrete facilities (Markham, Hillsdale, Brampton, Cambridge, Brockville and Boisbriand), the Farmersburg, Indiana clay brick plant, the Wixom, Michigan facility and the Universal property at Welland, Ontario were the CGUs for the purposes of asset impairment testing.

Management's judgments and estimates are based on significant industry experience and expectations of future economic conditions.

An impairment of property, plant and equipment is measured as the excess of its carrying value over the recoverable amount. The recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell ("FVLCTS") and value in use ("VIU") (being the present value of the expected future cash flows of the relevant asset).

Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In the absence of an arm's length transaction, fair value of assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Value in use is determined as the present value of estimated future cash flows arising from continued use and eventual disposition of the asset, which excludes future capital expenditures that would increase the service potential of the asset. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks to the specific asset.

To the extent that future cash flows or discount rates differ from management estimates at the balance sheet date, the impairment results may be subject to change.

b) Depreciation

Depreciation is measured as the economic benefit consumed from the use of the Company's property, plant and equipment. This amount is determined by apportioning the cost, net of residual value, over the useful life of the individual assets according to an appropriate depreciation method. Estimates of the useful lives of the components of property, plant and equipment and the residual values are based on industry practice and expected utilization.

c) Deferred taxes

Management makes judgments in determining whether deferred tax assets are recognized on the balance sheet. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the probability that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets.

The Company is subject to taxation in a number of jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination requires judgment. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Changes in rates of taxation, changes in the estimated timing or realization of reversals and differences in interpretation by tax authorities could result in higher or lower income tax amounts paid or deducted against future tax payables.

d) Decommissioning provisions

The Company is obligated to rehabilitate its operating shale quarry properties in Cheltenham, Ontario and Farmersburg, Indiana, as a condition of its licenses to mine shale. Significant estimates and assumptions are made in determining the provision for quarry rehabilitation as there are numerous factors that will affect the ultimate amount payable. These factors include estimates of the extent and costs of rehabilitation activities, cost increases due to inflation and changes in the discount rate. These uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the reporting date represents the Company's best estimate of the present value of the future rehabilitation costs required.

Accounting impact related to COVID-19:

Following the spread of the COVID-19 outbreak into a global pandemic and the initial shutdown of businesses, deemed to be non-essential, as well as certain community services during the first quarter of 2020, a phased reopening of the economy began in early May 2020 and continued through the second and third quarters. Accordingly, increased revenues in the Company's business segments facilitated it's production facilities to become fully operational during the second half of the year. With the resurgence in COVID-19 cases in certain regions of Ontario during the fourth quarter of 2020, new capacity restrictions for certain businesses and community services were introduced in late December. However, the declining trend in new cases since early February 2021 could signal the gradual reopening of the economy in Ontario. While these recent developments are not expected to have a material effect on the Company's Ontario operations, the broader economic impact on the Company from federal and provincial government measures to address future pandemic-related challenges remains uncertain. The Company continues to actively monitor this evolving situation.

To ensure the continued health and safety of its employees, suppliers and customers, the Company implemented ongoing monitoring and review procedures to ensure protocols remain valid and meet local health regulations and industry best practices.

All of the Company's operating facilities have resumed operations under strict COVID-19 protocols since mid-May 2020. In March 2020, parts of the Company's Ontario masonry operations were deemed essential businesses and accordingly were not substantially affected, although new residential construction had been halted until mid-May 2020. The Company's revenues from shipments to commercial developments were also affected during this period, as most infrastructure developments were deemed non-essential businesses during the first stage of the economic shutdown. As a result, production levels in the Company's production facilities that were impacted from mid-March until mid-May have returned to pre-pandemic levels.

In March 2020, the Company's operations at its Farmersburg, Indiana facility were deemed to be an essential business by government officials and continued operations throughout the shutdown period. The operations of the Company's U.S. landscape products manufacturing plant located in Wixom, Michigan were included in the state-wide shutdown of non-essential public spaces and of shipments to construction sites during the first quarter of 2020. Since early May 2020, residential and commercial construction businesses re-opened in the state. Operations at the Wixom, Michigan production plant have since fully resumed.

The impact of these developments noted above on the Company's business is described below.

i) Expected credit losses

As at December 31, 2020, trade and other receivables totaled $17,673 (December 31, 2019 - $16,520). Customer accounts totaling $111 (December 31, 2019 - $108) were considered to be impaired and were recorded in the allowance for doubtful accounts and charged to general and administrative expenses in the consolidated statements of comprehensive income (loss). Allowance for doubtful accounts are recognized under the simplified approach for expected lifetime credit losses.

During the second half of 2020, with the steady progress in the phased re-opening of the Canadian and U.S. economies, residential and commercial construction businesses gained traction returning to full operations, subject to COVID-19 protocols. Accordingly, an evaluation of customer credit risk did not indicate any significant potential payment deferrals or delinquencies due to the pandemic-related business restrictions experienced during the first half of 2020. As at December 31, 2020, no additional allowance for doubtful accounts was recognized as a result of COVID-19 restrictions. The Company will continue to monitor changes to credit risk as the situation evolves.

ii) Liquidity and financial position

As at December 31, 2020, cash and cash equivalents totaled $47,940. The Company's operating credit facility provides for borrowings up to a maximum of $22,000 (December 31, 2019 - $22,000), of which $360 (December 31, 2019 – $368) was utilized and comprised of letters of credit. During the second half of 2020 increases in revenues supported the Company's financial liquidity and flexibility and enabled the Company to repay the operating advance of $20,000 which was drawn down during the first quarter of 2020 under its operating credit facility. In addition, under the banking credit agreement, $3,250 was utilized during the first quarter of 2020 (December 31, 2019 – Nil) under the committed capital expenditure credit facility. This term debt facility was fully repaid during the fourth quarter ended December 31, 2020. Refer to Note 11, "Debt".

The Company's credit facility is subject to certain financial covenants. On June 23, 2020, the Company secured a waiver of its Fixed Charge Coverage ratio for the fiscal quarters ended June 30, 2020 and September 30, 2020. This financial covenant was replaced with a liquidity requirement for each of the two fiscal quarters. Under the liquidity requirement, the cash and cash equivalents held in bank accounts with the lender plus the Company's borrowing base of the credit facility, which is based on a margin formulae for trade receivables and inventories less priority claims, less the amount outstanding on the credit facility must not be less than $20,000 at any time. The Company was in compliance with these liquidity requirements for the fiscal quarters ended June 30, 2020 and September 30, 2020.

As at December 31, 2020 and December 31, 2019, the Company was in compliance with all the financial covenants under its term financing agreement and operating credit facility and anticipates that it will maintain compliance throughout 2021.

As at December 31, 2020, the Company recognized $2,255 under the Canada Emergency Wage Subsidy ("CEWS") program, of which $1,630 was credited to Cost of sales, $344 was credited to Selling expenses and $281 was credited to General and administrative expenses. In addition, under the U.S. Paycheck Protection Program ("PPP"), a term loan of USD $892 (CAD $1,143) was recognized as non-current debt upon receipt. As at December 31, 2020, the Company's application for loan forgiveness on its PPP term loans was under review. Subsequently, in January 2021, the PPP loans were fully forgiven under the program. Accordingly, this amount was recognized in income as at December 31, 2020.

Consequently, 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 financial obligations as they become due.

4. CASH AND CASH EQUIVALENTS

	December 31, 2020 $	December 31, 2019 $
Cash on hand and balances with banks	**47,940**	30,953
Cash and cash equivalents	**47,940**	30,953

5. TRADE AND OTHER RECEIVABLES

	December 31, 2020 $	December 31, 2019 $
Trade receivables	**17,784**	16,615
Less: Allowance for doubtful accounts (note 24)	**(111)**	(108)
Trade receivables – net	**17,673**	16,507
Other receivables	**-**	13
Trade and other receivables	**17,673**	16,520
Trade receivables from related parties (included above)	**11**	4
Net book value – Right-of-Use Assets	**501**	736

6. INVENTORIES

	December 31, 2020 $	December 31, 2019 $
Merchandise	**22,645**	27,536
Raw materials and production supplies	**6,825**	5,818
Inventories	**29,470**	33,354

The cost of inventories recognized as an expense and included in cost of sales was $99,820 (2019 - $92,354), which includes inventories written off primarily for damaged product, and inventory valuation and cycle count adjustments in the amount of $1,205 (2019 - $2,062). Inventories as at December 31, 2020, include a total of $4,534 measured at net realizable value.

7. PROPERTY, PLANT AND EQUIPMENT

	Land and land improvements $	Buildings $	Machinery and Equipment $	Mobile Equipment $	Total $
As at December 31, 2018					
Cost	93,087	46,548	167,202	9,140	315,977
Accumulated depreciation and impairment loss	(21,928)	(21,508)	(96,762)	(6,704)	(146,902)
Net book value	**71,159**	**25,040**	**70,440**	**2,436**	**169,075**
Add: Cost of Right of Use assets from operating leases	-	22	-	241	263
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 year ended December 31, 2019					
Additions	4,887	506	4,840	990	11,223
Disposals	(428)	-	(1,146)	(17)	(1,591)
Depreciation	(544)	(1,391)	(6,059)	(1,149)	(9,143)
Asset impairment (see note 8)	(406)	(1,667)	(7,021)	-	(9,094)
Exchange differences	(192)	(224)	(961)	(30)	(1,407)
	3,317	**(2,776)**	**(10,347)**	**(206)**	**(10,012)**
As at December 31, 2019					
Cost	96,904	46,378	166,370	9,303	318,955
Accumulated depreciation and impairment loss	(22,428)	(24,092)	(106,277)	(6,832)	(159,629)
Net book value	**74,476**	**22,286**	**60,093**	**2,471**	**159,326**
For the year ended December 31, 2020					
Additions	774	80	4,487	528	5,869
Disposals	-	-	(95)	(45)	(140)
Depreciation	(407)	(1,405)	(6,043)	(1,057)	(8,912)
Asset impairment (see note 8)	(121)	(591)	(4,326)	(-)	(5,038)
Exchange differences	(56)	(41)	(235)	(6)	(338)
	190	**(1,957)**	**(6,212)**	**(580)**	**(8,559)**
As at December 31, 2020					
Cost	97,426	46,182	168,760	9,584	321,952
Accumulated depreciation and impairment loss	(22,760)	(25,853)	(114,879)	(7,693)	(171,185)
Net book value	**74,666**	**20,329**	**53,881**	**1,891**	**150,767**

For the year ended December 31, 2020, depreciation expense totaled $8,912 (2019 - $9,143) of which $8,706 (2019 - $8,804) was included in Cost of sales, $16 (2019 - $22) was included in Selling expenses and $190 (2019 - $317) was included in General and administrative expenses. Refer to Note 18, 'Expenses by nature'.

As at December 31, 2020, the Company recognized an asset impairment of $5,038 (2019 – $9,094) on its Farmersburg, Indiana clay brick plant, as is described in Note 8 below.

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 $4,500, building $500, with the remaining allocated to 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 year was $25 (2019 - $822) on disposal). The loss in 2019 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 for proceeds of $150 during the year.

Assets acquired from the business acquisition of the concrete block manufacturing plant located in Cambridge, Ontario, totaled $6,250, excluding inventory.

Net cash flow utilized for purchases of property, plant and equipment totaled $4,882 for 2020 compared to $6,419 for 2019. Capital expenditures for machinery and equipment totaled $4,487 (2019 - $4,840), with $528 (2019 - $990) for mobile equipment and $774 (2019 - $4,887) and $80 (2019 – $506) for land improvements and buildings, respectively.

Non cash capital expenditure relating to estimated future quarry rehabilitation costs amounted to $699 (2019 – $154).

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

	December 31, 2020 $	**December 31, 2019 $**
Cost – Right-of-Use assets	**1,434**	1,802
Accumulated depreciation – Right-of-Use assets	**(1,123)**	(1,066)
Net book value – Right-of-Use Assets	**311**	736

Investment Property:

Universal Resource Recovery Inc. ("Universal") owns property located at Welland, Ontario which is held primarily to earn rental income and could be used by the Company's operating units in the future. Should the Company determine that all or a significant portion of the property will be used in the Company's operations, the property or portion thereof would be reclassified as own-use property. It is measured under the cost model and classified as an investment property. As at December 31, 2020, the fair value of the property was approximately $15,400 under the Direct Comparison approach.

This property was reclassified as an investment property during the second quarter of 2020 with the signing of a significant tenant-occupancy agreement. Universal entered into a ten-year non-cancellable operating lease in May 21, 2020 and a five-year non-cancellable operating lease agreement in August 2020, for a portion of its property. The assets are comprised of land and buildings and are included in the Property, plant and equipment tabular information above. Buildings are depreciated on a straight line basis over their estimated life of 25 years.

	Land $	**Buildings $**	**Total $**
As at December 31, 2019			
Cost	2,500	10,500	13,000
Accumulated depreciation and impairment loss	-	(735)	(735)
Net book value	**2,500**	**9,765**	**12,265**
For the year ended December 31, 2020			
Additions	-	80	80
Depreciation for the year	-	(425)	(425)
	-	**(345)**	**(345)**
As at December 31, 2020			
Cost	2,500	10,580	13,080
Accumulated depreciation	-	(1,160)	(1,160)
Net book value	**2,500**	**9,420**	**11,920**

Lease rental income expected from these operating leases are as follows:

Future minimum lease rental income	**$**
2021	408
2022	580
2023	632
2024	690
2025	674
Over five years	1,504
Total minimum lease rentals	**4,488**

Rental income recognized during the year ended December 31, 2020 was $331. Rental income from the lease agreements noted above are expected to commence in the first half of 2021. Direct operating expenses Direct operating expenses during the year ended December 31, 2020 were $4,220, respectively. The increase in direct operating expenses during the 2020 period primarily relates to repair and maintenance expenditure on the building. Contractual obligations for maintenance and enhancements of the property were approximately $462 as at December 31, 2020.

8. ASSET IMPAIRMENT

As per IAS 36, Impairment of Assets, ("IAS 36"), the Company must assess at the end of each reporting period whether there is any indication that the Company or a CGU may be impaired. The Company determined the net asset value of the Company to be higher than the market capitalization, due to the $12 buyout offer per Class A Subordinate Voting share. This was a possible external indicator of impairment. Accordingly, management concluded that impairment testing was required for all CGUs. For the purposes of asset impairment testing, the Company considered the following CGUs: the Brampton clay brick plant; the Canadian concrete plants (Markham, Hillsdale, Brampton, Cambridge, Brockville and Boisbriand); the Farmersburg, Indiana clay brick plant; the Wixom, Michigan concrete plant; and the Universal property located at Welland, Ontario.

The Company also tested for impairment all CGUs and concluded that none were impaired other than the Farmersburg, Indiana plant. In addition, the Company hired an independent financial advisory firm to assess the book value of the Company in relation to the fair market value and concluded no further impairment.

For the Farmersburg, Indiana clay brick plant, impairment was recognized in the current year as a result of a slower than expected recovery in the Company's U.S. residential and commercial markets. In accordance with IAS 36, the recoverable amount should be the higher of the results under the VIU and the FVLCTS methodologies. In this case, the value under the FVLCTS methodology was higher and considered to be the recoverable amount. The carrying value of the assets were adjusted to this recoverable amount in the books and resulted in an impairment charge of $5,038 (2019 - $9,094). The effect of the impairment was a decrease in property, plant and equipment with a corresponding charge to the consolidated statement of comprehensive income (loss). The impairment charge was recorded on a pro-rata basis to the individual depreciable assets of the CGU. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In the absence of an arm's length transaction, fair value for assets is generally determined as the present value of estimated cash flows arising from the continued use of the asset, using assumptions that an independent market participant may take into account. The forecasted cash flows assume revenue growth in future periods with cash flows beyond five years extrapolated using an estimated growth rate of 2.00%. The forecasted cash flows assume a post-tax discount rate of 10.35%. The assumptions are subject to sensitivity and a reduction by 1.0% of the estimated growth rate applied to cash flows beyond year five would reduce the carrying value by $941 and an increase of post-tax discount rate by 1.0% would reduce the carrying value by $1,403.

9. INTERESTS IN SUBSIDIARIES

The Company's interest in subsidiaries as at December 31, 2020 are detailed below. These subsidiaries have share capital consisting of common shares and are held by the Company as noted below. The proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/country of incorporation	Parent	% of ownership interest held by the parent	Principal activities
Oaks U.S. Holdings Inc.	United States	Brampton Brick Limited	100	Holding company
Brampton Brick Inc.	United States	Oaks U.S. Holdings Inc.	100	Manufacture of clay brick
Oaks Concrete Products Inc.	United States	Oaks U.S. Holdings Inc.	100	Manufacture of concrete paving stones, retaining and garden walls
Universal Resource Recovery Inc.	Canada	Brampton Brick Limited	100	Commercial leasing
1813435 Ontario Limited	Canada	Brampton Brick Limited	100	Non-operating

10. BANK OPERATING ADVANCES

The Company's operating credit facility provides for borrowings up to a maximum of $22,000 (2019 - $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 December 31, 2020 and 2019, the Company was in compliance with all the financial covenants.

As at December 31, 2020, the borrowing limit available based on the margin formulae was at the maximum available amount of $22,000 (2019 - $22,000). The utilization was $360 (2019 - $368) and comprised only of outstanding letters of credit.

As at December 31, 2020, the rate of interest on the current account overdraft is based on the Canadian bank prime rate plus a credit spread of 0.25%.

11. DEBT

Debt consists of the following:

		December 31, 2020 $	December 31, 2019 $
Committed term A credit facility – monthly instalments commenced July 2017 to November 2022, maturing January 29, 2023	(i)	**21,200**	22,650
Committed term B credit facility – monthly instalments commenced July 2017 to November 2022, maturing January 29, 2023	(ii)	**8,665**	9,165
	a	**29,865**	31,815
Non-interest bearing, promissory notes		**4,000**	5,000
Less: Unamortized imputed interest		**(250)**	(405)
	b	**3,750**	4,595
Obligations under leases	**c**	**318**	746
	a + b +c	**33,933**	37,156
Less: Payments due within one year – current portion		**3,076**	3,223
Non-current portion of debt		**30,857**	33,933

(a) The credit agreement is secured by a general security agreement over all assets and a first-priority mortgage over certain properties located in Canada. Pursuant to the acquisition of certain concrete block manufacturing assets in February 2019, certain payments are restricted between the parties to the purchase agreement and / or payments in the form of dividends, under the Company's credit facility. There are no other restrictions on the Company's ability to use the assets and settle the liabilities of the subsidiary companies. However, until the credit facilities are repaid in full and cancelled, without the prior consent of the bank, the Company may not permit substantially all of its assets to be acquired by another person or entity; or permit any reorganization or change in ownership or corporate structure; or conduct the purchase or sale of any assets outside the normal course of business.

The credit facilities available are as follows:

(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 12, "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.

The committed capital expenditure credit facility is a revolving term loan, which provides up to a maximum amount of $5,000, none of which had been utilized, as at December 31, 2020.

The agreements for these loans contain certain financial covenants. As at December 31, 2020, the Company was 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 7, 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.

(c) Obligations under leases include the following:

Future minimum lease payments	**$**
2021	251
2022	51
2023	21
2024	4
Total minimum lease payments	**327**
Less: Amount representing interest	**9**
	318

The weighted average effective interest rate for obligations under leases during 2020 was approximately 2.99% (2019 – 2.60%).

Repayments on debt (excluding leases) include the following:

	$
2021	2,950
2022	2,950
2023	2,950
2024	25,015
Total long term debt payments	**33,865**
Less: Amount representing interest	**250**
	33,615

12. DERIVATIVE FINANCIAL INSTRUMENT

The Company has a floating-to-fixed interest rate swap with a notional value of $21,200, as at December 31, 2020 (December 31, 2019 - $22,650), 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 year ended December 31, 2020 or in the prior year. The change in fair value of the interest rate swap recognized in 'Finance expense' on the consolidated statement of comprehensive income (loss) for the year ended December 31, 2020 amounted to an unrealized loss of $339 (2019 – $166 unrealized loss). The fair value of the interest rate swap derivative in the amounts of $300 (December 31, 2019 - $21, current financial asset) and Nil (December 31, 2019 - $19, non-current financial asset) were classified as a current derivative financial liability and a non-current derivative financial liability, respectively.

13. DECOMMISSIONING PROVISIONS

The Company makes a provision for the future rehabilitation of its shale quarries. The present value of the obligations was estimated using discount rates ranging from 0.83% to 1.24% (2019 – 1.67% to 1.75%). The total undiscounted amount of the estimated cash flows required to settle the obligations at December 31, 2020 is $7,817 (2019 - $7,335). These obligations are expected to be settled over a six to fifteen-year period (2019 – seven to sixteen-year period) and are expected to be funded from general Company resources.

The following table presents the reconciliation of the beginning and ending aggregate discounted carrying amount of the decommissioning provisions:

	December 31, 2020 $	December 31, 2019 $
Balance at the beginning of the year	**6,102**	6,974
Increase (decrease) in provision	**699**	(977)
Unwinding of the discount and effect of changes in the discount rate	**127**	145
Impact of currency exchange on opening balance	**(7)**	(40)
Balance at the end of the year	**6,921**	6,102

14. 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.

No dividends were paid in 2020 and 2019.

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 ended on September 8, 2020. Under this NCIB, 2,000 Class A Subordinate Voting shares were repurchased at an average market price of $6.43 and subsequently cancelled during the prior year. During the year ended December 31, 2019, 13,100 Class A Subordinate Voting shares were repurchased under the previous NCIB prevailing during that period at an average price of $6.17 and subsequently cancelled.

In late 2020, BBL Acquisitions Inc. (the "Offeror"), a privately held company, formally commenced an insider bid to purchase all of the issued and outstanding Class A Subordinate Voting shares ("Class A shares") of the Company other than the Class A shares, beneficially owned, or over which control or direction is exercised, directly or indirectly, by the Offeror and persons acting jointly or in concert with the Offeror, for cash consideration of $12 per Class A share.

In late 2020, BBL Acquisitions Inc. (the "Offeror"), a privately held company, formally commenced an insider bid to purchase all of the issued and outstanding Class A Subordinate Voting shares of the Company other than the Class A Subordinate Voting shares, beneficially owned, or over

which control or direction is exercised, directly or indirectly, by the Offeror and persons acting jointly or in concert with the Offeror, for cash consideration of $12.00 per Class A Subordinate Voting share. As at the initial expiry of this offer on March 1, 2021 at 5:00 p.m., approximately 64.9% of these Class A Subordinate Voting shares were properly tendered. The initial deposit period during which the Class A Subordinate Voting shares were tendered ended on March 1, 2021, and has been extended to 5:00 p.m. on March 22, 2021.

As at December 31, 2020, issued and outstanding share capital consisted of 9,270,423 Class A Subordinate Voting shares (December 31, 2019 – 9,255,423) and 1,738,631 Class B Multiple Voting shares (December 31, 2019 – 1,738,631).

Changes to issued and outstanding share capital due to the exercise of stock options during the current and prior years are discussed in Note 15.

Changes to share capital during 2020 and 2019 were as follows:

Class A Subordinate Voting shares	**December 31, 2020**		**December 31, 2019**	
	Number of shares (thousands)	**Stated capital $**	**Number of shares (thousands)**	**Stated capital $**
Balance at the beginning of the year	**9,255**	**34,129**	9,223	33,909
Stock options exercised for Class A Subordinate Voting shares	**15**	**86**	48	238
Transfer from contributed surplus on exercise of stock options	**-**	**20**	-	38
Repurchase of Class A Subordinate Voting shares	**-**	**-**	(16)	(56)
Balance at the end of the year	**9,270**	**34,235**	9,255	34,129

Class A Subordinate Voting shares	**December 31, 2020**		**December 31, 2019**	
	Number of shares (thousands)	**Stated capital $**	**Number of shares (thousands)**	**Stated capital $**
Balance at the beginning of the year	**1,739**	**1**	1,739	1
Balance at the end of the year	**1,739**	**1**	1,739	1

15. SHARE-BASED COMPENSATION

a) 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, 2019 – 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 December 31, 2020, a total of 327,565 (December 31, 2019 – 290,065) stock options were available for grant under the Plan. There were no stock options granted during the year ended December 31, 2020 and the prior year. In 2020, no stock options (2019 – 6,000) were forfeited and 37,500 stock options (2019 – 29,000) expired.

During the year ended December 31, 2020, 15,000 stock options were exercised at an average price of $5.76. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $87. In addition, 16,700 stock options with an average exercise price of $5.76 were exercised and cash-settled in the amount of $7. Compensation cost previously recorded on these stock options totaled $23, of which $16 was credited to stock options compensation cost. In 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.

For the year ended December 31, 2020, the total compensation cost with respect to all stock options granted was a credit of $9 (2019 - $25 expense). In addition, pursuant to the Notice of Employee Stock Option Vesting and Expiry to Plan participants issued on December 29, 2020, the Company added a feature that plan participants may elect, instead of exercising vested options for Class A Subordinate Voting shares and paying the exercise price thereof, may choose to exercise options by surrendering the options in exchange for a per option cash payment from the Company equal to the difference between $12.00 and the exercise price of each option surrendered. As these stock options are expected to be cash-settled, the increase in the fair value of outstanding vested stock options totaling $3,343 was charged to Retained Earnings and a current liability totaling $4,847 was recognized as at December 31, 2020. Share-based compensation cost on the outstanding vested stock options totaling $1,504 was previously recognized in Contributed Surplus.

Information with respect to stock option transactions in each of the past two years and stock options outstanding at the end of the year is as follows:

Class A Subordinate Voting shares	2020		2019	
	Number of stock options	Weighted average exercise price $	Number of stock options	Weighted average exercise price $
Balance at the beginning of the year	**884,600**	**6.03**	967,100	5.99
Exercised during the year	**(31,700)**	**5.76**	(47,500)	4.99
Forfeited during the year	**-**	**-**	(6,000)	7.57
Expired during the year	**(37,500)**	**5.76**	(29,000)	6.08
Balance at the end of the year	**815,400**	**6.05**	884,600	6.03

At December 31, 2020 and 2019, outstanding stock options were as follows:

		Number of shares	
Year of expiry	Option price $	2020	2019
2020	5.76	-	69,200
2021	5.10	66,500	66,500
2022	3.60	81,500	81,500
2022	4.61	30,000	30,000
2023	5.52	146,500	146,500
2024	5.60	153,500	153,500
2025	6.90	167,300	167,300
2026	7.90	170,100	170,100
		815,400	**884,600**

As at December 31, 2020, an aggregate of 815,400 (December 31, 2019 – 884,600) stock options were outstanding, all of which (December 31, 2019 – 850,100) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $6.05 (December 31, 2019 - $5.96) 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.

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 December 31, 2020 based on the offered cash price of $12 per Class A Share (refer Note 14)	**$5.49**	**$3.52**	**$2.99**

In 2020 and 2019, no share appreciation rights were exercised. During the year ended December 31, 2020, no share appreciation rights were forfeited (2019 -14,000) and no share appreciation rights (2019 – 6,000) expired.

For the year ended December 31, 2020, total compensation cost recorded was $1,649 (2019 – $90). The increase in the fair value of the share appreciation rights was based on the offered cash price of $12 per Class A Subordinate Voting share by BBL Acquisition Inc., a privately held company to acquire all of the outstanding Class A shares of the Company. This is described in greater detail in Note 14. As at December 31, 2020, an aggregate of 571,500 (December 31, 2019 – 571,500) share appreciation rights were outstanding, all of which (December 31, 2019 – 225,800) were fully vested and exercisable pursuant to the Notice of Share Appreciation Right Vesting and Expiry to Plan participants issued on December 29, 2020. The outstanding share appreciation rights expire on February 27, 2021. The fair value of the share appreciation rights recognized, in the amounts of $2,302 (December 31, 2019 – $492) and Nil (December 31, 2019 – $161), were classified as current and non-current provisions for share appreciation rights, respectively.

16. PENSION PLAN EXPENSE

The Company has a defined contribution pension plan covering all participating Canadian employees and a 401(k) plan covering all participating U.S. employees. The Company's pension plan expense in 2020 totaled $990 (2019 - $953).

17. EXPENSES BY NATURE

								Year ended December 31, 2020
	Personnel expenses	**Cost of Materials**	**Cost of Energy**	**Depreciation**	**Freight**	**Other expense**	**Asset Impairment**	**Total**
Cost of sales	**$ 25,328**	**$ 66,364**	**$ 7,114**	**$ 8,706**	**$ 11,026**	**$ 1,956**		**$120,494**
Selling expenses	**8,300**	**370**	**-**	**16**	**-**	**2,760**		**11,446**
General and administrative expenses	**6,465**	**441**	**-**	**190**	**-**	**2,638**		**9,734**
Loss on disposal of property, plant and equipment	**-**	**-**	**-**	**-**	**-**	**25**		**25**
Asset impairment							**5,038**	**5,038**
Other income	**-**	**-**	**-**	**-**	**-**	**(41)**		**(41)**
	$ 40,093	**$ 67,175**	**$ 7,114**	**$ 8,912**	**$ 11,026**	**$ 7,338**	**$ 5,038**	**$146,695**

									Year ended December 31, 2020
	Personnel expenses	**Cost of Materials**	**Cost of Energy**	**Depreciation**	**Freight**	**Other expense**	**Gain on purchase of Concrete block business**	**Asset Impairment**	**Total**
Cost of sales	$ 25,503	$ 59,017	$ 7,146	$ 8,804	$10,807	$ 4,170	-		$115,447
Selling expenses	8,227	532	-	22	32	4,277	-		13,090
General and administrative expenses	4,532	347	-	317	23	2,813	-		8,032
Loss on disposal of property, plant and equipment	-	-	-	-	-	822	-		822
Gain on purchase of concrete block business	-	-	-	-	-	-	(573)		(573)
Asset impairment								9,094	9,094
Other income	-	-	-	-	-	(159)	-	-	(159)
	$ 38,262	**$ 59,896**	**$ 7,146**	**$ 9,143**	**$10,862**	**$ 11,923**	**$ (573)**	**$ 9,094**	**$145,753**

18. INCOME TAX

The Company computes an income tax provision in each of the jurisdictions in which it operates. The operations in Canada and the United States are subject to income tax at the following rates 26.5% (2019 – 26.5%) in the Canadian jurisdictions and from 21.0% to 24.31% (2019 – 21.0% to 23.8%) in the U.S. jurisdictions.

The provision for income taxes recorded in the consolidated statements of operations differs from the statutory federal and provincial income tax, as follows:

	2020		**2019**	
	$	**%**	**$**	**%**
Income (loss) before income taxes	**1,697**		(5,424)	5.99
Income tax (provision) recovery calculated at statutory federal and provincial income tax rates – 26.50% (2019 – 26.50%)	**(450)**	**(26.5)**	1,438	(26.5)
(Increase) decrease in rate resulting from:				
Manufacturing and processing profits deduction	**149**	**8.8**	73	2.0
Tax rate and other differences in foreign subsidiaries	**(48)**	**(2.8)**	(355)	(6.5)
Change in deferred tax assets not recognized	**(2,516)**	**(148.3)**	(2,083)	(38.4)
Change in unrecognized deferred tax assets due to changes in deferred tax rates and exchange rates	**532**	**31.4**	(962)	(17.7)
Other non-taxable and non-deductible items	**(616)**	**(36.3)**	374	6.9
Total change in income tax rate	**(2,499)**	**(147.2)**	(2,953)	(54.4)
Effective provision for income taxes	**(2,948)**	**(173.7)**	(1,515)	(27.9)

The movement in deferred tax liabilities is as follows:

	2020	2019
As at January 1	**$ (15,713)**	$ (15,334)
(Provision for) recovery of deferred income taxes	**421**	(380)
Impact of exchange rate on change in deferred tax liabilities	**-**	1
As at December 31	**$ (15,292)**	$ (15,713)

Deferred taxes applicable to temporary differences are as follows:

	December 31, 2020 $	December 31, 2019 $
Depreciable property, plant and equipment	**(8,281)**	**(9,362)**
Losses available for carry-forward	**23,487**	21,806
IFRS transition adjustment, January 1, 2010 - land	**(4,432)**	(4,432)
Other	**(1,154)**	(1,329)
	9,620	6,683
Less: Deferred tax assets not recognized	**(24,912)**	(22,396)
Deferred tax liability	**(15,292)**	(15,713)

Deferred tax assets were not recorded on the following non-capital losses carried forward which primarily relate to the U.S. subsidiaries:

Year of expiry	$
2024	**2,942**
2025	**4,189**
2026	**3,795**
2027	**1,912**
2028	**4,533**
2029	**13,142**
2030	**13,971**
2031	**11,541**
2032	**8,574**
2033	**6,550**
2034	**5,360**
2035	**4,221**
2036	**7,659**
2037	**2,628**
2038	**20**
2039	**1,665**
2040	**3,739**
Indefinitely carried forward	**2,039**
	98,480

19. NET INCOME (LOSS) PER SHARE

Earnings (loss) per share is calculated on net (loss) income using the weighted average number of shares outstanding for the year. As referred to in Note 2, the diluted earnings 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 outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares utilized in the calculations of earnings per share is as follows:

	Years ended December 31					
	2020			2019		
	Net Income $	Shares (thousands)	Per share amount $	Net Loss $	Shares (thousands)	Per share amount $
Net income (loss)	**(1,251)**	**11,008**	**(0.11)**	(6,939)	10,988	(0.63)
Dilutive effect of options		**121**	**(0.00)**		107	(0.00)
Diluted income (loss) per share		**11,129**	**(0.11)**		11,095	(0.63)

For the years ended December 31, 2020 and December 31, 2019, dilutive employee stock options had no effect on the calculation of the dilutive loss per share due to the loss incurred.

20. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the years ended December 31, 2020 and December 31, 2019, cash provided by (used for) financing activities resulted in the following changes to the Company's financing liabilities:

	Bank operating advance	Term Loans		Finance Leases	
	Current	**Current**	**Non-current**	**Current**	**Non-current**
Balance as at December 31, 2018	**-**	**$1,950**	**$31,815**	**$468**	**$426**
Non-cash changes:					
Right-of-Use assets - operating leases (refer Note 2)		-	-	119	144
Balance as at January 1, 2019	-	$1,950	$31,815	$587	$570
Cash flows:					
Payments during the year	-	(1,950)	-	(604)	-
Changes from cash flows	**-**	**(1,950)**	**-**	**(604)**	**-**
Non-cash changes:					
Increase in financial obligations	-	814	3,613	49	146
Impact of currency exchange rates	-	-	-	(1)	(1)
Unwinding of discount on promissory notes	-	168	-	-	-
Other non-cash movements	-	1,812	(1,812)	398	(398)
Non-cash changes	**-**	**2,794**	**1,801**	**446**	**(253)**
Balance as at December 31, 2019	**-**	**$2,794**	**$33,616**	**$429**	**$317**
Cash flows:					
Increase in financial obligations	20,000	1,718	2,786	-	-
Payments during the year	(20,000)	(3,414)	(2,786)	(428)	-
Changes from cash flows	**-**	**(1,696)**	**-**	**(428)**	**-**
Non-cash changes:					
Decrease on forgiveness of PPP loans		(1,143)			
Impact of currency exchange rates	-	(111)	-	-	-
Unwinding of discount on promissory notes	-	155	-	-	-
Other non-cash movements	-	2,831	(2,831)	245	(245)
Non-cash changes	**-**	**1,732**	**(2,831)**	**245**	**(245)**
Balance as at December 31, 2020	**-**	**$2,830**	**$30,785**	**$246**	**$72**

21. COMMITMENTS AND CONTINGENCIES

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.

As at December 31, 2020, the Company entered into commitments to purchase property, plant and equipment, and consultancy services from vendors totaling $3,150.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at December 31, 2020, the Company had contracted for its estimated 2021 Canadian natural gas supply requirements at an aggregate estimated cost of $1,502, forecasted by the supplier, none of which was at fixed prices, and for its estimated 2021 Canadian transportation requirements at an aggregate estimated cost of $590, of which 84% was at fixed prices. The potential unrealized loss on the fixed price transportation contracts was approximately $43 (2019 – unrealized loss of $143), which was not taken to income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Letters of credit are issued by the Company's lender 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 December 31, 2020 was $360 (2019 - $368).

22. RELATED PARTIES

a) Compensation of key management personnel

	Year ended December 31	
	2020	**2019**
Salaries, incentives, short-term benefits and pension expense	**$ 4,006**	$ 3,891
Share-based payments	**1,641**	115
Total	**$ 5,647**	$ 4,006

Key management personnel is comprised of the Company's directors and executive officers.

b) Other related party transactions

The Company has determined which of its customers are related to the Company via common directors or shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 2.3% (2019 – 4.1%) of revenues in aggregate for the year ended December 31, 2020, with none accounting for more than 1.8% (2019 – 2.7%). Purchases from related parties amounted to $13 (2019 - $14) for the year ended December 31, 2020.

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.

c) Other related party balances

As at December 31, 2020, the trade receivable balance from related customers was $11 (2019 - $4). Trade payables to related parties, including payables for rebates was $85 as at December 31, 2020 (2019 - $54).

23. 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

Segmented information, with comparative information for 2019, is as follows:

	Masonry $	Landscape $	Other $	2020 Total $
Revenues	**96,908**	**52,678**	**331**	**149,917**
Cost of sales	**79,946**	**36,328**	**4,220**	**120,494**
Selling expenses	**7,688**	**3,758**	**-**	**11,446**
General and administrative expenses	**6,527**	**3,168**	**39**	**9,734**
Loss on disposal of property, plant and equipment	**12**	**13**	**-**	**25**
Other expense (income)	**(619)**	**615**	**(37)**	**(41)**
Asset impairment	**5,038**	**-**	**-**	**5,038**
	98,591	**43,882**	**4,222**	**146,695**
Operating income (loss)	**(1,683)**	**8,796**	**(3,891)**	**3,222**
Finance expense				**(1,525)**
Loss before income taxes				**1,697**
Income tax provision				**(2,948)**
Net loss for the year				**(1,251)**
Depreciation of property, plant and equipment	**5,787**	**2,700**	**425**	**8,912**

	Masonry $	Landscape $	Other $	2019 Total $
Revenues	95,711	45,746	172	141,629
Cost of sales	79,818	33,658	1,971	115,447
Selling expenses	8,246	4,844	-	13,090
General and administrative expenses	6,020	1,923	89	8,032
Loss on disposal of property,	856	(34)	-	822
Other expense (income)	73	(154)	(78)	(159)
Gain on purchase of concrete block business	(573)	-	-	(573)
Asset impairment	9,094	-	-	9,094
	103,534	40,237	1,982	145,753
Operating (loss) income	(7,823)	5,509	(1,810)	(4,124)
Finance expense				(1,300)
Loss before income taxes				(5,424)
Income tax provision				(1,515)
Net loss for the year				(6,939)
Depreciation of property, plant and equipment	6,188	2,535	420	9,143

			December 31, 2020
	Masonry and Landscape $	Other $	Total $
Additions to property, plant and equipment	**5,789**	**80**	**5,869**
Consolidated total assets	**234,775**	**11,935**	**246,710**

			December 31, 2019
	Masonry and Landscape $	Other $	Total $
Additions to property, plant and equipment	11,223	-	11,223
Consolidated total assets	229,761	12,812	242,573

Geographical information is as follows:

	2020		2019	
	Revenues $	Property, plant and equipment $	Revenues $	Property, plant and equipment $
Canada	**130,973**	**137,022**	122,954	139,630
United States	**18,944**	**13,745**	18,675	19,696
	149,917	**150,767**	141,629	159,326

24. FINANCIAL INSTRUMENT DISCLOSURES

MEASUREMENT CATEGORIES

Financial assets and liabilities have been classified into categories which determine the basis of measurement. The categories are fair value through profit or loss and amortized cost for financial assets and for financial liabilities. The following table shows the carrying values and fair values of assets and liabilities for each of these categories at December 31, 2020 and 2019.

		December 31, 2020		December 31, 2019	
	Fair Value Hierarchy Level	**$ Carrying values**	**$ Fair values**	**$ Carrying values**	**$ Fair values**
Assets					
Amortized cost					
Cash and cash equivalents	**1**	**47,940**	**47,940**	30,953	30,953
Trade and other receivables	**2**	**17,673**	**17,673**	16,520	16,520
Financial assets at fair value through profit or loss					
Derivative financial instrument	**2**	**-**	**-**	40	40
Liabilities					
Financial liabilities at amortized cost					
Trade payables	**2**	**19,657**	**19,657**	16,350	16,350
Other liabilities	**2**	**9,008**	**9,008**	3,239	3,239
Debt	**2**	**33,933**	**33,933**	37,156	37,156
Financial assets at fair value through profit or loss					
Derivative financial instrument	**2**	**300**	**300**		

The carrying values of the cash and cash equivalents, trade and other receivables, trade payables and other liabilities approximate their fair values due to the short term nature of these financial instruments.
The fair values of the loans receivable and debt approximate their carrying values and were determined based on expected cash flows and observable market data for similar instruments which is considered comparable for the estimation of fair values.

The derivative financial instrument comprising the interest rate swap is measured at fair value based on observable market data for similar instruments considered to be comparable for the estimation of its fair value.

FAIR VALUE HIERARCHY

Fair value measurements recognized in the consolidated balance sheets are categorized in accordance with the following levels:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3** – Prices or valuations that require management inputs that are both significant to the fair value measurement and unobservable.

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. Management identifies and evaluates the financial risks in co-operation with the Company's operating units. The Company's overall risk management program seeks to minimize potential adverse effects on the company's financial performance.

a) Credit Risk

The Company has credit risk exposure with respect to trade receivables, cash and cash equivalents and the counterparties to its financial instruments. The accounting impact of COVID-19 on expected credit losses is described in Note 3 above.

i) Trade receivables

The Company grants credit to its customers in the normal course of business on terms that are consistent with the industries in which it operates. Credit evaluations are performed on a regular basis taking into consideration the customer's financial position, past experience and other factors which form part of the ongoing credit evaluations. Based on these evaluations, credit limits were established for each customer and are monitored and amended as appropriate throughout the year. The financial statements take into account an allowance for bad debts. At December 31, 2020, four customers represented approximately 37.9%, in aggregate, (2019 - four customers – 32.2%) of the Company's trade receivables at year-end. Sales to these customers represented 14.3% (2019 – 11.8%) of the Company's revenues.

The Masonry Products business segment is characterized by a relatively small number of customers with higher average balances outstanding.

Trade receivables attributable to this business segment represented 62.9% (2019 – 63.2%) of consolidated trade and other receivables outstanding as at December 31, 2020.

The Landscape Products business segment is characterized by a larger number of customers with lower average balances outstanding. This business segment represented 35.8% (2019 – 35.7%) of consolidated trade and other receivables outstanding as at December 31, 2020.

The remaining 1.3% (2019 – 1.1%) represents receivables outstanding from Universal's business operations as at December 31, 2020.

In aggregate, 90.3% (2019 – 86.3%) of the trade and other receivables balance was due in Canadian dollars and 9.7% (2019 – 13.7%) was due in U.S. dollars.

Accounts receivable that were past due as at December 31, 2020 totaled $6,320 (2019 - $5,700), of which $5,417 (2019- $5,236) was less than three months past due, $903 (2019 - $464) was more than three months but less than six months past due and Nil (2019 - Nil) was more than six months but less than one year past due.

Of the past due amount, accounts totaling $111 (2019 - $108) were considered to be impaired and were recorded in the allowance for doubtful accounts and charged to general and administrative expenses in the consolidated statements of comprehensive income (loss).

Changes in the allowance for doubtful accounts were as follows:

	2020 $	**2019 $**
Balance at the beginning of the year	**108**	155
Accounts added	**82**	317
Accounts removed	**(51)**	(311)
Accounts written off during the year as uncollectible	**(28)**	(51)
Foreign exchange translation	**-**	(2)
Balance at the end of the year	**111**	108

ii) Cash and counterparties

The Company's credit risk with respect to its cash and cash equivalents and counterparties to its financial instruments is minimized substantially by seeking to ensure that these financial instruments are placed with well capitalized financial institutions and other creditworthy counterparties.

b Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in discharging its financial liabilities as they become due. The Company manages liquidity risk by maintaining cash balances, adequate borrowing facilities and monitoring forecast and actual cash flows.
The accounting impact of COVID-19 on the Company's liquidity and financial position is described in Note 3 above.

The summary of financial obligations and contractual maturities relating to undiscounted non-derivative financial liabilities is as follows:

	2020 $	**2019 $**
Not later than 3 months	**32,264**	21,547
Later than 3 months and not later than 12 months	**2,697**	3,248
Later than one year and not later than five years	**31,787**	37,115
	66,748	61,910

Non-derivative financial liabilities include trade payables and accrued liabilities, other liabilities, provision for share appreciation rights, debt and finance lease commitments.

The summary of contractual maturities relating to undiscounted derivative financial (assets) liabilities is as follows:

	2020 $	**2019 $**
Not later than 3 months	**300**	(9)
Later than 3 months and not later than 12 months	**-**	(11)
Later than one year and not later than five years	**-**	(20)
	300	(40)

At December 31, 2020, the Company had a borrowing limit of $22,000, on an operating credit facility of $22,000, of which $360 had been utilized. The Company's operating credit facility is further described in Note 10.

The Company expects that future cash flows from operations, cash and cash equivalents on hand and the unutilized balances of its credit facilities will be sufficient to satisfy these obligations as they become due

c) Market Risk

i) Foreign exchange risks

The Company has exposure to exchange rate fluctuations as a result of holding monetary assets and liabilities denominated in U.S. dollars.

Currency exchange rate conversions utilized in the preparation of the consolidated financial statements are as follows:

	USD $1=
December 31, 2019	1.2990 CAD
December 31, 2020	1.2734 CAD
High – 2020	1.4496 CAD
Low – 2020	1.2718 CAD
Average – 2020	1.3415 CAD

Variances in the rate of exchange of USD $0.10 are considered reasonably possible.

At December 31, 2020, the Company had net monetary assets denominated in U.S. dollars totaling USD $300. A variance of USD $0.10 in the December 31, 2020 rates of exchange would have resulted in the total comprehensive income (loss) before income taxes being approximately $30 higher or lower, as the case may be.

For the year ended December 31, 2020, the Company's U.S. dollar revenues amounted to USD $14,116. A variance of USD $0.10 in average rates of exchange during 2020 would have resulted in the revenues being approximately $1,412 higher or lower, as the case may be.

Foreign currency forward purchase contracts are occasionally utilized to manage the foreign currency exchange exposure resulting from future cash flows. There were no contracts outstanding as at December 31, 2020 or December 31, 2019.

ii) Interest rates

The Company has exposure to interest rate fluctuations as a result of having variable interest rate bearing financial liabilities.

The Canadian bank prime interest rate was 2.45% on December 31, 2020. At December 31, 2020, the Company had a total of $8,665 of variable interest rate bearing debt outstanding. A variance of 0.25% in the rate of interest would have resulted in the income before income taxes being approximately $22 higher or lower, as the case may be, on an annualized basis.

The Company utilizes a floating-to-fixed interest rate swap to minimize its exposure to fluctuations in cash flows from changes in interest rates on the committed term loan of the same amount. The interest rate swap contract as at December 31, 2020 is described further in Note 12. As a result of this transaction, the Company's interest rate for the committed term A credit facility is economically fixed at 3.48%.

The Company has not applied hedge accounting for the years ended December 31, 2020 and December 31, 2019. The change in fair value of the interest rate swap recognized in 'Finance expense' on the consolidated statement of comprehensive income (loss) amounted to an unrealized loss of $339 for the year ended December 31, 2020 (December 31, 2019 – $166 unrealized loss).

iii) Energy contracts

The Company occasionally enters into fixed price swap contracts to fix the price of its electricity requirements. Settlements on the swap contracts are made monthly and recorded in the consolidated statements of comprehensive income (loss). There were no swap contracts outstanding as at December 31, 2020 or December 31, 2019.

25. CAPITAL MANAGEMENT

The Company's primary business segments are both seasonal and cyclical. The Company manages its capital structure to reflect the underlying risk characteristics of the industries in which it operates. Its strategy is to maintain a conservatively structured balance sheet in order to secure access to financing at a reasonable cost.

The Company monitors capital on the basis of the total liabilities to tangible net worth ratio. This ratio is calculated as total liabilities divided by tangible net worth.

The Company's objective is to maintain the total liabilities to tangible net worth ratio at less than 2.00:1. The net adjusted funded debt to shareholders equity ratios at December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020 $	December 31, 2019 $
Total liabilities	**89,742**	**79,213**
Share capital	**34,236**	34,130
Contributed surplus	**1,664**	3,204
Accumulated other comprehensive income	**8,595**	8,959
Retained earnings	**112,473**	117,067
Shareholders equity	**156,698**	163,360
Tangible Net Worth	**156,698**	163,360
Total Liabilities to Tangible Net Worth ratio	**0.57:1**	0.48:1

As at December 31, 2020 and December 31, 2019, the Company's objective with respect to the total liabilities to tangible net worth ratio was achieved.