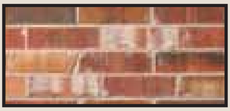
2008 THIRD QUARTER REPORT

BRAMPTON BRICK Limited



FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2008
PREPARED AS OF NOVEMBER 7, 2008

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended September 30, 2008 should be read in conjunction with the annual MD&A included in the Company's 2007 Annual Report. All amounts are stated in thousands of Canadian dollars, except per share amounts, unless otherwise indicated.

Effective October 2, 2007, the Company's 65% owned subsidiary, 1312082 Ontario Limited (formerly Medical Waste Management Inc.), completed the sale of substantially all of its business operations and assets, excluding its 50% joint venture interest in Sharpsmart Canada Limited ("Sharpsmart") which was sold on April 21, 2008 and its interest in certain small quantity generator accounts which were disposed of effective September 1, 2008. Accordingly, operating results and cash flows of these components of the business have been classified as discontinued operations, as applicable, and comparative amounts have been reclassified to conform with the current period financial statement presentation.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30

Net income for the third quarter ended September 30, 2008, amounted to $2,851, or $0.26 per share, on a weighted average 10,952,000 Class A Subordinate Voting shares ("Class A shares") and Class B Multiple Voting shares ("Class B shares") outstanding, compared to net income of $4,597, or $0.42 per share, on a weighted average 10,835,000 Class A shares and Class B shares outstanding for the same period in 2007.

Net income for the quarter is comprised of net income from continuing operations of $2,810, or $0.26 per share, and a net income from discontinued operations of $41. For the comparable period in 2007, net income was comprised of net income from continuing operations of $4,513, or $0.42 per share, and net income from discontinued operations of $84.

Net sales from continuing operations for the quarter were $27,427 compared to $26,277 in 2007. Net sales in the Masonry Products business segment increased by $1,021 on the strength of higher shipments of new concrete masonry products. Net sales in the Landscape Products business segment were at similar levels to last year. The Company's proportionate share of net sales generated by the new waste composting business of Universal Resource Recovery Inc. ("Universal") amounted to $157.

Lower production volumes, primarily in the Masonry Products business segment, in the third quarter of 2008 compared to the third quarter of 2007 resulted in an increase in unabsorbed manufacturing expenses charged against operations. This variance accounted for most of the increase in cost of goods sold. Higher distribution costs, due to an increase in delivery expenses and higher personnel costs, also contributed to the increase in cost of goods sold.

Production volumes have been lowered in 2008 to reduce inventories to more closely match anticipated sales volumes which are expected to be negatively impacted by economic conditions affecting both Canada and the U.S.

As a result of the increase in cost of goods sold, operating income from continuing operations, before interest and other items, declined by $1,172 to $4,597 for the quarter ended September 30, 2008 from $5,769 for the same period in 2007.

Interest on long-term debt increased by $185 to $368 primarily due to the increase in term bank loans. Net interest income decreased marginally as the impact of lower surplus cash balances available for investment was substantially offset by interest income earned on the promissory note receivable.

The Company incurred a foreign currency exchange loss of $57 in the third quarter of 2008. The loss was primarily due to the impact of fluctuations in the rate of exchange between the Canadian and U.S. dollar during the quarter on foreign currency transactions and balances.

In the third quarter of 2007 the Company reported a foreign currency exchange loss of $381. The exchange loss was substantially related to U.S. cash balances held by the Company during the period.

The provision for income taxes for the third quarter of 2008 reflected an effective rate of 33.8% compared to an expected rate of approximately 33.5%.

For the comparable period in 2007, the impact of certain foreign currency exchange losses on intercompany balances, which are eliminated on consolidation but are tax deductible expenses in the respective legal entity financial statements, resulted in the effective rate of income taxes being lower than the expected rate.

NINE MONTHS ENDED SEPTEMBER 30

Net income for the nine months ended September 30, 2008 was $2,022, or $0.19 per share, compared to net income of $8,568, or $0.79 per share, for the same period in 2007. The weighted average number of Class A shares and Class B shares outstanding for the nine month periods was 10,925,000 in 2008 and 10,834,000 in 2007.

Net income for the nine month period is comprised of net income from continuing operations of $2,377, or $0.22 per share, and a loss from discontinued operations of $355, or $0.03 per share. For the comparable period in 2007, net income from continuing operations was $8,158, or $0.75 per share, and net income from discontinued operations was $410, or $0.04 per share.

Net sales from continuing operations for the nine month period were $67,208, an increase of $864 from the same period in 2007. Higher sales in the Masonry Products business segment during the third quarter were driven largely by sales of new concrete masonry products which were offset, in part, by lower first quarter sales in the Masonry Products business segment and lower second quarter sales in the Landscape Products business segment.

Year-to-date operating results were also impacted by substantially lower production volumes, in both the Masonry Products and Landscape Products business segments, which resulted in a significant increase in unabsorbed manufacturing expenses charged against operations. Higher distribution costs also contributed to the increase in cost of goods sold for the same reasons as outlined above for the third quarter results.

Selling expenses incurred to September 30, 2008 were slightly higher than the corresponding period in 2007 primarily due to higher advertising and other marketing expenditures related to the introduction of new products.

Increases in the cost of goods sold and selling expenses resulted in a decrease in operating income, before interest and other items, of $5,137 to $5,484 for the nine months ended September 30, 2008 from $10,621 for the nine months ended September 30, 2007.

Interest on long-term debt increased by $247 to $832 primarily due to the increase in term bank loans. Net interest income decreased slightly for substantially the same reasons as outlined above for the third quarter results.

The foreign currency exchange loss for the nine months to September 30, 2008 amounted to $374 compared to $1,698 for the same period in 2007. The exchange loss in 2007 was primarily due to U.S. cash balances held during the period.

Other income in 2007 included a gain of $533 on the disposal of certain equipment in connection with the outsourcing of the clay brick quarry operations in Brampton.

During the second quarter of 2007, the Company disposed of its investment in common shares of Futureway Communications Inc. for cash proceeds of $688 which resulted in a gain for accounting purposes in the same amount. The transaction is more fully described in Note 6 to the interim Consolidated Financial Statements.

During the first quarter of 2008, certain properties located in the province of Quebec, which are surplus to the Company's requirements, were sold resulting in a gain of $136. Sale of properties during the third quarter of 2007 resulted in a gain of $253.

The provision for income taxes of $2,335 for the nine months ended September 30, 2008 reflected an effective income tax rate of 48.7% compared to an expected rate of 33.5%. The difference was primarily due to valuation allowances of approximately $541 recorded against the recovery of income taxes that would have otherwise been reported with respect to losses incurred in 2008 in the Company's U.S. operations and in the start-up operations of Universal.

More detailed discussion with respect to each operating business segment follows:

MASONRY PRODUCTS

For the third quarter ended September 30, 2008, operating income decreased by $1,131 to $4,678 on net sales of $19,251 compared to operating income of $5,809 on net sales of $18,230 for the corresponding period in 2007.

The $1,021 increase in net sales for the quarter was due to increased sales volumes generated by the introduction of new concrete masonry products, such as stone veneer, window sills and concrete brick. Sales in the U.S. markets continued to be impacted by the downturn in the U.S. housing industry.

Significantly lower clay brick production volumes in the third quarter of 2008 compared to the third quarter of 2007 resulted in a large increase in unabsorbed manufacturing expenses charged against operations. Higher distribution costs, primarily due to higher trucking expenses and higher personnel costs, also contributed to an increase in cost of goods sold.

As noted earlier, production volumes have been lowered in 2008 to reduce inventories in anticipation of lower demand due to current economic conditions.

For the nine month period, operating income declined by $2,685, from $12,939 on net sales of $49,071 in 2007 to $10,254 on net sales of $50,198 in 2008, for substantially the same reasons as outlined above for the third quarter results.

LANDSCAPE PRODUCTS

Operating income in the Landscape Products business segment for the third quarter of 2008 was $118 on net sales of $8,019 compared to operating income of $45 on net sales of $8,047 for the third quarter of 2007.

For the nine months ended September 30, 2008 this business segment incurred an operating loss of $4,306 compared to $2,055 in 2007. Significantly lower production volumes in 2008, to reduce inventories, and higher distribution costs resulted in a substantial increase in cost of goods sold which, in turn, resulted in a higher operating loss in the current period.

The Da Vinci Stone Craft operations, which are reported under this business segment, incurred a small loss for the quarter and for the year-to-date in both 2008 and 2007.

OTHER OPERATIONS

Other operations include, among other things, the Company's 50% joint venture interest in Universal. This investment is accounted for using the proportionate consolidation method.

During the third quarter of 2008, net sales of $157 were generated from transportation of source separated organic waste to a third party disposal site. Operations at Universal's waste composting facility in Welland commenced in October.

The Company's proportionate share of the start-up loss incurred by Universal in the third quarter of 2008 amounted to $161 compared to $85 in 2007. For the nine month periods the Company's proportionate share of losses were $452 and $263, respectively.

DISCONTINUED OPERATIONS

Discontinued operations represent the Company's medical waste business operations previously operated by a 65% owned subsidiary, substantially all of which was sold in October 2007. It also includes this subsidiary's 50% joint venture interest in Sharpsmart, which was sold in April 2008 and its interest in certain small quantity generator accounts which were disposed of effective September 1, 2008.

For the third quarter ended September 30, 2008 net income from discontinued operations amounted to $41 compared to $84 for the same period in 2007. For the nine month period discontinued operations incurred a loss of $355, or $0.03 per share, compared to net income of $410, or $0.04 per share, in 2007.

The loss of $355 in 2008 includes a reduction of $375 in the principal amount of the promissory note taken back on the sale of the medical waste assets and business operations in October 2007 to settle a dispute with the purchaser in such transaction and a provision of $625 with respect to certain other expenditures which are expected to be incurred. The net effect of these adjustments, after deducting income taxes and the non-controlling interest therein, resulted in an increase in the loss for the nine month period of approximately $473, or $0.04 per share. As part of the settlement, the interest in certain small quantity generator accounts which had been retained as part of the sale of the interest in Sharpsmart were also transferred to the purchaser. This matter is more fully described in Note 4 to the interim Consolidated Financial Statements.

CASH FLOWS

Cash flow provided by operating activities of continuing operations for the quarter ended September 30, 2008 totaled $11,251 compared to $10,053 for the same period last year.

The improvement of $1,198 resulted primarily from a lower investment in inventories due to lower production volumes and a decrease in net income taxes recoverable. These increases were partially offset by the decrease in net income from continuing operations.

Cash utilized for purchases of property, plant and equipment totaled $17,693 for the quarter compared to $5,734 for the same period in 2007. Capital expenditures incurred in connection with the construction of the Indiana clay brick plant were $11,868 in the third quarter of 2008 compared to $4,081 for the same period in 2007.

Purchases of property, plant and equipment in the third quarter of 2008 also included an amount of $4,511, compared to $72 for the same period in 2007, related to the Company's 50% share of capital expenditures incurred by Universal for building modifications and to acquire processing equipment.

During the quarter operating bank advances decreased by $851 and term bank loans increased by $6,925. The increase in term bank loans was to finance capital expenditures.

In 2007, repayments of inter-company advances in the amount of $214 in the third quarter and $1,044 in the nine month period represented payments received from the medical waste business that was sold in October 2007.

For the nine month period ended September 30, 2008, cash provided by operating activities of continuing operations amounted to $10,024 compared to $5,385 for the same period in 2007. The factors contributing to this $4,639 improvement were substantially the same as those outlined above for the third quarter.

Cash utilized for purchases of property, plant and equipment totaled $42,197 for the nine month period compared to $13,762 in 2007. Capital expenditures relating to the Indiana clay brick plant were $30,168 compared to $9,612 in 2007. Capital expenditures relating to Universal were $7,725 compared to $248 in 2007.

Other cash inflows for the year-to-date period included proceeds of $216 from the sale of properties, a $715 repayment by Sharpsmart of an inter-company advance upon the sale of the Company's interest in this business and $634 from the issuance of Class A shares upon the exercise of stock options under the Company's Stock Option Incentive Plan.

Other cash outflows in 2008 included cash dividends to shareholders of $0.10 per Class A share and $0.10 per Class B share paid on June 30, 2008 to shareholders of record on June 15, 2008, $339 for the repurchase of 34,800 Class A shares under the Company's Normal Course Issuer Bid and $700 representing the non-controlling interests' share of cash dividends paid by a subsidiary. These dividends represent a further distribution of the cash proceeds from the sale of the medical waste assets and business operations in 2007.

FINANCIAL CONDITION

The nature of the Company's products and primary markets dictates that its Masonry Products and Landscape Products business segments are seasonal. The Landscape Products business is affected to a greater degree than the Masonry Products business. As a result of this seasonality, bank operating advances are generally expected to increase through the first half of the year and decline through the second half of the year.

As at September 30, 2008, bank operating advances were $1,679. This represented an increase of $1,029 from the amount outstanding at December 31, 2007 and a decrease of $850 from the amount outstanding at June 30, 2008. Accounts payable and accrued liabilities totaled $17,268 at September 30, 2008 compared to $14,000 at December 31, 2007. The increase was primarily due to an increase in outstanding accounts payables relating to the Company's major capital expenditure projects.

Working capital at September 30, 2008 was $10,911, including cash and cash equivalents of $1,794, representing a working capital ratio of 1.38:1. This compared to working capital and a working capital ratio of $25,633, including cash and cash equivalents of $14,056, and 1.97:1, respectively, at December 31, 2007. Cash and cash equivalents at December 31, 2007 included $196 applicable to discontinued operations. The ratio of total liabilities to shareholders' equity was 0.43:1 at September 30, 2008 compared to 0.29:1 at December 31, 2007.

The decrease in working capital of $14,722 from December 31, 2007 to September 30, 2008 was primarily due to the utilization of cash resources to fund capital expenditures. The increase in accounts receivable reflects the seasonal nature of the Company's primary businesses. Production volumes have been lowered in 2008 to reduce inventories, in anticipation of lower demand, resulting in a $5,306 reduction in the investment in inventories from December 31, 2007 to September 30, 2008.

The increase in the ratio of the total liabilities to shareholders' equity was primarily due to the increase in term bank loans to fund capital expenditures.

The Company's credit agreements include term loan facilities totaling $57,500 and operating loan facilities totaling $19,950, of which an aggregate of $23,105 was utilized as at September 30, 2008. This total includes amounts allocated against outstanding letters of credit. These amounts also include the Company's proportionate share of the new operating and term loan credit facilities of Universal which were finalized in April 2008. The Company and the joint venture partner have each provided a guarantee of $6,500 as security for Universal's borrowings under this credit facility.

The Company believes it has adequate capital resources to fund its operations and anticipated capital requirements, including capital expenditures to be incurred in connection with construction of its new clay brick manufacturing plant in Indiana and the waste composting facility by Universal, as well as anticipated capital expenditures required to maintain production capacity and to fund normal growth activities for the reasonably foreseeable future.

The credit agreements contain various financial covenants. The Company was in compliance with all financial covenants applicable to borrowings outstanding at September 30, 2008.

Other than maintaining compliance with the financial and other covenants contained in the credit agreements, and the standard margin formulas for accounts receivable and inventories which determine the actual amount of the operating loan facilities available for borrowing, there are no additional restrictions within the credit agreements which would restrict the Company's ability to access the unutilized balance of its credit facilities.

Total capital expenditures to be incurred in connection with the construction of the new brick plant in Indiana are now estimated to be approximately U.S. $51,000. A total of U.S. $41,915 had been expended to September 30, 2008. The balance is expected to be funded from cash on hand, future cash flows from operations and the Company's term loan facilities, as required.

The Company's proportionate share of total capital costs to be incurred by Universal to construct the waste composting facility is estimated to be approximately $11,000. A total of $7,918 had been expended to September 30, 2008 and the balance is expected to be funded from the unutilized balance of Universal's term loan facility and further advances from the joint venture partners.

As at September 30, 2008, the Company held a U.S. dollar foreign exchange forward contract to purchase U.S. $2,000 to hedge a portion of its foreign currency exposure on anticipated cash outflows. This contract is designated as an effective cash flow hedge and is more fully described in Note 7 to the interim Consolidated Financial Statements.

The Company holds an interest rate swap contract to fix the rate of interest on an aggregate of $20,000 of currently outstanding and anticipated future borrowings. The contract has been designated as an effective cash flow hedge and is more fully described in Note 7 to the interim Consolidated Financial Statements.

Information with respect to the Company's material off-balance sheet arrangements, which consist primarily of operating leases and natural gas supply and transportation contracts, are disclosed in the table of contractual obligations in the annual MD&A included with the Company's 2007 Annual Report and in Note 11 to the interim Consolidated Financial Statements.

With respect to contractual obligations outstanding as at December 31, 2007, material changes during the nine month period ended September 30, 2008 included reductions of the remaining balances of the Company's purchase obligations under the natural gas supply and transportation contracts and reductions in the remaining capital expenditure commitments related to construction of the Indiana clay brick plant and the waste composting facility by Universal. In addition, the Company entered into natural gas supply and transportation contracts relating to its 2009 requirements. These are more fully described in Note 11 to the interim Consolidated Financial Statements.

Information with respect to transactions with related parties in 2008 is disclosed in Note 12 to the interim Consolidated Financial Statements.

Information with respect to transactions with related parties for the year ended December 31, 2007 is disclosed in Note 20 to Consolidated Financial Statements included in the Company's 2007 Annual Report.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at September 30, 2008 is disclosed in Note 8 to the interim Consolidated Financial Statements. Subsequent to September 30, 2008 the Company purchased and cancelled 3,000 Class A Subordinate Voting shares under the Normal Course Issuer Bid.

The Company's Annual Report and Annual Information Form for the year ended December 31, 2007 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders held on May 14, 2008 may be found on SEDAR at www.sedar.com

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Continuing Operations	September 30 2008	2007	June 30 2008	2007	March 31 2008	2007	December 31 2007	2006
Net sales	$ 27,427	$ 26,277	$ 29,795	$ 29,250	$ 9,986	$ 10,817	$ 16,009	$ 20,003
Net income (loss)	$ 2,810	$ 4,513	$ 3,607	$ 6,269	$ (4,040)	$ (2,624)	$ (12,858)	$ 2,924
Net income (loss) per share								
Basic	$ 0.26	$ 0.42	$ 0.33	$ 0.58	$ (0.37)	$ (0.24)	$ (1.19)	$ 0.26
Diluted	$ 0.26	$ 0.41	$ 0.33	$ 0.58	$ (0.37)	$ (0.24)	$ (1.19)	$ 0.26

Total	September 30 2008	2007	June 30 2008	2007	March 31 2008	2007	December 31 2007	2006
Net income (loss)	$ 2,851	$ 4,597	$ 3,248	$ 6,512	$ (4,077)	$ (2,542)	$ (5,048)	$ 3,047
Net income (loss) per share								
Basic	$ 0.26	$ 0.42	$ 0.30	$ 0.60	$ (0.37)	$ (0.23)	$ (0.47)	$ 0.28
Diluted	$ 0.26	$ 0.42	$ 0.30	$ 0.60	$ (0.37)	$ (0.23)	$ (0.47)	$ 0.28

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

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

For the third quarter of 2008 net income from continuing operations was impacted primarily by lower production volumes and increased distribution costs.

Net income from continuing operations for the second quarter of 2008 compared to the second quarter of 2007 was impacted by lower production volumes, increased distribution costs, higher selling expenses and a reduction in the recovery of income taxes related to losses incurred in the Company's U.S. operations.

The loss from discontinued operations for the second quarter of 2008 included a $375 reduction in the principal amount of the promissory note taken back on the sale of the medical waste business in October 2007 and a $625 provision for other anticipated costs. These adjustments resulted in a net charge of approximately $473, after deducting income taxes and the 35% non-controlling interest therein. See Note 4 to the interim Consolidated Financial Statements.

Results for the first quarter ended March 31, 2008 were negatively affected by lower sales volumes in the Masonry Products business segment, an increase in unabsorbed manufacturing expenses as a result of lower production volumes and higher distribution, selling, general and administrative expenses.

Results for the fourth quarter ended December 31, 2007 included the write-down of goodwill in the amount of $13,068, or $1.21 per share, net of income taxes. Excluding this item, net income from continuing operations would have been $210 or $0.02 per share. The decline in net income from continuing operations of $2,714, or $0.26 per share, from the fourth quarter of 2006 was primarily due to lower sales volumes in both the Masonry Products and Landscape Products business segments.

Net income for the quarter ended December 31, 2007 included the gain of $7,942 or $0.73 per share, net of income taxes and after deducting the non-controlling interest therein, reported on the sale of the medical waste assets.

OTHER

The Company's Masonry Products and Landscape Products business segments are cyclical. Demand for masonry products fluctuates in accordance with the level of new residential and commercial construction. Demand for landscape products fluctuates in accordance with the level of industrial, commercial and institutional construction as well as consumer spending.

Current economic conditions are likely to result in a lower overall level of construction activity and reduced consumer spending. The Company anticipates that demand for its products will be impacted accordingly. Consequently, operating plans and manpower requirements have been, and will continue to be, re-evaluated and adjusted, as required, in order to minimize the impact on operating results and cash flows.

Construction of the Company's new clay brick manufacturing plant in Indiana, which commenced in 2007, is substantially on schedule and is expected to be completed in the fourth quarter of 2008.

Construction of Universal's waste composting facility in Welland, Ontario has been substantially completed and operations commenced in October, 2008. During the second quarter of 2008 Universal finalized credit arrangements in an aggregate amount of $20,000, including both term loan and operating loan facilities, to fund its capital expenditure and operating requirements. The Company and the joint venture partner have each provided a guarantee of $6,500 as security for Universal's borrowings under this credit agreement. As at September 30, 2008 Universal's total borrowings under these facilities amounted to $14,350 and letters of credit in the amount of $874 had been issued.

On April 21, 2008, the Company sold its 50% joint venture interest in Sharpsmart, as more fully described in Note 4 to the interim Consolidated Financial Statements.

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Effective January 1, 2008, the Company adopted the accounting standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031, *Inventories*; Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation* (which replaces Section 3861, *Financial Instruments – Disclosures and Presentation*), all of which are more fully described in Note 2 to the interim Consolidated Financial Statements.

The following are the new accounting standards which the Company will be required to adopt in future years. Management is evaluating the standards and their impact on the Company's consolidated financial statements.

Goodwill and intangible assets:

CICA Handbook Section 3064 – *Goodwill and Intangible Assets*, which replaces Section 3062 – *Goodwill and Other Intangible Assets* and Section 3450 – *Research and Development Costs*, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Financial Reporting Standard IAS 38, "Intangible Assets." The new standard also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required effective January 1, 2011 for publicly accountable profit-oriented enterprises. IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company is currently assessing the impact IFRS will have on its consolidated financial statements.

Certain statements contained herein constitute "forward-looking statements". Such forward-looking statements involve known and unknown risks, uncertainties and other factors including, but not limited to, those identified under "Risks and Uncertainties" in the Company's 2007 Annual Report, which may cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

The Consolidated Financial Statements as at and for the periods ended September 30, 2008 and September 30, 2007 have not been reviewed by the Company's auditors.

CONSOLIDATED BALANCE SHEETS

(in thousands of dollars)	(Unaudited) September 30 2008	December 31 2007
Assets		
Current assets		
Cash and cash equivalents (note 14)	**$ 1,794**	$ 13,860
Accounts receivable (note 2(a))	**14,926**	7,433
Inventories	**17,303**	22,609
Income taxes recoverable	**6**	2,919
Future income taxes	**664**	294
Other current assets	**1,910**	988
Promissory note receivable, current (notes 2(a) and 4)	**3,294**	3,382
Assets of discontinued operations held for sale (note 4)	**–**	538
	39,897	52,023
Property, plant and equipment, at cost	**182,005**	175,478
Construction in progress	**53,650**	14,851
Less: Accumulated amortization	**(83,992)**	(77,722)
	151,663	112,607
Other assets		
Goodwill	**6,711**	6,711
Promissory note receivable, long-term (notes 2(a) and 4)	**6,520**	6,449
Property held for sale	**1,128**	1,208
Future income taxes	**1,479**	1,270
Other	**233**	264
Assets of discontinued operations held for sale (note 4)	**–**	917
	16,071	16,819
	$ 207,631	$ 181,449
Liabilities		
Current liabilities		
Bank operating advances	**$ 1,679**	$ 650
Accounts payable and accrued liabilities	**17,268**	14,000
Income taxes payable	**3,589**	4,253
Long-term debt, current portion	**5,082**	4,684
Derivative financial instruments, current (note 7)	**588**	1,606
Asset retirement obligation	**50**	375
Liabilities of discontinued operations held for sale (note 4)	**730**	822
	28,986	26,390
Long-term debt, less current portion	**23,625**	3,744
Derivative financial instruments, non-current (note 7)	**840**	809
Future income taxes	**7,810**	7,722
Asset retirement obligation	**585**	673
Liabilities of discontinued operations held for sale (note 4)	**–**	14
	61,846	39,352
Non-controlling interests	**3,553**	4,366
Shareholders' Equity		
Capital stock (note 8)	**33,701**	33,205
Contributed surplus (note 9)	**1,123**	944
Retained earnings	**112,313**	111,587
Accumulated other comprehensive loss	**(4,905)**	(8,005)
	142,232	137,731
	$ 207,631	$ 181,449

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

CONSOLIDATED STATEMENTS OF NET INCOME

(unaudited) (in thousands of dollars, except per share amounts)	Three months ended September 30 2008	2007	Nine months ended September 30 2008	2007
Net sales from continuing operations	**$ 27,427**	$ 26,277	**$ 67,208**	$ 66,344
Cost of goods sold	**17,708**	15,253	**45,270**	39,461
Selling, general and administrative expenses	**3,019**	3,232	**10,026**	9,780
Amortization	**2,103**	2,023	**6,428**	6,482
	22,830	20,508	**61,724**	55,723
Operating income from continuing operations before the undernoted items	**4,597**	5,769	**5,484**	10,621
Other income (expense)				
Interest on long-term debt	**(368)**	(183)	**(832)**	(585)
Interest income (net)	**87**	99	**330**	349
Foreign currency exchange loss	**(57)**	(381)	**(374)**	(1,698)
Foreign currency exchange gain (loss) on cash flow hedges (note 7)	**(12)**	106	**(1)**	176
Other income	**20**	56	**48**	663
	(330)	(303)	**(829)**	(1,095)
Income from continuing operations before the following items	**4,267**	5,466	**4,655**	9,526
Gain on sale of property held for sale (note 5)	**–**	253	**136**	253
Gain on sale of investment in Futureway Communications Inc. (note 6)	**–**	–	**–**	688
Income from continuing operations before income taxes and non-controlling interests	**4,267**	5,719	**4,791**	10,467
Provision for income taxes				
Current	**(1,365)**	(804)	**(2,261)**	(866)
Future	**(76)**	(414)	**(74)**	(1,455)
	(1,441)	(1,218)	**(2,335)**	(2,321)
Income from continuing operations before non-controlling interests	**2,826**	4,501	**2,456**	8,146
Non-controlling interests	**(16)**	12	**(79)**	12
Net income from continuing operations	**2,810**	4,513	**2,377**	8,158
Net income (loss) from discontinued operations (note 4)	**41**	84	**(355)**	410
Net income for the period	**$ 2,851**	$ 4,597	**$ 2,022**	$ 8,568
Net income per Class A and Class B share (note 3)				
Basic (net income from continuing operations)	**$ 0.26**	$ 0.42	**$ 0.22**	$ 0.75
(net income for the period)	**$ 0.26**	$ 0.42	**$ 0.19**	$ 0.79
Diluted (net income from continuing operations)	**$ 0.26**	$ 0.41	**$ 0.22**	$ 0.75
(net income for the period)	**$ 0.26**	$ 0.42	**$ 0.18**	$ 0.78

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (in thousands of dollars)	Three months ended September 30 **2008**	2007	Nine months ended September 30 **2008**	2007
Cash provided by (used for) activities of continuing operations				
Operating activities				
Net income from continuing operations for the period	**$ 2,810**	$ 4,513	**$ 2,377**	$ 8,158
Items not affecting cash				
Amortization and accretion	**2,116**	2,034	**6,465**	6,517
Future income taxes	**76**	414	**74**	1,455
Non-controlling interests	**16**	(12)	**79**	(12)
Unrealized foreign currency exchange (gain) loss	**(17)**	152	**43**	(114)
Gain on sale of property held for sale	**–**	(253)	**(136)**	(253)
Gain on sale of property, plant and equipment	**–**	(24)	**(4)**	(563)
Gain on sale of investment in Futureway Communications Inc.	**–**	–	**–**	(688)
Other	**22**	8	**179**	210
	5,023	6,832	**9,077**	14,710
Changes in non-cash operating items				
Accounts receivable	**3,115**	4,095	**(7,620)**	(3,322)
Inventories	**2,795**	(595)	**5,306**	(3,322)
Accounts payable and accrued liabilities	**(989)**	(70)	**2,038**	1,074
Income taxes payable (net)	**2,169**	(211)	**2,248**	(3,237)
Other	**(862)**	2	**(1,025)**	(518)
	6,228	3,221	**947**	(9,325)
Cash provided by operating activities of continuing operations	**11,251**	10,053	**10,024**	5,385
Investing activities				
Purchase of property, plant and equipment	**(17,693)**	(5,734)	**(42,197)**	(13,762)
Proceeds from disposal of property, plant and equipment	**–**	42	**12**	619
Proceeds from sale of investment in Futureway Communications Inc.	**–**	–	**–**	688
Proceeds from sale of property held for sale	**–**	342	**216**	342
Inter-company advances repaid by discontinued operations	**–**	214	**715**	1,044
Cash used for investment activities of continuing operations	**(17,693)**	(5,136)	**(41,254)**	(11,069)
Financing activities				
Increase (decrease) in bank operating advances	**(851)**	80	**1,029**	(2,385)
Increase in term bank loans	**6,925**	–	**20,175**	–
Repayment of term loans	**(17)**	(179)	**(289)**	(417)
Repayment of mortgage	**–**	(1,718)	**–**	(1,718)
Payments on obligations under capital leases	**(70)**	(49)	**(180)**	(247)
Payment of dividends by subsidiary to non-controlling interests	**–**	–	**(700)**	–
Payment of dividends to shareholders	**–**	–	**(1,096)**	(1,084)
Proceeds from exercise of stock options	**–**	–	**634**	12
Class A shares repurchased	**(134)**	–	**(339)**	–
Cash provided by (used for) financing activities of continuing operations	**5,853**	(1,866)	**19,234**	(5,839)
Net cash used for discontinued operations	**(70)**	(291)	**(266)**	(201)
Increase (decrease) in cash and cash equivalents	**(659)**	2,760	**(12,262)**	(11,724)
Cash and cash equivalents at the beginning of the period (note 14)	**2,453**	9,962	**14,056**	24,446
Cash and cash equivalents at the end of the period (note 14)	**$ 1,794**	$ 12,722	**$ 1,794**	$ 12,722
Supplementary information				
Interest paid	**$ 292**	$ 349	**$ 701**	$ 1,064
Income taxes paid	**$ 369**	$ 1,095	**$ 2,916**	$ 4,446

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

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in thousands of dollars)	(Unaudited) Nine months ended September 30 2008	Year ended December 31 2007
Balance at the beginning of the period	**$ 111,587**	$ 110,246
Net income for the period	**2,022**	3,519
Premiums paid on repurchase of capital stock (note 8)	**(200)**	(8)
Dividends	**(1,096)**	(2,170)
Balance at the end of the period	**$ 112,313**	$ 111,587

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited) (in thousands of dollars)	Three months ended September 30 2008	Three months ended September 30 2007	Nine months ended September 30 2008	Nine months ended September 30 2007
Net income for the period	**$ 2,851**	$ 4,597	**$ 2,022**	$ 8,568
Other comprehensive income (loss)				
Gain (loss) on cash flow hedges net of taxes (note 7)	**(104)**	(1,751)	**54**	(2,611)
Total comprehensive income for the period	**$ 2,747**	$ 2,846	**$ 2,076**	$ 5,957

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

1. BASIS OF PRESENTATION

The interim consolidated financial statements as at September 30, 2008 and for the three and nine month periods ended September 30, 2008 and 2007 are unaudited and include all adjustments that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows. Results for the three and nine month periods ended September 30, 2008 are not necessarily indicative of results expected for the full fiscal year or any other future period.

The disclosures provided in these interim consolidated financial statements do not conform in all respects to the requirements of Canadian generally accepted accounting principles for annual financial statements and, accordingly, the interim consolidated financial information should be read in conjunction with the annual consolidated financial statements. The interim consolidated financial information has been prepared using the same accounting principles as applied to the Company's annual consolidated financial statements for the year ended December 31, 2007, except as described below in Note 2.

2. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted the new accounting standards of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation* (which replaces Section 3861, *Financial Instruments – Disclosures and Presentation*). These sections apply to fiscal years beginning on or after October 1, 2007 and provide standards concerning the disclosure of the significance of financial instruments for an entity's financial position and performance and the nature and extent of risk exposures arising from financial instruments and the approach used by the entity in managing those risks. These standards also provide guidance for the presentation of recognized financial instruments and identify the information to be disclosed.

FINANCIAL INSTRUMENT DISCLOSURES

The Company has classified its cash and cash equivalents as held for trading. The accounts receivable and promissory note receivable were classified as loans and receivables, the accounts payable, bank operating advances and the long-term debt were classified as other financial liabilities. For all of these, the carrying values approximate their fair values at both September 30, 2008 and December 31, 2007.

In addition, the Company has derivative financial instruments and their carrying values approximate their fair values at both September 30, 2008 and December 31, 2007.

a) Credit Risk

The Company has credit risk exposure with respect to accounts receivable and the promissory note receivable. The Company also has credit risk with respect to its cash and cash equivalents and the counterparties to its financial instruments.

i) Accounts receivable

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 prior to granting credit and on a regular basis thereafter. The financial statements take into account an allowance for bad debts.

The Masonry Products business segment is characterized by a relatively small number of customers with higher average balances outstanding. Accounts receivable attributable to this business segment represented approximately 79.5% of consolidated accounts receivable outstanding as at September 30, 2008.

The Landscape Products business segment is characterized by a larger number of customers with lower average balances outstanding. This business segment represented approximately 18.3% of consolidated accounts receivable outstanding as at September 30, 2008.

Other accounts receivable accounted for the remaining 2.2%.

September 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

In aggregate, approximately 93.0% was due in Canadian dollars from Canadian based customers and 7.0% was due in U.S. dollars from U.S. based customers.

Accounts receivable that were past due as at September 30, 2008 totaled $5,294, of which $4,901 was less than three months past due, $154 was more than three months but less than six months past due and $239 was more than six months but less than one year past due.

Of the past due amount, accounts totaling $427 were considered to be impaired and were provided for in the allowance for doubtful accounts. Changes in the allowance for doubtful accounts for the three and nine months ended September 30, 2008 were as follows:

	Three months ended September 30, 2008	Nine months ended September 30, 2008
	$	$
Balance at the beginning of the period	**357**	**417**
Accounts added	**133**	**322**
Accounts removed	**(68)**	**(242)**
Accounts written off	**–**	**(82)**
Exchange rate change on opening balance	**5**	**12**
Balance at the end of the period	**427**	**427**

ii) Promissory note receivable

The promissory note receivable arose on the sale of the medical waste assets and business operations in October 2007. The adjusted principal amount of $9,625 bears interest at a fixed rate of 3.5% per annum and has been discounted for accounting purposes at an effective rate of 5.0% per annum. The promissory note is to be paid in annual principal instalments, plus interest, of $2,959 in October 2008 and $3,333 in each of October 2009 and 2010. The principal and interest are secured by a letter of credit from a major financial institution. The original principal amount of $10,000 was reduced by $375 as discussed in note 4.

iii) 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 credit worthy 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 summary of financial obligations and contractual maturities relating to undiscounted non-derivative financial liabilities outstanding as at September 30, 2008 was as follows:

	$
Due within 3 months	23,375
Due within 3 to 6 months	2,321
Due within 6 to 12 months	1,811
Due within 1 to 5 years	22,061
Due over 5 years	3,527
	53,095

Non-derivative financial liabilities include bank operating advances, accounts payable and accrued liabilities, income taxes payable, long-term debt and the asset retirement obligation.

September 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

The summary of contractual maturities applicable to undiscounted derivative financial liabilities outstanding as at September 30, 2008 was as follows:

	$
Interest rate swap (net floating to fixed)	
Due within 3 months	108
Due within 3 to 6 months	93
Due within 6 to 12 months	188
Due within 1 to 6 years	1,411
Net cash outflows on interest rate swap	**1,800**
Foreign exchange forward contracts	
Due within 3 months	2,193
Gross cash outflows on forward contracts	**2,193**

The Company has term loan and operating credit facilities totaling $77,450, of which $23,105 was utilized as at September 30, 2008. These amounts included the Company's proportionate share of the operating and term loan credit facilities of Universal Resource Recovery Inc. which were finalized in April 2008. Management expects that cash flows from operations, the proceeds from the promissory note receivable and the unutilized balance of the Company's credit facilities will be sufficient to satisfy these obligations. Upon execution of the foreign exchange forward contract the Company will receive U.S. $2,000.

c) Market Risk

i) Foreign exchange rates

The Company has exposure to exchange rate fluctuations as a result of holding monetary assets and liabilities denominated in foreign currencies and from holding foreign exchange forward purchase contracts.

Foreign exchange conversion rates utilized in the preparation of the consolidated financial statements were U.S. $1.00 = CDN $0.9881 at December 31, 2007 and U.S. $1.00 = CDN $1.0599 at September 30, 2008. The average rate of exchange from January 1, 2008 to September 30, 2008 was U.S. $1.00 = CDN $1.0184 and the high and the low during the nine month period was U.S. $1.00 = CDN $1.0796 and U.S. $1.00 = CDN $0.9719, respectively.

A variance in the rate of exchange of CDN $0.05 is considered reasonably possible.

At September 30, 2008, the Company had net monetary liabilities denominated in U.S. dollars totaling U.S. $1,224. A variance of CDN $0.05 in the September 30, 2008 rate of exchange would result in income before income taxes being approximately $61 higher or lower, as the case may be.

At September 30, 2008, the Company had a U.S. $2,000 dollar foreign exchange forward purchase contract. This contract is designated as a cash flow hedge. Consequently, changes in foreign exchange rates result in an unrealized gain or loss being reflected in Other Comprehensive Income (Loss). A variance of CDN $0.05 in the September 30, 2008 rate of exchange would result in Other Comprehensive Income (Loss) being approximately $100 higher or lower, as the case may be.

ii) Interest rates

The Company has exposure to interest rate fluctuations as a result of having variable interest rate bearing financial liabilities and a floating-to-fixed interest rate swap contract.

Canadian bank prime interest rate was 6.00% on January 1, 2008 and was 4.75% on September 30, 2008 and averaged 5.03% for the nine month period. The fixed rate of interest under the Company's $20,000 floating-to-fixed interest rate swap contract is 5.16%. At September 30, 2008 the fixed rate of interest on similar contracts with the same remaining term was approximately 3.80%. A variance in interest rates of 1.00% is considered reasonably possible.

At September 30, 2008, the Company had a total of $1,679 of variable interest rate bearing debt outstanding. A variance of 1.00% in the rate of interest would result in an income before income taxes being approximately $17 higher or lower, as the case may be, on an annualized basis.

The $20,000 interest rate swap contract outstanding at September 30, 2008 is designated as a cash flow hedge. Consequently, changes in the underlying rate of interest will result in an unrealized gain or loss being reflected in Other Comprehensive Income (Loss). A variance of 1.00% in the underlying rate of interest as at September 30, 2008 would result in Other Comprehensive Income (Loss) being approximately $562 (net of income taxes) higher or lower, as the case may be.

INVENTORIES

On January 1, 2008, the Company also adopted the new accounting standard of the CICA Handbook Section 3031, *Inventories*. The adoption of this standard had no impact on the Company's method of accounting for inventory cost but has resulted in changes in disclosure in these interim financial statements.

FUTURE CHANGES IN ACCOUNTING POLICIES

The following are the new accounting standards the Company will be required to adopt in future years. Management is evaluating the standards and their impact on the Company's consolidated financial statements.

Goodwill and intangible assets:

The CICA Handbook Section 3064 – *Goodwill and Intangible Assets*, which replaces Section 3062 – *Goodwill and Other Intangible Assets* and Section 3450 – *Research and Development Costs*, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets are equivalent to the corresponding provisions of International Financial Reporting Standard IAS 38, "Intangible Assets." The new standard also provides guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (IFRS) will be required effective January 1, 2011 for publicly accountable profit-oriented enterprises. IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting policies will need to be addressed. The Company is currently assessing the impact IFRS will have on its consolidated financial statements.

3. NET INCOME PER SHARE

The weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding (in thousands) utilized in the calculations of net income per share are as follows:

	Three months ended September 30		**Nine months ended September 30**	
(in thousands)	**2008**	2007	**2008**	2007
Basic	**10,952**	10,835	**10,925**	10,834
Diluted	**10,954**	10,908	**10,963**	10,917

September 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

4. DISPOSAL OF MEDICAL WASTE ASSETS AND SALE OF SHARPSMART OPERATIONS

Effective October 2, 2007, the Company sold substantially all of its medical waste business operations and assets, excluding the 50% joint venture interest in Sharpsmart Canada Limited ("Sharpsmart"). On April 21, 2008, the Company sold its 50% joint venture interest in Sharpsmart, excluding the Company's interest in certain small quantity generator accounts which were disposed of effective September 1, 2008 as noted below. In accordance with the CICA Handbook Section 3475, "*Disposal of Long-Term Assets and Discontinued Operations*", the assets and liabilities, operating results and cash flows of these businesses have been classified as discontinued operations. The prior period comparative financial information has also been restated, accordingly.

Aggregate proceeds of $1,180 from the sale of the 50% joint venture interest in Sharpsmart included the repayment of shareholder advances of $715, proceeds from the sale of shares of $385 and proceeds from the sale of certain other assets of $80.

Certain financial information with respect to discontinued operations for the three and nine month periods is as follows:

	Three months ended September 30		**Nine months ended September 30**	
	2008	2007	**2008**	2007
	$	$	**$**	$
Net sales	**84**	3,155	**632**	9,307
Amortization of property, plant and equipment	**–**	236	**49**	689
Operating income (loss)	**74**	420	**(119)**	1,310
Other income (expense)	**1**	(40)	**(999)**	(147)
Income tax (provision) recovery	**(12)**	(251)	**381**	(533)
Non-controlling interests	**(22)**	(45)	**258**	(220)
Net income (loss) from discontinued operations	**41**	84	**(479)**	410
Gain on sale of Sharpsmart	**–**	–	**255**	–
Income tax provision	**–**	–	**(64)**	–
Non-controlling interest	**–**	–	**(67)**	–
Net income from sale of Sharpsmart	**–**	–	**124**	–
Total net income (loss) from discontinued operations	**41**	84	**(355)**	410

During the second quarter of 2008 the Company agreed to settle a dispute with the purchaser of the medical waste business operations and assets sold in 2007 by reducing the principal amount of the $10,000 promissory note by $375 and by transferring to the purchaser, effective September 1, 2008, the Company's interest in certain small quantity generator accounts which it had retained as part of the sale of its interest in Sharpsmart. In addition, the Company also recorded a provision of $625 with respect to certain other expenditures which are expected to be incurred. These amounts are included in Other expense in the financial information summarized above.

5. SALE OF PROPERTY HELD FOR SALE

Properties located in Quebec are surplus to the Company's requirements and are available for sale. For the nine month period ended September 30, 2008, certain properties were sold for net proceeds of $216 (2007 – $342), after deducting costs of disposition of $58 (2007 – $257 and deposits held in trust $12), resulting in a gain of $136 (2007 – $253).

6. DISPOSAL OF INVESTMENT IN FUTUREWAY COMMUNICATIONS INC.

In June 2007, the shareholders of Futureway Communications Inc. ("FCI") voted to approve an amalgamation of FCI with a subsidiary of a Canadian communications company. The amalgamation was completed on June 22, 2007 pursuant to which the Company's 517,660 shares in FCI were redeemed for cash proceeds of $688. This resulted in a gain for accounting purposes in the same amount as the Company's original investment of $2,000 had been written down to a nominal value of one dollar as at December 31, 2005.

7. DERIVATIVE FINANCIAL INSTRUMENTS

As at September 30, 2008, the Company holds a U.S. dollar foreign exchange forward contract to acquire U.S. $2,000 at an exchange rate of U.S. $1.00 = CDN $1.0967 to hedge the underlying exposure on a portion of its anticipated future cash outflows. This contract matures on December 15, 2008 and has been designated as an effective cash flow hedge.

In connection with various foreign exchange cash flow hedges held during the period, the Company recorded an unrealized gain of $120 in the third quarter of 2008 and an unrealized gain of $571 for the nine months ended September 30, 2008 in Other Comprehensive Income (Loss), not affecting current period earnings. Exchange losses of $12 for the quarter and $1 for the nine month period were recorded on the ineffective portion of these derivative financial instruments.

In 2008, the Company reclassified $3,046 from Accumulated Other Comprehensive Loss, of which $1,204 was reclassified during the third quarter. This amount has been added to the carrying value of the non-financial asset.

The Company also holds an interest rate swap contract to hedge the risk arising from variability of cash flows relating to currently outstanding and anticipated future borrowings. The contract was designated as an effective cash flow hedge. The swap commenced in January 2008 with a notional principal amount of $3,000 increasing at various intervals and amounts to a total of $20,000 in September 2008. The notional principal amount reduces by $3,000 per year from December 2010 to December 2013 and by $8,000 in December 2014. The fixed rate of interest under the swap contract is 5.16%. The total cost of borrowing includes the Company's credit spread, which may vary based on the ratio of Net Funded Debt to EBITDA, as those terms are defined under the Company's credit agreement. Currently the credit spread is 1.50%.

For the third quarter of 2008, the Company recorded an unrealized loss of $224, net of income taxes of $76, not affecting current period earnings, in Other Comprehensive Income (Loss) in connection with the interest rate swap. For the year-to-date period an unrealized loss of $517, net of income taxes of $156, was recorded, not affecting current period earnings, in Other Comprehensive Income (Loss).

The fair value of the derivatives in the amounts of $588 and $840 have been classified as current and non-current derivative financial instruments, respectively.

8. CAPITAL STOCK

At September 30, 2008, issued and outstanding capital stock consisted of 8,510,554 Class A Subordinate Voting shares (December 31, 2007 – 8,424,854) and 2,429,000 Class B Multiple Voting shares (December 31, 2007 – 2,429,000).

For the quarter ended September 30, 2008 no Class A shares were issued under the Company's Stock Option Incentive Plan (2007 – Nil) and for the nine month period a total of 120,500 Class A shares were issued for cash of $634 (2007 – 2,000 for cash of $12). A total of 15,100 (2007 – Nil) Class A shares were purchased during the quarter under the Company's Normal Course Issuer Bid, at a weighted average price of $8.88, which resulted in a premium paid of $74 over the average stated capital and a total of 34,800 (2007 – Nil) Class A shares were purchased during the nine month period ended September 30, 2008, at a weighted average price of $9.76, which resulted in a premium paid of $200. All of the repurchased Class A shares were cancelled.

September 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

The Class B shares are convertible into Class A shares at any time. The Class A shares trade on the Toronto Stock Exchange under the symbol BBL.A. The Class B shares do not trade on any public market.

9. STOCK-BASED COMPENSATION

Under the Brampton Brick Limited Stock Option Incentive Plan (the Plan), the Company may grant stock options to the directors, officers and full-time employees of the Company and its subsidiaries up to an aggregate of 1,080,965 (December 31, 2007 – 1,080,965) 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 grant and the maximum term of each option is 10 years. As at September 30, 2008, a total of 487,365 (December 31, 2007 – 587,865) stock options were available for grant under the Plan.

On March 14, 2008, the Company granted stock options to eight senior officers and to all non-management members of the Board of Directors of the Company to acquire an aggregate of 105,500 Class A Subordinate Voting shares at the market price of $10.51 per share. Each option vested 20% on the date immediately following the date of grant and an additional 20% shall vest on each anniversary thereof until fully vested.

As of the date of the grant, the fair value of each stock option granted was estimated to be $2.78, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.12%
Expected life	7.7 years
Volatility	25%
Expected dividend yield	1.9%

The compensation cost charged against income for the quarter ended September 30, 2008 with respect to these grants was $15 and for the nine month period was $91. An offsetting credit in the same amount was reflected in contributed surplus.

The total compensation cost charged against income for the quarter ended September 30, 2008 with respect to all stock options granted after January 1, 2002 was $22 (2007 – $55). For the year-to-date, the cost was $179 (2007 – $210). The Company did not record a compensation cost with respect to stock options granted prior to January 1, 2002, of which 7,500 options remain outstanding at September 30, 2008.

As at September 30, 2008, an aggregate 366,900 stock options were outstanding, of which 211,440 were fully vested and exercisable by the holders thereof at a weighted average exercise price of $12.94. Stock options to acquire an aggregate of 5,000 Class A Subordinate Voting shares were cancelled in the third quarter.

10. OPERATING SEGMENT DISCLOSURES

For purposes of operating decision making and assessing performance, management considers that the Company operates within two dominant business segments; Masonry Products and Landscape Products.

Other business operations and assets consist primarily of the Company's 50% joint venture interest in Universal Resource Recovery Inc., the promissory note receivable and property held for sale.

A brief description of each business segment is as follows:

Masonry Products – manufacture of clay brick and a range of concrete masonry products including stone veneer, window sills and concrete brick for use in residential construction and institutional, commercial and industrial building projects.

Landscape Products – manufacture of concrete paving stones, retaining walls, garden walls, fireplace surrounds, wall tiles and sales of accessory products for use in residential construction and institutional, commercial and industrial building projects.

September 30, 2008 and 2007 (Unaudited) (in thousands of dollars)

Segmented information, with comparative information for 2007, is as follows:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	**2008**	2007
i) Net sales	**$**	$	**$**	$
Masonry Products	**19,251**	18,230	**50,198**	49,071
Landscape Products	**8,019**	8,047	**16,853**	17,273
Other	**157**	–	**157**	–
Consolidated net sales from continuing operations	**27,427**	26,277	**67,208**	66,344
ii) Operating income (loss)				
Masonry Products	**4,678**	5,809	**10,254**	12,939
Landscape Products	**118**	45	**(4,306)**	(2,055)
Other	**(199)**	(85)	**(464)**	(263)
Consolidated operating income from continuing operations	**4,597**	5,769	**5,484**	10,621

	September 30 2008	December 31 2007
iii) Total assets	**$**	$
Masonry and Landscape Products	**182,928**	161,369
Other	**24,703**	20,080
Consolidated total assets	**207,631**	181,449

Assets do not form part of management's evaluation of performance of individual business units and therefore are not reported on a segmented basis.

11. COMMITMENTS AND CONTINGENCIES

Future minimum lease payments due as at September 30, 2008 under building, storage yard and vehicle operating leases are as follows:

	$
2008	130
2009	341
2010	240
2011	182
2012	163
Thereafter	37
	1,093

Commitments to purchase production equipment totaled $564 at September 30, 2008, excluding the items noted in the following paragraph.

To September 30, 2008 capital expenditures in the amount of U.S. $32,679 had been incurred with respect to the contract of U.S. $38,170, including approved change orders for the design, supply and assembly of equipment and building for the Company's new clay brick manufacturing plant in Indiana. The Company's proportionate share of purchase commitments with respect to the construction of the waste composting facility by Universal Resource Recovery Inc. ("Universal") amounted to $4,270 at September 30, 2008, of which $3,809 had been incurred.

The Company normally enters into supply and transportation contracts for natural gas to cover estimated future requirements. As at September 30, 2008, the Company had contracted its estimated remaining 2008 natural gas supply requirements and all of its estimated 2009 requirements at an aggregate estimated cost of $6,972, of which approximately 73% of its estimated remaining 2008 requirements and approximately 14% of its estimated 2009 requirements were at fixed prices. The Company has also contracted for its estimated remaining 2008 transportation requirements and all of its estimated 2009 requirements at an aggregate estimated cost of $1,516 of which 76% of its estimated remaining 2008 requirements and 0% of its 2009 requirements were at fixed prices. The potential unrealized loss on the fixed price contracts was approximately $158 (2007 – unrealized loss of $150) which was not taken into income since these are supply and transportation contracts that will be charged to operations in the period the gas is consumed.

Under the contract for trucking services entered into in 2006, the Company retains the right to acquire the transportation equipment if the contract is cancelled by the service provider before the end of the term in February 2011. Similarly, the Company may be obligated to acquire the transportation equipment if the Company cancels the contract before the end of the term.

Letters of credit are issued by the Company's banker to provide security to certain service providers and for other potential obligations of the Company. The principal and interest on a term loan due in instalments to May 2009 is also secured by a letter of credit issued by the Company's banker. The aggregate amount of outstanding letters of credit as at September 30, 2008 was $1,251 (December 31, 2007 – $1,289). This amount includes $437 (December 31, 2007 – Nil) representing the Company's proportionate share of letters of credit issued by Universal's banker with respect to its operations.

The Company and its joint venture partner in Universal have each provided a guarantee of $6,500 as security for Universal's borrowings under its credit facility. As at September 30, 2008 Universal's aggregate borrowings were $14,350.

12. 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 5.6% of net sales in the aggregate for the quarter ended September 30, 2008 (2007 – 5.4%) and 6.1% (2007 – 6.3%) for the nine month period.

A director of the Company is a senior partner in the law firm which acts as general counsel to the Company. Fees for services rendered for the quarter ended September 30, 2008 amounted to $39 (2007 – $178) and for the nine month period $186 (2007 – $232).

Other current assets include an interest-free loan receivable of $150 (2007 – $150) due October, 2008 from a minority shareholder of a subsidiary.

13. SEASONAL FLUCTUATIONS

The Company's business is seasonal. Consequently, the results of operations and cash flows for the three and nine month periods ended September 30, 2008 are not necessarily indicative of the results to be expected for the full year.

14. COMPARATIVE AMOUNTS

Certain comparative amounts in the financial statements have been reclassified to conform with the current period financial statement presentation. Cash and cash equivalents reported in the Consolidated Statements of Cash Flows includes cash and cash equivalents related to discontinued operations at the beginning and end of each period, as applicable.

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