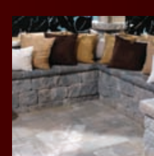
BRAMPTON BRICK





SECOND QUARTER REPORT 2010

BRAMPTON BRICK Limited

FOR THE SECOND QUARTER ENDED JUNE 30, 2010
PREPARED AS OF AUGUST 9, 2010

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended June 30, 2010 should be read in conjunction with the annual MD&A included in the Company's 2009 Annual Report. All amounts are stated in thousands of Canadian dollars, except per share amounts.

RESULTS OF OPERATIONS

Three months ended June 30

For the second quarter ended June 30, 2010, the Company recorded net income of $370, or $0.03 per share, compared to a loss of $3,245, or $0.30 per share, for the second quarter of 2009. The weighted average number of Class A Subordinate Voting shares ("Class A shares") and Class B Multiple Voting shares ("Class B shares") outstanding was 10,937,000 in both periods.

Net sales for the quarter were $24,351 compared to $18,278 for the same period in 2009. The net increase of $6,073 was primarily the result of significantly higher shipments in the Masonry Products business segment. Net sales of the Landscape Products business segment also increased over the second quarter of 2009.

Production volumes in both the Masonry Products and Landscape Products business segments were also substantially higher in 2010 which resulted in a significant reduction in per unit manufacturing costs. The combination of the increase in net sales and the reduction in per unit manufacturing costs led to a substantial improvement in profit margins.

Operating income for the quarter, before interest and other items, was $2,657, representing an improvement of $3,530 over the operating loss of $873 reported in the second quarter of 2009.

Interest on long-term debt increased by $504 to $991 due to higher term debt outstanding during the second quarter of 2010 compared to the same period in 2009 and higher interest rates. Other interest expense increased due to lower interest income earned on the promissory note receivable and the interest differential payment on the interest rate swap contract which is now reflected in this line item.

The Company recorded a foreign currency exchange loss of $33 for the second quarter ended June 30, 2010. In 2009, a strengthening Canadian dollar and higher net monetary liabilities denominated in a foreign currency produced a gain of $192.

The loss in the second quarter of 2009 included the following unusual charges:

1. A provision of $2,140 to record the unrealized loss on the interest rate swap contract.
2. A loss of $269 on the sale of a portion of the promissory note receivable.
3. A loss of $190 on the sale of the remaining surplus properties held for sale.

After recording a recovery of income taxes in the estimated amount of $845 in respect of these items, the impact on the loss for the second quarter of 2009 was $1,754, or $0.16 per share.

In June 2009, the Company entered into a new $30,000 fixed-rate, term financing agreement with a new lender and repaid its $20,000 term bank loan. The Company holds an interest rate swap contract which was previously designated as an effective cash flow hedge against the term bank loan. The repayment of this term bank loan resulted in the swap contract no longer being an effective cash flow hedge. Consequently, the Company recorded a charge of $2,140 to reflect the unrealized loss as at June 30, 2009 on the interest rate swap contract. The change in the fair value of the Company's $20,000 interest rate swap contract in the second quarter in 2010 resulted in an unrealized loss of $145.

In April 2009, the Company sold an undivided, co-ownership interest, representing approximately 59.9%, in the proceeds of the promissory note receivable, including future interest payments, for cash proceeds of $3,793 resulting in a loss of $269. This transaction is more fully described in Note 4 to the interim Consolidated Financial Statements.

In June 2009, properties held for sale were sold for cash proceeds of $1,200, resulting in a loss of $190. This transaction is more fully described in Note 9 to the interim Consolidated Financial Statements.

The provision for income taxes for the second quarter of 2010 reflected an effective income tax rate of approximately 68.4%. In 2009 the recovery of income taxes reflected an effective rate of 16.2%. Valuation allowances have been recorded in both 2010 and 2009 against the future income tax benefit that would otherwise have been recorded with respect to the non-capital losses incurred by the Company's U.S. operations and by Universal. These valuation allowances have caused the effective income tax rates to be significantly different from the normalized rates of approximately 29.0% in 2010 and 31.0% in 2009.

Six months ended June 30

For the six months ended June 30, 2010, the Company incurred a loss of $3,256, or $0.30 per share, compared to a loss of $9,501, or $0.87 per share, for the six months ended June 30, 2009. The aggregate weighted average number of Class A shares and Class B shares outstanding was 10,937,000 in both periods.

Net sales for the six month period were $37,176, an increase of $11,441 over the same period in 2009. Significantly higher sales in the Masonry Products business segment plus an increase in net sales in the Landscape Products business accounted for the improvement over 2009.

As discussed under Results of Operations for the three month period, year-to-date operating results were positively impacted by substantially higher production volumes in both the Masonry Products and Landscape Products business segments.

For the six month period ended June 30, 2010, the Company incurred an operating loss, before interest and other items, of $617 compared to $8,124 for the same period in 2009.

Variances in the remaining Consolidated Statements of Operations items, including interest expenses, foreign currency exchange gain (loss) and the provision for, or recovery of, income taxes reflect substantially the same factors as outlined above for the three month period.

The three unusual charges which impacted results in the second quarter of 2009, as described above, similarly impacted the year-to-date results in 2009.

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

MASONRY PRODUCTS

The Masonry Products business segment reported operating income of $2,078 for the second quarter of 2010 compared to an operating loss of $594 for the same period in 2009. For the six month period, operating income was $1,868 in 2010 compared to an operating loss of $4,733 in 2009.

A substantial increase in residential construction activity in the Canadian market has resulted in significantly higher shipments of all masonry products, including both clay brick and concrete masonry products. Shipments from the Company's U.S. plant in Indiana, which came on stream in the second quarter of 2009, also increased over last year.

As a result, net sales of this business segment increased by $5,450, or 55.2%, to $15,308 in the second quarter of 2010 and by $11,200, or 72.1%, to $26,741 for the six month period.

Higher production volumes, to meet the increase in demand, have also contributed to the improvement in profit margins through the reduction in per unit manufacturing costs.

LANDSCAPE PRODUCTS

The Landscape Products business segment reported operating income of $1,202 on net sales of $8,509 for the quarter ended June 30, 2010 compared to operating income of $326 on net sales of $7,715 in 2009.

For the six month period to June 30, 2010, net sales increased over 2009 by $692 to $9,220 and the operating loss of $1,259 was $1,230 lower than last year.

Higher sales volumes in the Canadian market and the positive impact of higher production volumes in both Canada and the U.S. were the primary drivers contributing to the improvement in operating results.

OTHER OPERATIONS

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

Composting operations have been operating at reduced capacity throughout the second quarter and most of 2010 in order to address various operational and processing issues. Management of Universal anticipates that it will be in a position to resume normal operations near the end of the third quarter of 2010.

CASH FLOWS

Cash flow provided by operating activities of continuing operations totaled $4,978 for the second quarter ended June 30, 2010 compared to cash used in operations of $592 for the same period last year. For the six month period, cash used for operating activities was $570 compared to $7,250 in 2009.

The $5,570 improvement in cash flow from operations for the quarter and the $6,680 improvement for the year-to-date were attributable to the improvement in operating results and the net change in non-cash working capital items.

Cash utilized for purchases of property, plant and equipment totaled $845 for the quarter compared to $2,158 in 2009, including $1,439 incurred in connection with the construction of the Indiana clay brick plant. For the six month period in 2010, purchases of property, plant and equipment totaled $1,485, compared to $6,616 in 2009, including $4,897 related to the construction of the Indiana clay brick plant.

On February 26, 2010, the Company completed a $9,000 subordinated secured debenture financing. In connection therewith, the $3,000 unsecured promissory note payable, which was due but not paid on December 7, 2009, was refinanced. The subordinated debenture was recorded for accounting purposes at its fair value which, net of transaction costs incurred in the amount of $377, amounted to $8,623 and is being carried at amortized cost. The transaction costs are being amortized over the term of the loan resulting in an effective interest rate of 11.89%. As at June 30, 2010 the unamortized transaction costs were $334. These transactions are described in greater detail in Note 5 to the interim Consolidated Financial Statements.

In June 2009, the Company completed a new $30,000 term financing arrangement, secured primarily by real estate and production equipment of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S. Proceeds of the new financing were utilized to repay a $20,000 term bank loan with the balance utilized to reduce bank operating advances.

The sale in April 2009 of an undivided, co-ownership interest, representing approximately 59.9%, in the promissory note receivable, including future interest payments, generated cash proceeds of $3,793.

The sale in June 2009 of the remaining properties held for sale generated cash proceeds of $1,200.

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, operating results are impacted accordingly and cash requirements are generally expected to increase through the first half of the year and decline through the second half of the year.

As noted above, the Company completed a $9,000 subordinated secured debenture financing on February 26, 2010. The new financing has enhanced the Company's overall financial position by providing additional balance sheet strength and cash availability.

The ratio of total liabilities to shareholders' equity was 0.64:1 at June 30, 2010 compared to 0.54:1 at December 31, 2009. The increase in this ratio from December 31, 2009 was primarily due to the increase in long-term debt resulting from the issuance of the subordinated debenture, as noted above, and lower retained earnings resulting from the loss incurred for the six months ended June 30, 2010.

As at June 30, 2010, working capital was $21,482, representing a working capital ratio of 2.02:1. Comparable figures for working capital and the working capital ratio at December 31, 2009 were $13,272 and 1.71:1, respectively. Cash and cash equivalents totaled $8,033 at June 30, 2010 compared to $2,868 at December 31, 2009.

Excluding Universal, the Company has an operating credit facility of $12,000. This is a demand facility which is secured primarily by accounts receivable and inventories of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S. The actual amount that the Company may borrow under this facility is determined based on standard margin formulas for accounts receivable and inventories. The borrowing limit is reduced by the amount of the mark-to-market exposure on the interest rate swap contract. Utilization at June 30, 2010 was $3,223, including $343 for outstanding letters of credit and $1,720 for the mark-to-market exposure on the interest rate swap contract.

During the second quarter, the Company cancelled a $700 credit facility of a subsidiary company as it was no longer deemed to be required.

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

The Company was in compliance with all financial covenants under its long-term debt agreement as at June 30, 2010 and anticipates that it will maintain compliance throughout the coming year.

Universal's credit agreement provides for a non-revolving term loan facility which has been fully drawn. Principal repayments commenced in January 2010. The Company's proportionate share of the principal balance outstanding at June 30, 2010 was $7,058.

Borrowings under Universal's demand operating facility are available by way of a combination of overdrafts and letters of credit. As at June 30, 2010, the Company's proportionate share was $562, all of which was represented by the issuance of letters of credit.

Universal expects that future cash flows from operations, the unutilized balance of its operating credit facility and, to the extent required, further advances from the joint venture partners, will be sufficient to satisfy its obligations as they become due.

Universal was in compliance with the financial covenants under its credit agreement as at June 30, 2010 and anticipates that it will maintain compliance throughout the coming year.

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, is disclosed in the table of contractual obligations in the annual MD&A included with the Company's 2009 Annual Report and in Note 11 to the interim Consolidated Financial Statements.

With respect to contractual obligations outstanding as at June 30, 2010, material changes included the issuance of subordinated secured debentures on February 26, 2010. Additional changes included reductions of the remaining balances of the Company's purchase obligations under the natural gas supply and transportation contracts. These are more fully described in Note 11 to the interim Consolidated Financial Statements.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

Continuing Operations	**June 30**		**March 31**		**December 31**		**September 30**	
	2010	**2009**	**2010**	**2009**	**2009**	**2008**	**2009**	**2008**
Net sales	$ 24,351	$ 18,278	$ 12,825	$ 7,457	$ 15,009	$ 14,268	$ 19,234	$ 27,427
Net income (loss)	$ 370	$ (3,245)	$ (3,626)	$ (6,256)	$ (2,320)	$ (9,907)	$ (77)	$ 2,458
Net income (loss) per share								
Basic	$ 0.03	$ (0.30)	$ (0.33)	$ (0.57)	$ (0.21)	$ (0.91)	$ (0.01)	$ 0.22
Diluted	$ 0.03	$ (0.30)	$ (0.33)	$ (0.57)	$ (0.21)	$ (0.91)	$ (0.01)	$ 0.22

Total	**June 30**		**March 31**		**December 31**		**September 30**	
	2010	**2009**	**2010**	**2009**	**2009**	**2008**	**2009**	**2008**
Net income (loss)	$ 370	$ (3,245)	$ (3,626)	$ (6,256)	$ (2,320)	$ (9,907)	$ (77)	$ 2,499
Net income (loss) per share								
Basic	$ 0.03	$ (0.30)	$ (0.33)	$ (0.57)	$ (0.21)	$ (0.91)	$ (0.01)	$ 0.23
Diluted	$ 0.03	$ (0.30)	$ (0.33)	$ (0.57)	$ (0.21)	$ (0.91)	$ (0.01)	$ 0.23

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:

Quarters ended June 30

The increase in net sales in the second quarter of 2010 compared to the same period in 2009 was primarily due to much higher shipments in the Masonry Products business segment corresponding to an increase in residential construction activity in Canada.

The improvement in operating results was the result of much higher sales, improved profit margins due to the positive impact on unit manufacturing costs of higher production volumes and the recording in 2009 of certain unusual charges, including the unrealized loss on derivative financial instruments, the loss on sale of a portion of the promissory note receivable and the loss on sale of properties held for sale.

Quarters ended March 31

Net sales in the first quarter of 2010 increased compared to the first quarter of 2009 due to significantly higher shipments of masonry products resulting from the increase in residential construction activity in Canada. The loss from continuing operations declined over the comparable period in 2009 primarily as a result of higher net sales and improved margins.

Quarters ended December 31

Net sales increased in the fourth quarter of 2009 over the same period in 2008 as a result of higher shipments of masonry and landscape products. Operating results for the quarter were impacted by higher interest costs and an increase in the provision for income taxes. In 2008, the Company recorded a goodwill impairment charge of $5,991, net of income taxes.

Quarters ended September 30

Operating results of continuing operations for the third quarter of 2009 compared to the third quarter of 2008 were impacted primarily by significantly lower shipments of masonry products, higher amortization charges and an increase in the loss incurred by Universal offset, in part, by improved operating performance in the Landscape Products business segment.

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 activity. Demand for landscape products fluctuates in accordance with the level of industrial, commercial and institutional construction activity and consumer spending.

On the strength of significantly higher new home sales which began in the second half of 2009, housing starts in the Company's Canadian markets increased substantially in the first half of 2010 over the same period in 2009. Sales of masonry products have increased accordingly. New home sales in the first half of 2010 were considerably greater than the first half of 2009.

In the Company's U.S. markets, sales of masonry products have continued to grow since the commencement of commercial operations of the new Indiana clay brick plant in the second quarter of 2009. However, housing starts in the U.S. remain at extremely low levels and significant sales growth may not be achieved until market conditions improve.

With respect to landscape products, sales in Canada in the first half of 2010 have benefitted from the improvement in general economic conditions. Sales in the Michigan based U.S. landscape business continue to be impacted by the severe contraction of the automotive industry and market conditions are expected to remain difficult.

As noted earlier, management of Universal anticipates that it will be in a position to resume normal operations near the end of the third quarter.

Effective July 1, 2010 the Ontario provincial government harmonized its retail sales tax system with the Federal goods and services tax ("GST"). The tax base and basic operational rules of the new harmonized sales tax ("HST") are substantially the same as the GST.

The vast majority of goods purchased by the Company are used directly in the manufacture of goods for sale. As such, these purchases were previously exempt from provincial sales tax. Under the new HST, the Company is required to pay provincial sales tax with respect to these purchases, but is also eligible to claim an input tax credit for the taxes paid.

Similarly, most services provided to the Company by third parties (e.g. audit and legal fees, consulting services) were previously exempt from provincial sales tax. After July 1, these services are subject to the HST, but are also eligible for an input tax credit.

Consequently, the impact of the HST on the Company should be tax neutral for goods purchased for use in the manufacturing process or for services provided by third parties.

Purchases of goods which are not used directly in the production of goods for sale, and upon which the Company previously paid provincial sales tax, are now eligible for an input tax credit. Previously there was no credit for the provincial sales taxes paid with respect to these purchases. However, as the Company has annual taxable sales in excess of $10,000, the provincial portion of the HST is not recoverable, for the first five years, for certain costs, including energy (except when used to produce goods for sale), telecommunication services, automobiles (including fuel, parts and services) and food, beverages and entertainment expenses. During the subsequent three year period, full input tax credits are to be phased in for these items.

Overall, the net effect of the provincial portion of the new HST is not expected to have a significant impact on the Company's operating results.

The imposition of the provincial portion of HST on goods sold by the Company, and the expected pass-through to the ultimate consumer of those goods, may have resulted in some work (e.g. new home construction, landscaping projects) being moved forward into the first half of the year, to the extent possible, to avoid the potential additional tax after July 1. While it is not possible to accurately determine the magnitude of such a shift in timing, the Company does not believe that it will have a material impact on aggregate sales volumes for the year.

Information with respect to transactions with related parties in 2010 is disclosed in Notes 4, 5, 9 and 12 to the interim Consolidated Financial Statements.

Information with respect to transactions with related parties for the year ended December 31, 2009 is disclosed in Notes 7, 8, 23 and 25 to Consolidated Financial Statements included in the Company's 2009 Annual Report.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at June 30, 2010 is disclosed in Note 7 to the interim Consolidated Financial Statements. There have been no changes to the date of the MD&A.

There have been no changes in the Company's internal control over financial reporting during the period ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

As previously reported, effective January 1, 2011 the Company, along with all other publicly accountable enterprises in Canada, will be required to prepare and report its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") rather than the current Canadian generally accepted accounting principles ("GAAP"). Although IFRS uses a conceptual framework similar to GAAP, there are a number of differences in the recognition, measurement and disclosure of assets, liabilities, revenues and expenses.

A comprehensive changeover plan has been prepared to address the impact IFRS will have on the consolidated financial statements as a result of these differences, as well as any required changes to business processes, information technology and data systems, internal controls, disclosure controls and loan covenants. The Company has reported on its progress under the plan in prior annual and quarterly reports to shareholders, commencing with the December 31, 2008 Annual Report.

Areas of accounting that were identified to have the highest potential financial statement impact include property, plant and equipment, impairment of assets, foreign currency translation, interests in joint ventures, financial statement presentation and disclosure and the initial adoption of IFRS under the provisions of IFRS 1, *First-Time Adoption of International Financial Reporting Standards*.

During the second quarter, the Company has continued its detailed analyses of the various accounting policy choices and alternative methodologies provided under IFRS prior to making its selections and to estimate the financial impact thereof. As these evaluations have not yet been completed, the full financial impact of adopting IFRS cannot be determined at this time. Final determination and approval of accounting policies and methodologies is expected to occur in the fourth quarter of 2010.

Following the final approval the Company will make the appropriate changes to its business processes, procedures and controls to ensure the integrity of internal control over financial reporting and disclosure controls and procedures. At this time, management has not identified any significant changes.

The Company has completed its assessment of its information technology and data systems and has determined that no significant modifications are expected to be required.

During the second quarter, all accounting and financial reporting personnel continued to receive additional training in IFRS. All members of the Audit Committee have been provided with extensive reading material pertaining to IFRS and the conversion from GAAP and two members of the Audit Committee attended a presentation on “IFRS for Directors”. The Audit Committee and Board of Directors continue to receive quarterly presentations and progress reports from management on the status of the conversion.

The Company has engaged its auditors, PricewaterhouseCoopers LLP, to provide certain advisory services pertaining to the conversion from GAAP to IFRS.

The Company’s Annual Report and Annual Information Form for the year ended December 31, 2009 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders held on May 12, 2010 may be found on SEDAR at www.sedar.com.

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 2009 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 June 30, 2010 and June 30, 2009 have not been reviewed by the Company’s auditors.

BRAMPTON BRICK Limited

Consolidated Balance Sheets

(unaudited) (in thousands of dollars)	June 30 2010	December 31 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 8,033	$ 2,868
Accounts receivable	11,646	6,678
Inventories	18,602	17,809
Income taxes recoverable	1,648	1,730
Future income taxes	432	896
Other current assets	874	737
Promissory note receivable, current (note 4)	1,368	1,335
	42,603	32,053
Property, plant and equipment, at cost	252,813	251,138
Less: Accumulated amortization	(102,282)	(97,158)
	150,531	153,980
Other assets		
Future income taxes	–	21
	$ 193,134	$ 186,054
LIABILITIES		
Current liabilities		
Bank operating advances (note 5)	$ 1,160	$ 750
Accounts payable and accrued liabilities	14,447	10,866
Income taxes payable	891	1,572
Long-term debt, current portion (note 5)	3,617	4,626
Derivative financial instrument, current (note 6)	734	867
Asset retirement obligation	272	100
	21,121	18,781
Long-term debt, less current portion (note 5)	45,417	37,583
Derivative financial instrument, non-current (note 6)	986	917
Future income taxes	6,628	6,701
Asset retirement obligation	845	827
	74,997	64,809
Non-controlling interests	1,478	1,446
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	33,689	33,689
Contributed surplus (note 8)	1,475	1,359
Retained earnings	85,324	88,580
Accumulated other comprehensive loss	(3,829)	(3,829)
	116,659	119,799
	$ 193,134	$ 186,054

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

Consolidated Statements of Operations

BRAMPTON BRICK Limited

(unaudited) (in thousands of dollars, except per share amounts)	Three months ended June 30 2010	2009	Six months ended June 30 2010	2009
Net sales	**$ 24,351**	$ 18,278	**$ 37,176**	$ 25,735
Cost of goods sold	**16,182**	13,251	**26,756**	22,832
Selling, general and administrative expenses	**2,921**	2,856	**5,890**	5,565
Amortization	**2,591**	3,044	**5,147**	5,462
	21,694	19,151	**37,793**	33,859
Operating income (loss) before the undernoted items	**2,657**	(873)	**(617)**	(8,124)
Other (expense) income				
Interest on long-term debt	**(991)**	(487)	**(1,866)**	(958)
Other interest expense (net)	**(268)**	(83)	**(474)**	(61)
Foreign currency exchange (loss) gain	**(33)**	192	**69**	291
Other income (expense)	**5**	(81)	**30**	(48)
	(1,287)	(459)	**(2,241)**	(776)
Income (loss) before the following items	**1,370**	(1,332)	**(2,858)**	(8,900)
(Loss) gain on derivative financial instrument (note 6)	**(145)**	(2,140)	**64**	(2,140)
Loss on sale of promissory note (note 4)	**–**	(269)	**–**	(269)
Loss on sale of property held for sale (note 9)	**–**	(190)	**–**	(190)
Income (loss) before income taxes and non-controlling interests	**1,225**	(3,931)	**(2,794)**	(11,499)
(Provision for) recovery of income taxes				
Current	**(876)**	(152)	**(478)**	1,086
Future	**38**	788	**48**	875
	(838)	636	**(430)**	1,961
Income (loss) before non-controlling interests	**387**	(3,295)	**(3,224)**	(9,538)
Non-controlling interests	**(17)**	50	**(32)**	37
Net income (loss) for the period	**$ 370**	$ (3,245)	**$ (3,256)**	$ (9,501)
Net income (loss) per Class A and Class B share (note 3)				
Basic	**$ 0.03**	$ (0.30)	**$ (0.30)**	$ (0.87)
Diluted	**$ 0.03**	$ (0.30)	**$ (0.30)**	$ (0.87)

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 June 30 **2010**	2009	Six months ended June 30 **2010**	2009
Cash provided by (used for) activities of continuing operations				
Operating activities				
Net income (loss) from continuing operations for the period	**$ 370**	$ (3,245)	**$ (3,256)**	$ (9,501)
Items not affecting cash and cash equivalents				
Amortization and accretion	**2,597**	3,056	**5,162**	5,485
Future income taxes	**(38)**	(788)	**(48)**	(875)
Non-controlling interests	**17**	(50)	**32**	(37)
Unrealized foreign currency exchange gain	**(13)**	(181)	**(70)**	(296)
Loss on disposal of property, plant and equipment	**7**	2	**7**	2
Loss on sale of property held for sale (note 9)	**–**	190	**–**	190
Loss on sale of promissory note (note 4)	**–**	269	**–**	269
Loss (gain) on derivative financial instruments (note 6)	**145**	2,140	**(64)**	2,140
Other	**94**	61	**202**	108
	3,179	1,454	**1,965**	(2,515)
Changes in non-cash operating items				
Accounts receivable	**(1,940)**	(4,761)	**(5,029)**	(4,547)
Inventories	**(151)**	1,611	**(793)**	2,168
Accounts payable and accrued liabilities	**3,045**	1,725	**3,623**	(103)
Income taxes payable (net)	**887**	(940)	**(141)**	(2,267)
Other	**5**	513	**(147)**	208
	1,846	(1,852)	**(2,487)**	(4,541)
Payments of asset retirement obligation	**(47)**	(194)	**(48)**	(194)
Cash provided by (used for) operating activities of continuing operations	**4,978**	(592)	**(570)**	(7,250)
Investing activities				
Purchase of property, plant and equipment	**(845)**	(2,158)	**(1,485)**	(6,616)
Proceeds from sale of promissory note (note 4)	**–**	3,793	**–**	3,793
Proceeds from sale of property held for sale (note 9)	**–**	1,200	**–**	1,200
Proceeds from disposal of property, plant and equipment	**1**	3	**1**	3
Cash provided by (used for) investment activities of continuing operations	**(844)**	2,838	**(1,484)**	(1,620)
Financing activities				
Increase (decrease) in bank operating advances	**(4,360)**	(9,546)	**410**	(1,851)
Issuance of subordinated debentures (note 5)	**18**	–	**7,523**	–
Increase in term loans	**–**	29,389	**–**	32,389
Repayment of term loans	**(239)**	(20,262)	**(564)**	(20,264)
Payments on obligations under capital leases	**(76)**	(102)	**(156)**	(200)
Cash provided by (used for) financing activities of continuing operations	**(4,657)**	(521)	**7,213**	10,074
Net cash used for discontinued operations	**–**	–	**–**	(62)
Foreign exchange on cash held in foreign currency	**16**	127	**6**	258
Increase (decrease) in cash and cash equivalents	**(507)**	1,852	**5,165**	1,400
Cash and cash equivalents at the beginning of the period	**8,540**	1,636	**2,868**	2,088
Cash and cash equivalents at the end of the period	**$ 8,033**	$ 3,488	**$ 8,033**	$ 3,488
Supplementary information				
Interest paid	**$ 1,105**	$ 541	**$ 2,106**	$ 873
Income taxes paid	**$ 67**	$ 1,092	**$ 721**	$ 1,240

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

Consolidated Statements of Retained Earnings

BRAMPTON BRICK Limited

(unaudited) (in thousands of dollars)	Three months ended June 30 **2010**	2009	Six months ended June 30 **2010**	2009
Balance at the beginning of the period	**$ 84,954**	$ 94,222	**$ 88,580**	$ 100,478
Net income (loss) for the period	**370**	(3,245)	**(3,256)**	(9,501)
Balance at the end of the period	**$ 85,324**	$ 90,977	**$ 85,324**	$ 90,977

Consolidated Statements of Comprehensive Income (Loss)

(unaudited) (in thousands of dollars)	Three months ended June 30 **2010**	2009	Six months ended June 30 **2010**	2009
Net income (loss) for the period	**$ 370**	$ (3,245)	**$ (3,256)**	$ (9,501)
Other comprehensive income				
Gain on cash flow hedge, net of taxes (note 6)	**–**	646	**–**	702
Cumulative losses on derivatives designated as cash flow hedges at June 29, 2009 transferred to net income, net of taxes, (note 6)	**–**	1,562	**–**	1,562
Comprehensive income (loss) for the period	**$ 370**	$ (1,037)	**$ (3,256)**	$ (7,237)

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

Notes to Consolidated Financial Statements

June 30, 2010 and 2009 (Unaudited) (in thousands of dollars)

1. BASIS OF PRESENTATION

The interim consolidated financial statements as at June 30, 2010 and for the three and six month periods ended June 30, 2010 and 2009 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 six month periods ended June 30, 2010 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 ("GAAP") 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, 2009.

2. FUTURE CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2011 the Company will be required to prepare and report its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"). Accordingly, the conversion from GAAP to IFRS will be applicable to the Company's reporting for the first quarter ending March 31, 2011. The 2010 comparative information to be included with the 2011 interim and annual consolidated financial statements must also be prepared utilizing IFRS. However, throughout 2010, including the 2010 year-end, the Company's consolidated financial statements will continue to be reported in accordance with current GAAP.

The Company has not yet completed its evaluation of the various accounting policy choices and alternative methodologies provided under IFRS. Consequently, the full financial impact of adopting IFRS cannot be determined at this time.

3. NET INCOME (LOSS) PER SHARE

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

	Three months ended June 30		**Six months ended June 30**	
(in thousands)	**2010**	2009	**2010**	2009
Basic	**10,937**	10,937	**10,937**	10,937
Diluted	**10,955**	10,937	**10,937**	10,937

4. PROMISSORY NOTE RECEIVABLE

The promissory note receivable arose on the sale of the medical waste assets and business operations in October 2007.

On April 9, 2009, the Company sold an undivided, co-ownership interest, representing approximately 59.9%, in the proceeds of the promissory note receivable, including future interest payments, for cash proceeds of $3,793, resulting in a loss of $269. The Company has provided a guarantee to secure repayment of the proceeds to the purchaser when due. Three directors of the Company have a minority interest in the purchaser.

At June 30, 2010, the Company's share of the outstanding principal amount was $1,368 (December 31, 2009 – $1,335) which is due October 2010, 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 principal and interest are secured by a letter of credit from a major financial institution.

5. BANK OPERATING ADVANCES AND LONG-TERM DEBT

Bank operating credit facilities of the Company, excluding Universal Resource Recovery Inc. ("Universal"), are demand facilities and are secured primarily by accounts receivable and inventories of the Company's Masonry Products and Landscape Products business segments in both Canada and the U.S. The actual amount that the Company may borrow is determined based on standard margin formulas for accounts receivable and inventories, which amount is reduced by the amount of the mark-to-market exposure of the interest rate swap.

Aggregate credit facilities at June 30, 2010 totaled $12,000. Utilization as at June 30, 2010 totaled $3,223, including $343 for outstanding letters of credit and $1,720 for the mark-to-market exposure on the interest rate swap.

On February 26, 2010, the Company completed a subordinated secured debenture financing in the amount of $9,000. The debentures have a three year term and are secured by a second ranking security interest in the Company's real estate and production equipment utilized in the Masonry Products and Landscape Products business segments in Ontario. The rate of interest is fixed at 10.0%. In addition, the Company paid an up-front fee of 2.0% to subscribers.

The subordinated debenture was recorded for accounting purposes at its fair value which, net of transaction costs incurred in the amount of $377, amounted to $8,623 and is being carried at amortized cost. The transaction costs are being amortized over the term of the loan resulting in an effective interest rate of 11.89%. As at June 30, 2010 the unamortized transaction costs were $334.

In connection with this debenture issue, parties, including a Director of the Company, holding an indirect interest in $1,100 of the $3,000 promissory note payable, which was due but not paid on December 7, 2009, subscribed for an equal or greater principal amount of the debenture issue. The remaining parties, holding an indirect interest in $1,900 of the $3,000 promissory note payable and who include a Director of the Company, agreed to accept a new unsecured promissory note with identical terms and conditions as the previous promissory note, except that the new promissory note is due and payable in full on September 30, 2010.

All of the transactions closed concurrently. Substantially all of the debentures were acquired by insiders of the Company or by persons associated with or related to them.

Universal's operating and term credit facilities are secured by substantially all of its assets and undertakings and a guarantee in the amount of $6,500 from each of the joint venture partners.

6. DERIVATIVE FINANCIAL INSTRUMENTS

In July 2007, the Company entered into an interest rate swap contract to hedge the risk arising from variability of cash flows related to anticipated borrowings under its term bank facility. The swap commenced in January 2008 with a notional principal amount of $3,000, increasing to $20,000 by 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 under the swap contract is 5.16%.

On inception, the swap contract was designated as an effective cash flow hedge and unrealized gains and losses, net of related income taxes, were recorded in Other comprehensive income (loss). For the period April 1, 2009 to June 29, 2009, the Company recorded an unrealized gain of $646, net of income taxes of $239, not affecting current period earnings, in Other comprehensive income in connection with the interest rate swap. For the period January 1, 2009 to June 29, 2009, the Company recorded an unrealized gain of $702, net of income taxes of $259.

On June 29, 2009, the Company entered into a new fixed-rate term financing agreement and repaid its term bank loan. The repayment of the term bank loan resulted in the interest rate swap contract no longer being an effective cash flow hedge. Consequently, the cumulative unrealized loss of $2,140 as at June 29, 2009 was charged to operations at that time and a future income tax recovery in the amount of $578 was recorded in respect of this charge.

Subsequent to June 29, 2009, changes in the fair value of the interest rate swap are reflected in the Consolidated Statements of Operations. As at June 30, 2010 the fair value of the interest rate swap was a liability of $1,720 of which $734 (December 31, 2009 – $867) and $986 (December 31, 2009 – $917) have been classified as current and non-current derivative financial liabilities, respectively.

7. CAPITAL STOCK

The authorized capital of the Company consists of an unlimited number of Preference shares, Class A shares and Class B shares. The Class B shares are convertible into Class A shares on a share-for-share basis at any time. Class A shares may be converted into Class B shares in certain circumstances in connection with a takeover bid. Class A shareholders are entitled to one vote per share and Class B shareholders are entitled to ten votes per share at any meeting of shareholders.

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.

At June 30, 2010, issued and outstanding capital stock consisted of 8,507,554 Class A shares (December 31, 2009 – 8,507,554) and 2,429,000 Class B shares (December 31, 2009 – 2,429,000).

No Class A shares were issued under the Company's Stock Option Incentive Plan during the three and six month periods ended June 30, 2010 (June 30, 2009 – Nil).

8. 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, 2009 – 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 June 30, 2010, a total of 250,865 (December 31, 2009 – 374,865) stock options were available for grant under the Plan.

On March 24, 2010, the Company granted stock options to nine senior executive officers and to all non-management members of the Board of Directors of the Company to acquire an aggregate of 124,000 Class A shares at the market price of $5.76 per share. Each option vested 20% on the date immediately following the date of the 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 $1.31, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.2%
Expected life	7.9 years
Volatility	28%
Expected dividend yield	3.5%

The total compensation cost charged against income for the quarter ended June 30, 2010 with respect to all stock options granted after January 1, 2002 was $40 (2009 – $61). The year-to-date cost was $116 (2009 – $108). The Company did not record compensation cost with respect to stock options granted prior to January 1, 2002, of which 7,500 options remain outstanding at June 30, 2010.

As at June 30, 2010, an aggregate of 603,400 stock options were outstanding, of which 379,700 were fully vested and exercisable by the holders thereof at a weighted average exercise price of $11.22 per share.

9. SALE OF PROPERTY HELD FOR SALE

Properties held for sale were sold on June 17, 2009 for net proceeds of $1,200, resulting in a loss of $190, after deducting additional costs of $343 incurred prior to disposition. Two directors of the Company held a minority interest in the purchaser.

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, the promissory note receivable and, in the first half of 2009, property which was surplus to the Company's requirements. These properties were sold in June 2009 (Note 9).

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, and sales of accessory products for use in residential construction and institutional, commercial and industrial building projects.

Segmented information, with comparative information for 2009, is as follows:

	Three months ended June 30		Six months ended June 30	
(in thousands)	**2010**	2009	**2010**	2009
i) Net sales	**$**	$	**$**	$
Masonry Products	**15,308**	9,858	**26,741**	15,541
Landscape Products	**8,509**	7,715	**9,220**	8,528
Other	**534**	705	**1,215**	1,666
Consolidated net sales	**24,351**	18,278	**37,176**	25,735
ii) Operating income (loss)				
Masonry Products	**2,078**	(594)	**1,868**	(4,733)
Landscape Products	**1,202**	326	**(1,259)**	(2,489)
Other	**(623)**	(605)	**(1,226)**	(902)
Consolidated operating income (loss)	**2,657**	(873)	**(617)**	(8,124)

	June 30 2010	Dec. 31 2009
iii) Total assets	**$**	$
Masonry and Landscape Products	**176,968**	169,203
Other	**16,166**	16,851
Consolidated total assets	**193,134**	186,054

Certain long-term assets are used for both the Masonry Products and Landscape Products business segments. Assets do not form part of management's evaluation of performance of individual business units and therefore are not reported on a segmented basis.

11. COMMITMENTS AND CONTINGENCIES

Future minimum lease payments due as at June 30, 2010 under yard, mobile equipment and vehicle operating leases are as follows:

	$
2010	109
2011	180
2012	119
2013	71
2014	19
	498

As at June 30, 2010, the Company (excluding Universal) had commitments with suppliers to purchase production equipment totaling $726.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at June 30, 2010, the Company has contracted for most of the balance of its estimated 2010 natural gas supply requirements at an aggregate estimated cost of $1,245, none of which was at fixed prices, and for most of the balance of its estimated 2010 transportation requirements at an aggregate estimated cost of $293, of which approximately 63% was at fixed prices. The potential unrealized gain on the fixed price contracts was approximately $32 (2009 – unrealized loss of $248), which was not taken to income since these are supply 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 in connection with certain governmental operating permits. The aggregate amount of letters of credit outstanding as at June 30, 2010 was $343 (December 31, 2009 – $356).

The Company has provided a guarantee in the amount of $6,500 to Universal's banker as additional security for Universal's credit facilities.

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 4.6% (2009 – 2.4%) of net sales in aggregate for the three month period and 6.8% (2009 – 3.3%) for the six month period ended June 30, 2010. Purchases from related parties amounted to $37 for the three month period (2009 – $42) and $250 (2009 – $68) for the six month period ended June 30, 2010.

A former director, who retired from the Board on May 12, 2010, is a senior partner in the law firm which acts as general counsel to the Company. Fees for services rendered by that firm for the period from April 1, 2010 to May 12, 2010 amounted to $32 (2009 – $192 for the quarter) and for the period from January 1, 2010 to May 12, 2010 was $176 (2009 – $226 for the six month period). Accounts payable to this firm as at June 30, 2010 was $95 (2009 – $196).

Other related party transactions have been described in notes 4, 5 and 9.

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.

13. SEASONAL FLUCTUATIONS

The Company's business is seasonal. Consequently, the results of operations and cash flows for the three and six month periods ended June 30, 2010 are not necessarily indicative of the results to be expected for the full year.

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