

BRAMPTON BRICK



THIRD QUARTER
REPORT 2010

BRAMPTON
BRICK
Limited

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2010
PREPARED AS OF NOVEMBER 4, 2010

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended September 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 September 30

For the third quarter ended September 30, 2010, the Company recorded net income of \$281, or \$0.03 per share, compared to a loss of \$77, or \$0.01 per share, for the third quarter of 2009. The basic 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 of \$20,616 reflected an increase of \$1,382 over net sales of \$19,234 for the same period in 2009. The improvement in net sales was the result of a 19.0% increase in net sales in the Masonry Products business segment. This increase was partially offset by a small decrease in net sales in the Landscape Products business segment and in the Company's 50% share of net sales of the waste composting operations of Universal Resource Recovery Inc. ("Universal").

Selling, general and administrative expenses increased due to higher advertising and marketing costs related to the introduction of new products and higher personnel costs.

Operating income for the quarter, before interest and other items, was \$1,584, representing an improvement of \$466 over operating income of \$1,118 reported in the third quarter of 2009.

Interest on long-term debt increased by \$255 to \$1,032 due to higher term debt outstanding during the third quarter of 2010 compared to the same period in 2009.

The Company recorded a foreign currency exchange gain of \$37 for the third quarter ended September 30, 2010. In 2009, a strengthening Canadian dollar and higher net monetary liabilities denominated in a foreign currency produced a gain of \$161.

The provision for income taxes for the third quarter of 2010 reflected an effective income tax rate of approximately 10.8%. In 2009 the recovery of income taxes reflected an effective rate of 114.9%. 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.

Nine months ended September 30

For the nine months ended September 30, 2010, the Company incurred a loss of \$2,975, or \$0.27 per share, compared to a loss of \$9,578, or \$0.88 per share, for the nine months ended September 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 nine month period were \$57,792, an increase of \$12,823 over the same period in 2009. Significantly higher sales in the Masonry Products business segment and a small increase in net

sales in the Landscape Products business accounted for the improvement over 2009. Net sales of Universal declined compared to last year and the Company's 50% share decreased accordingly.

Year-to-date operating results have been positively impacted by substantially higher production volumes in both the Masonry Products and Landscape Products business segments. The increase in production volumes has resulted in a reduction in per unit manufacturing costs. The combination of higher net sales and lower per unit manufacturing costs has led to a substantial improvement in profit margins.

Variances in interest on long term debt, foreign currency exchange gain and the provision for, or recovery of, income taxes reflect substantially the same factors as outlined above for the three month period.

For the nine month period ended September 30, 2010, the Company reported operating income, before interest and other items, of \$967 compared to an operating loss of \$7,006 for the same period in 2009.

The loss for the nine month period to September 30, 2009 included the following unusual charges:

1. A provision of \$1,998 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 surplus properties held for sale.

After recording a recovery of income taxes in the estimated amount of \$807 in respect of these items, the impact on the loss for the nine month period in 2009 was \$1,650, or \$0.15 per share.

On June 29, 2009, the Company entered into a new \$30,000 fixed-rate, term financing agreement with a new lender and repaid its previous 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 against operations to reflect the unrealized loss on the interest rate swap. As at September 30, 2009 this amount was \$1,998.

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.

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

MASONRY PRODUCTS

Operating income increased by \$533 to \$1,068 in the third quarter of 2010 compared to operating income of \$535 for the same period in 2009. For the nine month period operating income was \$2,936 in 2010 compared to an operating loss of \$4,198 in 2009.

Net sales for the quarter were \$12,913, an increase of 19.0% over the third quarter in 2009. For the nine month period ended September 30, 2010, net sales increased by 50.2% to \$39,654 from \$26,396 last year.

Higher shipments of both clay brick and concrete masonry products in Canada resulted from a significant increase in the level of residential construction activity. Clay brick shipments from the Company's Indiana plant, which commenced production in the second quarter of 2009, also showed substantial increases over the last year for both the three and nine month periods.

Higher production volumes in 2010 resulted in lower per unit manufacturing costs which also contributed to the improvement in operating income.

Increases in advertising and marketing expenses and higher personnel costs partially offset the improvement in operating results noted above.

LANDSCAPE PRODUCTS

Operating income for the third quarter of 2010 was \$1,180 on net sales of \$7,597 compared to operating income of \$1,039 on net sales of \$8,042 in 2009.

For the nine month period to September 30, 2010, this business segment incurred an operating loss of \$79 on net sales of \$16,817, compared to an operating loss of \$1,450 on net sales of \$16,570 in 2009. Higher production volumes and improved manufacturing efficiencies have resulted in an 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 operated at significantly reduced capacity in the third quarter and throughout most of 2010 in order to address various operational and processing issues. It is anticipated that normal operations will resume shortly.

CASH FLOWS

Cash flow provided by operating activities of continuing operations totaled \$4,407 for the third quarter ended September 30, 2010 compared to \$3,814 for the same period last year. For the nine month period, cash provided by operating activities was \$3,837 compared to cash used in operations of \$3,434 in 2009.

The \$593 improvement in cash flow from operations for the quarter and the \$7,271 improvement for the year-to-date were attributable to improved operating results and the net change in non-cash working capital items.

Cash utilized for purchases of property, plant and equipment totaled \$1,083 for the quarter compared to \$2,765 in 2009, including \$2,115 incurred in connection with the construction of the Indiana clay brick plant. For the nine month period in 2010, purchases of property, plant and equipment totaled \$2,568, compared to \$9,381 in 2009, including \$7,012 related to the construction of the Indiana clay brick plant. During the third quarter of 2010, property, plant and equipment amounting to \$621 was acquired by means of capital leases and \$93 was acquired through vendor financing.

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 as described in Note 5 to the interim Consolidated Financial Statements. The new \$1,900 promissory note payable was repaid on September 30, 2010.

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 September 30, 2010 the unamortized transaction costs were \$302.

The final principal and interest payments due on October 2, 2010 under the promissory note receivable were received on September 29, 2010.

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.

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

FINANCIAL CONDITION

The Company's Masonry Products and Landscape Products business segments are seasonal in nature. 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 liquidity and cash availability.

The ratio of total liabilities to shareholders' equity was 0.62:1 at September 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 nine months ended September 30, 2010.

As at September 30, 2010, working capital was \$21,884, representing a working capital ratio of 2.12:1. 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 \$9,256 at September 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 September 30, 2010 was \$2,125, including \$334 for outstanding letters of credit and \$1,791 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 September 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 of \$15,000 which has been fully drawn. Monthly principal repayments which commenced in January 2010 have been deferred for the period August 2010 until November 2010 and will re-commence in December 2010. The Company's proportionate share of the principal balance outstanding at September 30, 2010 was \$6,881.

Borrowings under Universal's demand operating facility are available by way of a combination of overdrafts and letters of credit. As at September 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 September 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 September 30, 2010, material changes included the issuance of subordinated secured debentures on February 26, 2010 and the repayment of the \$1,900 promissory note payable on September 30, 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):

Total Operations	September 30		June 30		March 31		December 31	
	2010	2009	2010	2009	2010	2009	2009	2008
Net sales	\$ 20,616	\$ 19,234	\$ 24,351	\$ 18,278	\$ 12,825	\$ 7,457	\$ 15,009	\$ 14,268
Net income (loss)	\$ 281	\$ (77)	\$ 370	\$ (3,245)	\$ (3,626)	\$ (6,256)	\$ (2,320)	\$ (9,907)
Net income (loss) per share								
Basic	\$ 0.03	\$ (0.01)	\$ 0.03	\$ (0.30)	\$ (0.33)	\$ (0.57)	\$ (0.21)	\$ (0.91)
Diluted	\$ 0.03	\$ (0.01)	\$ 0.03	\$ (0.30)	\$ (0.33)	\$ (0.57)	\$ (0.21)	\$ (0.91)

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 September 30

Higher shipments in the Masonry Products business segment in 2010 resulted in an increase in net sales which resulted in an improvement in operating results. The variance in the provision for income taxes also contributed to the increase in net income compared to the same period in 2009.

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.

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.

Housing starts in the Company's Canadian markets have shown a substantial increase for the nine month period to September 30, 2010 over the same period in 2009. Sales of masonry products have increased accordingly.

In the Company's U.S. markets, sales of masonry products have continued to improve. However, as housing starts remain at historically low levels and economic conditions are improving only at a very gradual pace, particularly with respect to the housing industry, significant sales growth may not be achieved until market conditions improve.

With respect to landscape products, sales in Canada and the U.S. in 2010 have remained relatively stable. General economic conditions affecting the Canadian markets have improved. Market conditions affecting the Michigan based U.S. Landscape business are expected to remain difficult.

Both the Masonry Products and Landscape Products business segments have achieved good growth in sales volumes of new products. Further growth from these products as well as additional new products is expected.

As noted earlier, it is anticipated that normal operations will resume shortly.

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 believes that it will not 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 September 30, 2010 is disclosed in Note 7 to the interim Consolidated Financial Statements. There have been no changes to the issued and outstanding shares 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 September 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 its 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 most recently completed quarter, the Company has continued its detailed analyses of the various accounting policy choices and alternative methodologies provided under IFRS. A number of selections which the Company has concluded upon are outlined below. However, all evaluations have not yet been completed and, consequently, the full financial impact of adopting IFRS cannot be determined at this time.

To date, the Company has concluded on the following IFRS 1 elections and IFRS policy choices. However all such selections are subject to change pending final determination of all issues.

IFRS 1 EXEMPTIONS

a) Business combinations

IFRS 1 permits a first-time adopter to elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has concluded that it will elect to not retrospectively apply IFRS 3 to business combinations that occurred prior to January 1, 2010 and such business combinations will not be restated.

b) Cumulative translation differences

IFRS1 permits a first-time adopter to not comply with the requirements of IAS 21 *The Effects of Changes in Foreign Exchange Rates* for cumulative translation differences that exist at the date of transition to IFRS. Retrospective application of IAS 21 would require the Company to recalculate cumulative translation differences from the date the Company’s U.S. subsidiaries were formed or acquired. IFRS 1 permits cumulative translation differences for foreign operations computed under GAAP to be deemed to be zero at the date of transition to IFRS. The Company has concluded that it will elect to reset its cumulative translation differences as at January 1, 2010 to zero and adjust the opening retained earnings by the same amount.

c) Borrowing costs

IAS 23, *Borrowing Costs*, requires that borrowing costs directly attributable to the acquisition, production and construction of a qualifying asset to be capitalized, if incurred on or after January 1, 2009. IFRS 1 permits a first-time adopter to elect not to capitalize borrowing costs prior to the

date of transition. The Company has concluded that it will elect not to capitalize certain borrowing costs pertaining to the construction of its Indiana clay brick manufacturing facility which were incurred prior to January 1, 2010 and which were previously expensed under GAAP.

IFRS ACCOUNTING POLICY CHANGES

a) Accounting for joint ventures

The Company's 50% interest in Universal is accounted for under GAAP using the proportionate consolidation method. On transition to IFRS, the Company has concluded that it will utilize the equity method to account for this investment. The impact on the opening balance sheet as at January 1, 2010 will be a reduction of total assets and total liabilities.

The Company's proportionate share of Universal's net sales, expenses and cash flows will be excluded, on a line by line basis, from the Consolidated Statements of Operations and Cash Flows and replaced with a one line notation of the equity income or loss and the cash inflows or cash outflows, respectively. However, there will be no change in the consolidated results of operations or net cash flows for the year.

b) Foreign currency translation

The Company's U.S. subsidiaries are currently classified under GAAP as integrated and accounted for under the temporal method. Under this method, monetary assets and liabilities of the Company's subsidiaries are translated into Canadian dollars at the exchange rates in effect at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at the exchange rates in effect at the dates of the transactions. Revenues and expenses are translated at average exchange rates prevailing during the period. Unrealized gains or losses are recognized in the income statement.

On transition to IFRS, the Company will be required to translate all assets and liabilities included in the financial statements of its U.S. subsidiaries into Canadian dollars at the exchange rates in effect at the balance sheet dates. Revenues and expenses will be translated at average exchange rates prevailing during the period. Translation gains or losses will be reflected in other comprehensive income. The impact on the January 1, 2010 opening balance sheet will be a reduction of total assets and a reduction of retained earnings.

c) Property, plant and equipment – cost model vs. revaluation model

After transition to IFRS, and after initial recognition, the Company can elect to utilize the cost model or the revaluation model as its accounting policy, on a class by class basis, for property, plant and equipment. The Company has elected to utilize the cost model. After initial recognition, property, plant and equipment will be carried at its cost less accumulated depreciation and any accumulated impairment losses.

d) Income statement presentation – nature vs. function

IFRS provides a choice in the classification of expenses by either nature or function. The Company will classify expenses by function as it more closely resembles the current method of presentation. Additional details on the nature of expenses will be disclosed in notes to the consolidated financial statements as required under IAS 1 *Presentation of Financial Statements*.

e) Other

The Company will be required to adopt IFRS accounting policies with respect to Share-based Compensation and Provisions for Decommissioning Costs (Asset Retirement Obligations). The impact on the opening balance sheet as at January 1, 2010 and on the results of operations is not expected to be material.

Under IFRS, all deferred tax assets and liabilities must be classified as non-current. Therefore, the future income tax asset of \$896 which was reflected in the December 31, 2009 balance sheet under current assets will be reclassified to non-current liabilities, along with any deferred tax liabilities that may arise on the IFRS transition adjustments on the opening balance sheet as at January 1, 2010.

The Company has not yet completed its assessment of all aspects of property, plant and equipment and impairment of assets under IFRS. Consequently, the full financial impact of adopting IFRS cannot be determined at this time. Final determination and approval of all accounting policies and methodologies is expected to occur in the fourth quarter of 2010.

The Company has completed its assessment of its business processes, procedures and controls with respect to internal control over financial reporting and disclosure controls and procedures. At this time, it is not expected that any significant changes will be required.

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 third quarter, all accounting and financial reporting personnel continued to receive additional training in IFRS. 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 September 30, 2010 and September 30, 2009 have not been reviewed by the Company's auditors.

Consolidated Balance Sheets



(unaudited) (in thousands of dollars)	September 30 2010	December 31 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 9,256	\$ 2,868
Accounts receivable	9,431	6,678
Inventories	21,631	17,809
Income taxes recoverable	8	1,730
Future income taxes	133	896
Other current assets	1,005	737
Promissory note receivable, current (note 4)	-	1,335
	41,464	32,053
Property, plant and equipment, at cost	254,588	251,138
Less: Accumulated amortization	(104,852)	(97,158)
	149,736	153,980
Other assets		
Future income taxes	-	21
	\$ 191,200	\$ 186,054
LIABILITIES		
Current liabilities		
Bank operating advances (note 5)	\$ -	\$ 750
Accounts payable and accrued liabilities	14,888	10,866
Income taxes payable	845	1,572
Long-term debt, current portion (note 5)	3,020	4,626
Derivative financial instrument, current (note 6)	663	867
Asset retirement obligation	164	100
	19,580	18,781
Long-term debt, less current portion (note 5)	44,542	37,583
Derivative financial instrument, non-current (note 6)	1,128	917
Future income taxes	6,628	6,701
Asset retirement obligation	849	827
	72,727	64,809
Non-controlling interests	1,495	1,446
SHAREHOLDERS' EQUITY		
Capital stock (note 7)	33,689	33,689
Contributed surplus (note 8)	1,513	1,359
Retained earnings	85,605	88,580
Accumulated other comprehensive loss	(3,829)	(3,829)
	116,978	119,799
	\$ 191,200	\$ 186,054

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

Consolidated Statements of Operations

(unaudited) (in thousands of dollars, except per share amounts)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Net sales	\$ 20,616	\$ 19,234	\$ 57,792	\$ 44,969
Cost of goods sold	13,314	12,481	40,070	35,312
Selling, general and administrative expenses	3,143	2,620	9,033	8,186
Amortization	2,575	3,015	7,722	8,477
	19,032	18,116	56,825	51,975
Operating income (loss) before the undernoted items	1,584	1,118	967	(7,006)
Other (expense) income				
Interest on long-term debt	(1,032)	(777)	(2,898)	(1,735)
Other interest expense (net)	(195)	(175)	(669)	(236)
Foreign currency exchange gain	37	161	106	452
Other income (expense)	11	(174)	41	(222)
	(1,179)	(965)	(3,420)	(1,741)
Income (loss) before the following items	405	153	(2,453)	(8,747)
(Loss) gain on derivative financial instrument (note 6)	(71)	142	(7)	(1,998)
Loss on sale of promissory note (note 4)	–	–	–	(269)
Loss on sale of property held for sale (note 9)	–	–	–	(190)
Income (loss) before income taxes and non-controlling interests	334	295	(2,460)	(11,204)
(Provision for) recovery of income taxes				
Current	(35)	(344)	(513)	742
Future	(1)	5	47	880
	(36)	(339)	(466)	1,622
Income (loss) before non-controlling interests	298	(44)	(2,926)	(9,582)
Non-controlling interests	(17)	(33)	(49)	4
Net income (loss) for the period	\$ 281	(77)	\$ (2,975)	\$ (9,578)
Net income (loss) per Class A and Class B share (note 3)				
Basic	\$ 0.03	\$ (0.01)	\$ (0.27)	\$ (0.88)
Diluted	\$ 0.03	\$ (0.01)	\$ (0.27)	\$ (0.88)

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		Nine months ended September 30	
	2010	2009	2010	2009
Cash provided by (used for) activities of continuing operations				
Operating activities				
Net income (loss) from continuing operations for the period	\$ 281	\$ (77)	\$ (2,975)	\$ (9,578)
Items not affecting cash and cash equivalents				
Amortization and accretion	2,582	3,021	7,744	8,507
Future income taxes	1	(5)	(47)	(880)
Non-controlling interests	17	33	49	(4)
Unrealized foreign currency exchange loss (gain)	37	26	(33)	(270)
Loss (gain) on derivative financial instruments (note 6)	71	(142)	7	1,998
Loss on sale of promissory note (note 4)	-	-	-	269
Loss on sale of property held for sale (note 9)	-	-	-	190
Loss on disposal of property, plant and equipment	-	-	7	2
Other	93	61	295	167
	3,082	2,917	5,047	401
Changes in non-cash operating items				
Accounts receivable	2,250	1,130	(2,779)	(3,417)
Inventories	(3,030)	(1,316)	(3,823)	852
Accounts payable and accrued liabilities	451	1,025	4,074	925
Income taxes payable (net)	1,892	393	1,751	(1,874)
Other	(136)	(276)	(283)	(68)
	1,427	956	(1,060)	(3,582)
Payments of asset retirement obligation	(102)	(59)	(150)	(253)
Cash provided by (used for) operating activities of continuing operations	4,407	3,814	3,837	(3,434)
Investing activities				
Purchase of property, plant and equipment	(1,083)	(2,765)	(2,568)	(9,381)
Proceeds from promissory note (note 4)	1,338	-	1,338	-
Proceeds from sale of promissory note (note 4)	-	-	-	3,793
Proceeds from sale of property held for sale (note 9)	-	-	-	1,200
Proceeds from disposal of property, plant and equipment	1	-	2	3
Cash provided by (used for) investment activities of continuing operations	256	(2,765)	(1,228)	(4,385)
Financing activities				
Decrease in bank operating advances	(1,160)	(10)	(750)	(1,861)
Issuance of subordinated debentures (note 5)	-	-	7,523	-
Repayment of promissory note (note 5)	(1,900)	-	(1,900)	-
Increase in term loans	-	-	-	32,388
Repayment of term loans	(242)	-	(806)	(20,264)
Payments on obligations under capital leases	(124)	(85)	(280)	(286)
Cash provided by (used for) financing activities of continuing operations	(3,426)	(95)	3,787	9,977
Net cash used for discontinued operations	-	-	-	(62)
Foreign exchange on cash held in foreign currency	(14)	(40)	(8)	218
Increase in cash and cash equivalents	1,223	914	6,388	2,314
Cash and cash equivalents at the beginning of the period	8,033	3,488	2,868	2,088
Cash and cash equivalents at the end of the period	\$ 9,256	\$ 4,402	\$ 9,256	\$ 4,402
Supplementary information				
Interest paid	\$ 1,234	\$ 870	\$ 3,340	\$ 1,743
Income taxes paid	\$ 67	\$ -	\$ 788	\$ 1,240

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

Consolidated Statements of Retained Earnings

(unaudited) (in thousands of dollars)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Balance at the beginning of the period	\$ 85,324	\$ 90,977	\$ 88,580	\$ 100,478
Net income (loss) for the period	281	(77)	(2,975)	(9,578)
Balance at the end of the period	\$ 85,605	\$ 90,900	\$ 85,605	\$ 90,900

Consolidated Statements of Comprehensive Income (Loss)

(unaudited) (in thousands of dollars)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Net income (loss) for the period	\$ 281	\$ (77)	\$ (2,975)	\$ (9,578)
Other comprehensive income				
Gain on cash flow hedge, net of taxes (note 6)	–	–	–	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
Comprehensive income (loss) for the period	\$ 281	\$ (77)	\$ (2,975)	\$ (7,314)

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

Notes to Consolidated Financial Statements

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

1. BASIS OF PRESENTATION

The interim consolidated financial statements as at September 30, 2010 and for the three and nine month periods ended September 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 nine month periods ended September 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.

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 September 30		Nine months ended September 30	
(in thousands)	2010	2009	2010	2009
Basic	10,937	10,937	10,937	10,937
Diluted	10,952	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. The final principal installment, plus interest, was received on September 29, 2010. The note, which was due on October 2, 2010, bore interest at a fixed rate of 3.5% per annum and had been discounted for accounting purposes at an effective rate of 5.0% per annum. The principal and interest were secured by a letter of credit from a major financial institution.

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 had 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.

5. BANK OPERATING ADVANCES AND LONG-TERM DEBT

Excluding Universal Resource Recovery Inc. ("Universal"), the Company has a \$12,000 operating credit facility. 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 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.

Utilization as at September 30, 2010 totaled \$2,125, including \$334 for outstanding letters of credit and \$1,791 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 September 30, 2010 the unamortized transaction costs were \$302.

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 was due in full on September 30, 2010. The new promissory note was repaid on the due date.

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

During the current quarter of 2010, property, plant and equipment amounting to \$621 was acquired by means of capital leases and \$93 was acquired through vendor financing.

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 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 September 30, 2010 the fair value of the interest rate swap was a liability of \$1,791 of which \$663 (December 31, 2009 – \$867) and \$1,128 (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 September 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 nine month periods ended September 30, 2010 (September 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 September 30, 2010, a total of 253,365 (December

31, 2009 – 374,865) stock options were available for grant under the Plan. During the third quarter ended September 30, 2010, 10,000 stock options were forfeited (2009 – Nil).

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%

On August 19, 2010, the Company granted stock options to a director of the Company to acquire an aggregate of 7,500 Class A shares at the market price of \$6.01 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 \$1.28, using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	2.5%
Expected life	7.9 years
Volatility	27%
Expected dividend yield	3.3%

The total compensation cost charged against income for the quarter ended September 30, 2010 with respect to all stock options granted after January 1, 2002 was \$38 (2009 - \$39). The year-to-date cost was \$154 (2009 - \$147). 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 September 30, 2010.

As at September 30, 2010, an aggregate of 600,900 stock options were outstanding, of which 379,200 were fully vested and exercisable by the holders thereof at a weighted average exercise price of \$11.23 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:

(in thousands)	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
i) Net sales	\$	\$	\$	\$
Masonry Products	12,913	10,855	39,654	26,396
Landscape Products	7,597	8,042	16,817	16,570
Other	106	337	1,321	2,003
Consolidated net sales	20,616	19,234	57,792	44,969
ii) Operating income (loss)				
Masonry Products	1,068	535	2,936	(4,198)
Landscape Products	1,180	1,039	(79)	(1,450)
Other	(664)	(456)	(1,890)	(1,358)
Consolidated operating income (loss)	1,584	1,118	967	(7,006)
			Sept. 30 2010	Dec. 31 2009
iii) Total assets			\$	\$
Masonry and Landscape Products			174,742	169,203
Other			16,458	16,851
Consolidated total assets			191,200	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 September 30, 2010 under yard, mobile equipment and vehicle operating leases are as follows:

	\$
2010	48
2011	180
2012	119
2013	71
2014	19
	437

As at September 30, 2010, the Company had commitments with suppliers to purchase production equipment totaling approximately \$662. In addition, the Company's share of commitments by Universal totaled approximately \$455.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at September 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 \$520, 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 \$154, of which 100% was at fixed prices. The potential unrealized gain on the fixed price contracts was approximately \$9 (2009 – unrealized loss of \$57), 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 September 30, 2010 was \$334 (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 3.6% (2009 – 1.8%) of net sales in aggregate for the three month period and 5.4% (2009 – 2.7%) for the nine month period ended September 30, 2010. Purchases from related parties amounted to \$146 for the three month period (2009 – \$66) and \$396 (2009 – \$108) for the nine month period ended September 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 January 1, 2010 to May 12, 2010 was \$176 (2009 – \$285 for the nine month period).

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 nine month periods ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year.



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