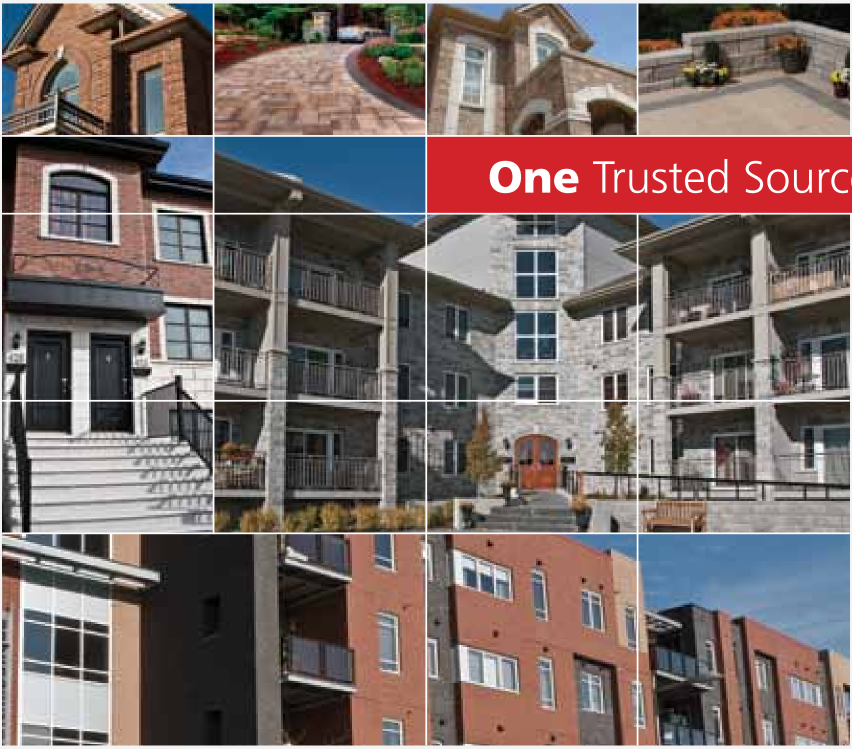

One Trusted Source

2012 Second Quarter Report

BRAMPTON
BRICK
Limited

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

FOR THE SECOND QUARTER ENDED JUNE 30, 2012
PREPARED AS OF AUGUST 8, 2012

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three and six month interim periods ended June 30, 2012 should be read in conjunction with the condensed interim consolidated financial statements as at and for the three and six month periods ended June 30, 2012, and with the audited 2011 annual consolidated financial statements and the 2011 annual MD&A included in the Company's 2011 Annual Report, which may be found on SEDAR at www.sedar.com. All amounts are stated in thousands of Canadian dollars, except per share amounts.

DISCUSSION OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2012

The Company recorded net income of $3,771, or $0.35 per share for the second quarter ended June 30, 2012, compared to a loss of $540, or $0.05 per share, for the second quarter of 2011. The aggregate weighted average number of Class A Subordinate Voting shares ("Class A shares") and Class B Multiple Voting shares ("Class B shares") outstanding was 10,936,554 in both periods.

Revenues for the quarter were $31,054 compared to $23,495 in 2011. The net increase of $7,559, or 32%, was due to an increase in shipments in both the Masonry Products and Landscape Products business segments.

Cost of sales for the quarter increased by 16% from 2011 compared to a 32% increase in revenues for the same period. The improved gross margin was due to increased production volumes of both masonry and landscape products in the second quarter of 2012 compared to 2011. Due to the relatively high-fixed cost nature of the Company's manufacturing facilities, large fluctuations in production levels have a material impact on per unit manufacturing costs and gross margins. As production volumes increase, the average production cost per unit decreases since fixed plant overhead is shared over an increased number of production units resulting in an improved gross margin.

Selling expenses and general and administrative expenses declined slightly during the quarter compared to the second quarter of 2011.

Overall, the revenue increase combined with the increase in production volumes in the second quarter contributed to a significant increase in operating income from $1,842 in 2011 to $6,114 in 2012, an increase of 232%.

Finance costs of $981 for the second quarter of 2012 declined by $310 from 2011. The decline in interest expense was due to lower debt balances outstanding during the quarter ended June 30, 2012, combined with the impact of differential payments in 2011 on the interest rate swap. The Company settled the interest rate swap contract on October 3, 2011.

The provision for income taxes of $1,364 and $314 for the second quarter of 2012 and 2011 respectively, relates solely to the pre-tax income of the Company's Canadian operations. The Company did not record a deferred tax asset with respect to the potential future income tax benefit pertaining to the loss incurred by its U.S. operations.

On June 20, 2012, Ontario's budget bill 114, approving the provincial general corporate income tax rate freeze at 11.5% was substantively enacted. Previously enacted corporate income tax rate reductions for 2012 and 2013 to 11.0% and 10.0%, respectively, were repealed. However, there was no change to the current 10% income tax rate on income from manufacturing and processing. Consequently, for the Company's Canadian operations, the combined federal (15%) and provincial (10%) current and deferred income tax rate remains at 25%.

SIX MONTHS ENDED JUNE 30, 2012

For the six months ended June 30, 2012, the Company recorded net income of $978, or $0.09 per share, compared to a loss of $4,965, or $0.45 per share, for the same period in 2011. The aggregate weighted average number of Class A shares and Class B shares outstanding was 10,936,554 in both periods.

Revenues for the six month period were $47,049, an improvement of $12,938 from the same period in 2011. An increase in clay brick shipments and higher sales volumes of landscape products, which was partly attributable to relatively favourable weather conditions in the first part of this year together with the continued growth in sales of concrete masonry products, including concrete block, contributed to the increase in revenues.

Cost of sales for the six months increased by 25% from 2011 compared to a 38% increase in revenues for the same period. The reasons for the improved margins are as noted above under the caption 'Discussion of Operations' for the three months ended June 30, 2012.

Selling expenses for the six months decreased by $213 in 2012 from the comparative period in 2011. Selling expenses were higher in 2011 due to increased advertising and marketing expenditures incurred to support the introduction of a number of new products.

General and administrative expenses increased by $101 from the prior year due to non-recurring employment related expenses.

Operating income of $3,827 reflected the improvement in both revenues and contribution margins for the six month period ended June 30, 2012 compared to an operating loss of $1,719 for the same period in 2011.

Finance costs for the six month period in 2012 decreased by $317 for the same reasons noted above under the caption 'Discussion of Operations' for the three months ended June 30, 2012. Additionally, a gain of $163 on the interest rate swap recorded in 2011 partially offset the decrease in 2012.

As noted under 'Discussion of Operations' for the three months ended June 30, 2012, the Company recorded a tax provision for income taxes only with respect to its Canadian operations. In 2011, a current income tax recovery of $696 was recorded to recognize non-capital losses pertaining to the Company's Canadian operations which were carried back to prior taxation years.

The Company has not recorded a deferred tax asset with respect to the potential future income tax benefit pertaining to the losses incurred by its U.S. operations.

More details with respect to each operating business segment follow:

MASONRY PRODUCTS

For the three month period ended June 30, 2012, the Masonry Products business segment reported operating income of $4,292 on revenues of $20,635 compared to $559 on revenues of $15,480 for the same period in 2011.

For the six month period ended June 30, 2012, this business segment recorded an operating income of $3,893 compared to an operating loss of $437 in 2011. Revenues for the six month period increased to $35,428 from $25,220, representing a 40% increase over 2011.

Brick shipments into the Canadian market were higher than last year due in part to favourable weather conditions in both the first and second quarters of this year. In the U.S. market, brick shipments increased over 2011 levels, although this market continues to be impacted by a historically low level of residential construction activity. In addition, the sale of new products, including concrete block, which was introduced into the Ontario market in April 2011, generated incremental revenues in both the first and second quarters of 2012. In total for the six months ended in 2012, brick production volumes increased by 16% over the prior year. This increase in production volumes positively affected gross margin and overall operating income for the period.

LANDSCAPE PRODUCTS

For the three month period ended June 30, 2012, the Landscape Products business segment reported operating income of $2,184 on revenues of $10,419 compared to $1,283 on revenues of $8,015 for the same period in 2011.

For the six month period ended June 30, 2012, this business segment recorded an operating income of $296 compared to an operating loss of $1,282 in 2011. Revenues for the six month period increased to $11,621 from $8,891, or 31%, in 2011.

The higher sales volume through the first six months of the year was due to a number of factors. Favourable weather conditions led to an early start to the selling season. As well, the Company benefitted from a higher market share, due in part to an expanded product portfolio and an increase in geographic market coverage.

UNIVERSAL RESOURCE RECOVERY INC. ("UNIVERSAL")

Universal is a joint venture which is accounted for by the Company using the equity method of accounting. The carrying value of the investment in Universal on the consolidated balance sheet is increased by advances from the Company and is increased or decreased by the Company's share of profit or loss of Universal. If the Company's share of losses equals or exceeds the carrying value of the investment in Universal, the Company does not recognize further losses, unless it had incurred legal or constructive obligations or made payments on behalf of Universal, of which there were none as at December 31, 2011 and as at June 30, 2012.

Universal suspended its commercial operations in June 2011. As at December 31, 2011, the carrying value of the investment in Universal on the Company's consolidated balance sheet was reduced to zero due to losses incurred from Universal's operations. Consequently, losses totaling $1,791, which exceeded the carrying value of the Universal investment as at December 31, 2011, were not recognized by the Company.

For the six month period ended June 30, 2012, Universal continued to incur certain fixed costs, including interest on debt, and facility occupancy costs. The Company's share of Universal's loss totaling $359 for the 2012 six month period, increased the cumulative unrecognized losses to $2,150.

The following table summarizes changes in the Company's carrying value of its investment in Universal, as well as cumulative unrecognized losses for the periods shown below.

	2011		2012
	January 1 to June 30	**July 1 to December 31**	**January 1 to June 30**
Company's investment in Universal			
Opening balance	$ 5,562	$ 5,930	$ –
Share of loss	(1,507)	(7,350)*	–
Shareholder advances	1,875	1,420	–
Ending balance	$ 5,930	$ –	$ –
Cumulative unrecognized losses			
Opening balance	$ –	$ –	**$ (1,791)**
Losses unrecognized	–	(1,791)	**(359)**
Ending balance	$ –	$ (1,791)	**$ (2,150)**

*The share of loss was limited to $7,350, as the investment was reduced to zero.

Effective January 1, 2012, management of Universal committed to an active program to locate a buyer for the sale of assets held in Universal. For the six months ended June 30, 2012, the Company advanced to Universal a total of $1,340. These advances were classified as a short term loan receivable, as management believes the Company will be repaid from the sale proceeds of Universal's assets following the settlement of Universal's senior ranking claims. In relation to this short term loan receivable, the Company has registered a mortgage on Universal's property located in Welland, Ontario, as security behind the bank's security. This short term loan receivable was used by Universal primarily to fund its scheduled bank debt repayments, which amounted to $795, as well as for debt financing expenses and certain fixed facility occupancy costs.

At the same time, Universal's continuing financial difficulties indicated a potential impairment of the Company's short term loan receivable. An impairment analysis based on the present value of estimated future cash flows concluded that the carrying value exceeded the fair value of the short term loan receivable. Accordingly, an impairment loss of $362 was recorded by the Company, reducing the short term loan receivable to its fair value of $978 as at June 30, 2012.

The Company will continue to fund its share of Universal's cash requirements until proceeds from the sale of Universal's assets are realized.

CASH FLOWS

Cash flow provided by operating activities increased to $1,629 for the period ended June 30, 2012 compared to cash flow used for operating activities of $4,929 in 2011. The increase in cash flow provided by operations was primarily due to the improvement in the operating results for 2012.

Cash utilized for purchases of property, plant and equipment totaled $1,881 for the six month period in 2012, compared to $1,920 in 2011.

During the second quarter of 2012, sale proceeds relating primarily to the sale of certain obsolete production equipment, which is no longer supported by the Company's operational processes, totaled $461.

Cash advances to Universal for the six month period ended June 30, 2011 totaled $1,875. These advances increased the carrying value of the investment in Universal, as they were utilized by Universal to finance its operational activities and capital expenditures incurred during the start-up period of its waste composting facility located in Welland, Ontario.

Information and discussion with respect to the 2012 loan receivable in the amount of $1,340 is contained above under the caption "Universal Resource Recovery Inc."

FINANCIAL CONDITION

The Company's Masonry Products and Landscape Products business segments are seasonal in nature. The Landscape Products business is affected by seasonality to a greater degree than the Masonry Products business. As a result of this seasonality, operating results are impacted accordingly and cash requirements are generally expected to increase through the first half of the year and decline through the second half of the year.

As at June 30, 2012, bank operating advances were $8,427. This represented an increase of $3,280 from the amount outstanding at December 31, 2011. The increase in bank operating advances was utilized to meet working capital requirements, capital expenditures and repayments of debt and finance lease obligations in the first half of 2012. Trade payables totaled $9,424 at June 30, 2012 compared to $9,026 at December 31, 2011.

The ratio of total liabilities to shareholders' equity attributable to owners of the parent was 0.54:1 at June 30, 2012 compared to 0.51:1 at December 31, 2011. The increase in this ratio from December 2011 to June 2012 was primarily due to the increase in bank operating advances, as noted above.

As at June 30, 2012, working capital was $7,310, representing a working capital ratio of 1.22:1. Comparable figures for working capital and the working capital ratio at December 31, 2011 were $13,137 and 1.65:1, respectively. The decline from December 31, 2011 is due to the inclusion in current liabilities of the subordinated debentures amounting to $8,917 which mature in February 2013. Excluding the subordinated debentures from current liabilities, the working capital ratio would be 1.65:1. Cash and cash equivalents totaled $1,075 at June 30, 2012 compared to $1,180 at December 31, 2011.

On October 4, 2011, the Company concluded arrangements from a Canadian bank to provide its operating credit requirements. The new facility provides for borrowings up to $20,000 based on margin formulae for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured primarily by trade receivables and inventories of the Company's Masonry Products and Landscape Products business segments in Canada and the U.S. The agreement also contains certain financial covenants. As at June 30, 2012 the borrowing base was $20,000 and the utilization was $8,679, including $8,427 for bank operating advances and $252 for outstanding letters of credit.

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 debt agreements as at June 30, 2012 and anticipates that it will maintain compliance throughout the 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 2011 Annual Report and in Note 12 to the condensed interim consolidated financial statements.

With respect to contractual obligations outstanding as at June 30, 2012, changes during the period include additions to finance lease obligations which were offset by payments of principal and interest on debt and finance lease obligations and operating leases. Additional changes included reductions of the remaining balances of the Company's purchase obligations under natural gas supply and transportation contracts. These are more fully described in Note 12 to the condensed interim consolidated financial statements.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

TOTAL OPERATIONS	June 30		March 31		December 31		September 30	
	2012	2011	2012	2011	2011	2010	2011	2010
Revenues	$ 31,054	$ 23,495	$ 15,995	$ 10,616	$ 19,595	$ 16,152	$ 26,307	$ 20,510
Net income (loss) attributable to owners of the parent	$ 3,771	$ (542)	$ (2,794)	$ (4,425)	$ 62	$ 799	$ (5,074)	$ 73
Net income (loss)	$ 3,771	$ (540)	$ (2,793)	$ (4,425)	$ 63	$ 784	$ (5,074)	$ 90
Net income (loss) per share								
Basic	$ 0.35	$ (0.05)	$ (0.26)	$ (0.40)	$ 0.00	$ 0.07	$ (0.46)	$ 0.01
Diluted	$ 0.34	$ (0.05)	$ (0.26)	$ (0.40)	$ 0.00	$ 0.07	$ (0.46)	$ 0.01

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

Higher shipping volumes in both the Masonry Products and Landscape Products business segments, combined with the increase in production volumes, resulted in a significant improvement in operating results in the second quarter of 2012.

QUARTERS ENDED MARCH 31

Operating results in the first quarter of 2012 improved on the strength of increased revenues in both the Masonry and Landscape Products business segments. Favourable weather conditions in the first quarter of 2012 compared to the same quarter in 2011 contributed to the reduction in operating loss for the three month period ended March 31, 2012.

QUARTERS ENDED DECEMBER 31

Operating results in the fourth quarter of 2011 were negatively impacted by higher manufacturing costs charged against operations due to lower production volumes compared to the same quarter in 2010. These increases were offset in part by higher revenues and lower depreciation expense.

QUARTERS ENDED SEPTEMBER 30

Excluding the additional impairment charge of $5,303, or $0.48 per share, related to the Company's investment in Universal, net income for the third quarter of 2011 improved compared to the same quarter in 2010, as a result of increased revenues and lower depreciation expense, partially offset by higher manufacturing costs charged against operations due to lower production volumes and higher yard and delivery expenses.

OTHER

Information with respect to 'Changes in Accounting Policies' is contained in the 2011 annual MD&A and in note 3 to the 2011 annual consolidated financial statements included in the Company's 2011 Annual Report. The condensed interim consolidated financial statements for the three and six months ended June 30, 2012 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2011.

Information with respect to 'Critical Accounting Estimates' is disclosed in the 2011 annual MD&A and in note 3 to the 2011 annual consolidated financial statements included in the Company's 2011 Annual Report. Since the issuance of the 2011 annual MD&A, there have not been any significant changes to the Company's critical accounting estimates.

Information with respect to transactions with related parties in 2012 is disclosed in Notes 5, 6 and 13 to the condensed interim consolidated financial statements for the three and six months ended June 30, 2012.

Information with respect to transactions with related parties for the year ended December 31, 2011 is disclosed in Notes 11 and 22 to the 2011 annual consolidated financial statements included in the Company's 2011 Annual Report.

The aggregate number of issued and outstanding Class A shares and Class B shares as at June 30, 2012 is disclosed in Note 8 to the condensed interim consolidated financial statements for the three and six months ended June 30, 2012. There have been no changes to the issued and outstanding shares to the date of the MD&A.

The aggregate number of outstanding stock options as at June 30, 2012 that were fully vested and convertible to Class A shares upon exercise by the option holders is disclosed in Note 9 to the condensed interim consolidated financial statements for the three and six months ended June 30, 2012. There have been no changes to the outstanding number of stock options to the date of the MD&A.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the period ended June 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional information relating to the Company, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2011 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders held on May 24, 2012 may be found on SEDAR at www.sedar.com.

OUTLOOK

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

Both business segments are seasonal with the Landscape Products business affected by seasonality to a greater degree than the Masonry Products business.

The positive business conditions for the Masonry Products business segment have continued through the second quarter and management is relatively optimistic that barring any unforeseen economic shocks, the Masonry Products business segment will surpass its 2011 annual sales numbers.

Initiatives introduced in the second half of 2011, including the introduction of new products and various marketing and customer service changes have helped to expand sales volumes through the first six months of the year. Indications are that this will continue through year end. Pricing in the Canadian market is expected to remain relatively stable.

Concrete block sales, a market which the Company entered in April 2011, should continue to demonstrate meaningful improvement. We expect gains from higher volumes and production efficiencies associated with higher plant capacity utilization levels.

The Company's U.S. markets are experiencing only a gradual recovery. Because the Company believes that production facilities in the region are operating well below capacity, pricing could remain challenging.

Sales of landscape products are expected to show growth in 2012 due to both favourable weather conditions experienced in the first half of this year and the Company's increased market share based on marketing initiatives that occurred in the second half of 2011 and into 2012.

The Company will continue to evaluate its investment in Universal Resource Recovery Inc. based on the decisions made by Universal's management regarding future direction and operations.

Certain statements contained herein constitute "forward-looking statements". All statements that are not historical facts are forward-looking statements, including, among others, statements regarding the expected repayment of the short term loan receivable from Universal, forecasts of sufficient cash flows from operations and other sources of financing, anticipated compliance with financial covenants under debt agreements, anticipated sales of masonry and landscape products, and other statements regarding future plans, objectives, results, business outlook and financial performance. There can be no assurance that such forward-looking statements will prove to be accurate.

Such forward-looking statements are based on information currently available to management, and are based on assumptions and analyses made by management in light of its experience and its perception of historical trends, current conditions and expected future developments, including, among others, assumptions regarding pricing, weather and seasonal expectations, production efficiency, and there being no significant disruptions affecting operations or other material adverse changes.

Such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: changes in economic conditions, including the demand for the Company's primary products and the level of new home, commercial and other construction; large fluctuations in production levels; fluctuations in energy prices and other production costs; changes in transportation costs; foreign currency exchange and interest rate fluctuations; legislative and regulatory developments; as well as those assumptions, risks, uncertainties and other factors identified and discussed under "Risks and Uncertainties" in the 2011 annual MD&A included in the Company's 2011 Annual Report and those identified and reported in the Company's other public filings (including the Annual Information Form for the year ended December 31, 2011), which may be accessed at www.sedar.com.

The forward-looking information contained herein is made as of the date hereof. Other than as specifically required by law, the Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of an interim financial report, the interim financial report must be accompanied by a notice indicating that the interim financial report has not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management.

No auditor has performed a review of these condensed interim consolidated financial statements.

Jeffrey G. Kerbel
President and Chief Executive Officer

Trevor M. Sandler
Vice President, Finance
and Chief Financial Officer

Dated as of the 8th day of August, 2012.

Condensed Interim Consolidated Balance Sheet

(unaudited)(in thousands of Canadian dollars)	Notes	June 30, 2012	December 31, 2011
ASSETS			
Current Assets			
Cash and cash equivalents		$ 1,075	$ 1,180
Trade and other receivables		17,151	9,964
Inventories		20,584	20,805
Income taxes recoverable	10	718	744
Loan receivable	5, 12	978	–
Other assets		665	597
		41,171	33,290
Non-current assets			
Property, plant and equipment	4	170,818	172,629
Total assets		$ 211,989	$ 205,919
LIABILITIES			
Current liabilities			
Bank operating advances	6	$ 8,427	$ 5,147
Trade payables		9,424	9,026
Income taxes payable	10	1,454	829
Current portion of debt	6, 13	12,018	3,091
Decommissioning provisions		78	50
Other liabilities		2,460	2,010
		33,861	20,153
Non-current liabilities			
Non-current portion of debt	6	26,131	35,166
Decommissioning provisions		956	950
Deferred income tax liabilities	10	13,464	13,163
Total liabilities		$ 74,412	$ 69,432
EQUITY			
Equity attributable to owners of the parent			
Share capital	8	$ 33,689	$ 33,689
Contributed surplus	9	1,871	1,801
Accumulated other comprehensive loss		(1,498)	(1,540)
Retained earnings		103,504	102,527
		137,566	136,477
Non-controlling interests		11	10
Total equity		$ 137,577	$ 136,487
Total liabilities and equity		$ 211,989	$ 205,919

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

BRAMPTON BRICK Limited

Condensed Interim Consolidated Statement of Comprehensive Income (Loss)

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenues	14	**$ 31,054**	$ 23,495	**$ 47,049**	$ 34,111
Cost of sales	4	**21,287**	18,299	**36,130**	29,014
Selling expenses		**1,667**	1,740	**3,528**	3,741
General and administrative expenses		**1,584**	1,626	**3,158**	3,057
Loss (gain) on sale of property, plant and equipment		**55**	(1)	**55**	(1)
Other (income) expense		**(15)**	(11)	**(11)**	19
Impairment loss on loan receivable	5	**362**	–	**362**	–
		24,940	21,653	**43,222**	35,830
Operating income (loss)	14	**6,114**	1,842	**3,827**	(1,719)
Finance (expense) income					
Finance costs	6, 7	**(981)**	(1,291)	**(1,893)**	(2,210)
Finance income		**2**	16	**4**	18
		(979)	(1,275)	**(1,889)**	(2,192)
Share of loss from investment in Universal Resource Recovery Inc.	5	**–**	(793)	**–**	(1,507)
Income (loss) before income taxes		**5,135**	(226)	**1,938**	(5,418)
(Provision for) recovery of income taxes	10				
Current		**(658)**	(153)	**(658)**	696
Deferred		**(706)**	(161)	**(302)**	(243)
		(1,364)	(314)	**(960)**	453
Net income (loss) for the period		**$ 3,771**	$ (540)	**$ 978**	$ (4,965)
Net income (loss) attributable to:					
Owners of the parent		**$ 3,771**	$ (542)	**$ 977**	$ (4,967)
Non-controlling interests		**–**	2	**1**	2
Net income (loss) for the period		**$ 3,771**	$ (540)	**$ 978**	$ (4,965)
Other comprehensive income (loss)					
Foreign currency translation		**$ 980**	$ (390)	**$ 42**	$ (1,540)
Total comprehensive income (loss) for the period		**$ 4,751**	$ (930)	**$ 1,020**	$ (6,505)
Total comprehensive income (loss) attributable to:					
Owners of the parent		**$ 4,751**	$ (932)	**$ 1,019**	$ (6,507)
Non-controlling interests		**–**	2	**1**	2
Total comprehensive income (loss) for the period		**$ 4,751**	$ (930)	**$ 1,020**	$ (6,505)
Net income (loss) per Class A and Class B share					
Basic	11	**$ 0.35**	$ (0.05)	**$ 0.09**	$ (0.45)
Diluted	11	**$ 0.34**	$ (0.05)	**$ 0.09**	$ (0.45)

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

Condensed Interim Consolidated Statement of Changes in Equity

(unaudited) (in thousands of Canadian dollars)	Notes	Attributable to owners of the parent Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total	Non-Controlling interest	Total Equity
Balance – January 1, 2011		**$ 33,689**	**$ 1,658**	**$ (2,616)**	**$ 112,506**	**$ 145,237**	**$ 112**	**$ 145,349**
(Loss) income for the period		–	–	–	(4,967)	**(4,967)**	2	**(4,965)**
Other comprehensive loss (net of taxes, $nil)		–	–	(1,540)	–	**(1,540)**	–	**(1,540)**
Comprehensive (loss) income for the period		**–**	**–**	**(1,540)**	**(4,967)**	**(6,507)**	**2**	**(6,505)**
Share-based compensation	9	–	86	–	–	**86**	–	**86**
Balance – June 30, 2011		**$ 33,689**	**$ 1,744**	**$ (4,156)**	**$ 107,539**	**$ 138,816**	**$ 114**	**$ 138,930**
Balance – January 1, 2012		**$ 33,689**	**$ 1,801**	**$ (1,540)**	**$ 102,527**	**$ 136,477**	**$ 10**	**$ 136,487**
Net income for the period		–	–	–	977	**977**	1	**978**
Other comprehensive income (net of taxes, $nil)		–	–	42	–	**42**	–	**42**
Comprehensive income for the period		**–**	**–**	**42**	**977**	**1,019**	**1**	**1,020**
Share-based compensation	9	–	70	–	–	**70**	–	**70**
Balance – June 30, 2012		**$ 33,689**	**$ 1,871**	**$ (1,498)**	**$ 103,504**	**$ 137,566**	**$ 11**	**$ 137,577**

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

Condensed Interim Consolidated Statement of Cash Flows

(unaudited)(in thousands of Canadian dollars)	Notes	Six months ended June 30, 2012	2011
Cash provided by (used for)			
Operating activities			
Net income (loss) for the period		**$ 978**	$ (4,965)
Items not affecting cash and cash equivalents			
Depreciation	4	**3,489**	3,433
Current income taxes	10	**658**	(696)
Deferred income taxes	10	**302**	243
Loss (gain) on sale of property, plant and equipment		**55**	(1)
Unrealized foreign currency exchange (gain) loss		**(16)**	28
Impairment loss on loan receivable	5	**362**	–
Gain on derivative financial instrument		**–**	(163)
Net interest expense	6	**1,888**	2,356
Share of loss from investment in Universal Resource Recovery Inc.	5	**–**	1,507
Other		**70**	86
		7,786	1,828
Changes in non-cash items			
Trade and other receivables		**(7,167)**	(7,876)
Inventories		**218**	(1,068)
Other assets		**(67)**	(74)
Trade payables		**445**	946
Income tax credits applied		**(4)**	5
Other liabilities		**460**	1,369
		(6,115)	(6,698)
Income tax payments		**(3)**	(5)
Payments for decommissioning of assets		**(39)**	(54)
Cash provided by (used for) operating activities		**1,629**	(4,929)
Investing activities			
Purchase of property, plant and equipment		**(1,881)**	(1,920)
Advances to Universal Resource Recovery Inc.	5	**–**	(1,875)
Loan receivable	5	**(1,340)**	–
Proceeds from sale of property, plant and equipment		**461**	1
Cash used for investing activities		**(2,760)**	(3,794)
Financing activities			
Increase in bank operating advances		**3,280**	9,473
Repayment of debt		**(152)**	(154)
Interest paid	6	**(1,719)**	(2,229)
Payments on obligations under finance leases		**(309)**	(196)
Payment of dividends by subsidiary to non-controlling interests	13	**(75)**	–
Cash provided by financing activities		**1,025**	6,894
Foreign exchange on cash held in foreign currency		**1**	(11)
Decrease in cash and cash equivalents		**(105)**	(1,840)
Cash and cash equivalents at the beginning of the period		**1,180**	5,383
Cash and cash equivalents at the end of the period		**$ 1,075**	$ 3,543

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

1. GENERAL BUSINESS DESCRIPTION

Brampton Brick Limited and its subsidiaries, together referred to as the ("Company"), primarily manufacture and sell masonry and landscape products. The Company has clay brick manufacturing plants located in Brampton, Ontario and in Farmersburg, Indiana. Plants located in Markham, Milton and Brampton, Ontario and in Wixom, Michigan manufacture concrete products. Brampton Brick Limited is incorporated and domiciled in Canada. The address of its registered office is 225 Wanless Drive, Brampton, Ontario.

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

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements as at June 30, 2012 and for the three and six month periods ended June 30, 2012 and 2011 are unaudited and include all adjustments that management considers necessary for a fair presentation in accordance with IAS 34, *Interim Financial Reporting*. The Company's business is seasonal. Results for the three and six month periods ended June 30, 2012 are not necessarily indicative of results for the full fiscal year or any other future period.

These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements. The condensed 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, 2011.

STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements as at June 30, 2012 and for the three and six month periods ended June 30, 2012 and 2011 have been prepared in accordance with IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 8, 2012.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Unless otherwise noted, the following revised standards and amendments are effective for annual periods beginning on or after January 1, 2013 with early application permitted. These standards have been evaluated and are not expected to have a significant impact on the consolidated financial statements. The Company has not determined whether it will early adopt them.

Effective for years beginning on or after January 1, 2015, IFRS 9, *Financial Instruments* ("IFRS 9") issued by the IASB in November 2009 addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

Effective for years beginning on or after July 1, 2012, IAS 1 *Presentation of Financial Instruments* requires an entity to separate items presented in Other comprehensive income (loss) ("OCI") into two groups, based on whether or not they may be recycled to profit or loss in the future. Items that will not be recycled will be presented separately from items that may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10"), requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*.

IFRS 11 *Joint Arrangements* ("IFRS 11"), requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation the venturer will recognize its share of assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate and equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in other entities* ("IFRS 12"), establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities. The standard carries forward existing disclosures and also introduces significant additional disclosure that addresses the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair value measurement and disclosure requirements* ("IFRS 13"), is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures.

There have been amendments to existing standards, including IAS 27, *Separate Financial Statements* ("IAS 27"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

4. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2011					
Cost	77,258	31,694	125,471	5,594	240,017
Accumulated depreciation and impairment loss	(12,709)	(10,913)	(40,020)	(3,746)	(67,388)
Net book value	**$ 64,549**	**$ 20,781**	**$ 85,451**	**$ 1,848**	**$ 172,629**

For the six months ended June 30, 2012					
Additions	703	281	909	265	2,158
Disposals	–	(15)	(504)	–	(519)
Depreciation for the period	(299)	(450)	(2,441)	(299)	(3,489)
Foreign exchange differences	5	8	27	(1)	39
	409	**(176)**	**(2,009)**	**(35)**	**(1,811)**

As at June 30, 2012					
Cost	77,970	31,970	125,828	5,605	241,373
Accumulated depreciation and impairment loss	(13,012)	(11,365)	(42,386)	(3,792)	(70,555)
Net book value	**$ 64,958**	**$ 20,605**	**$ 83,442**	**$ 1,813**	**$ 170,818**

For the three months ended June 30, 2012, depreciation expense totaled $1,745 (June 30, 2011 – $1,716) of which $1,677 (June 30, 2011 – $1,664) was included in Cost of sales and $68 (June 30, 2011 – $52) was included in General and administrative expenses.

For the six month period ended June 30, 2012 depreciation expense totaled $3,489 (June 30, 2011 – $3,433) of which $3,354 (June 30, 2011 – $3,329) was included in Cost of sales, and $135 (June 30, 2011 – $104) was included in General and administrative expenses.

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

	June 30, 2012	December 31, 2011
Cost – finance leases	$ 5,142	$ 4,934
Accumulated depreciation	(3,399)	(3,171)
Net book value	**$ 1,743**	**$ 1,763**

5. INVESTMENT IN UNIVERSAL RESOURCE RECOVERY INC.

Universal is a joint venture which is accounted for by the Company using the equity method of accounting. The carrying value of the investment in Universal on the consolidated balance sheet is increased by advances from the Company and is increased or decreased by the Company's share of profit or loss of Universal. If the Company's share of losses equals or exceeds the carrying value of the investment in Universal, the Company does not recognize further losses, unless it had incurred legal or constructive obligations or made payments on behalf of Universal, of which there were none as at December 31, 2011 and as at June 30, 2012.

Universal suspended its commercial operations in June 2011. As at December 31, 2011, the carrying value of the investment in Universal on the Company's consolidated balance sheet was reduced to zero due to losses incurred from Universal's operations. Consequently, losses totaling $1,791, which exceeded the carrying value of the Universal investment as at December 31, 2011, were not recognized by the Company.

For the six month period ended June 30, 2012, Universal continued to incur certain fixed costs, including interest on debt, and facility occupancy costs. The Company's share of Universal's loss totaling $359 for the 2012 six month period, increased the cumulative unrecognized losses to $2,150.

Effective January 1, 2012, management of Universal committed to an active program to locate a buyer for the sale of assets held in Universal. For the six months ended June 30, 2012, the Company advanced to Universal a total of $1,340. These advances were classified as a short term loan receivable as management believes the Company will be repaid from the sale proceeds of Universal's assets following the settlement of Universal's senior ranking claims. In relation to this short term loan receivable, the Company has registered a mortgage on Universal's property located in Welland, Ontario, as security behind the bank's security. This short term loan receivable was used by Universal primarily to fund its scheduled bank debt repayments, which amounted to $795, as well as for debt financing expenses and certain fixed facility occupancy costs.

Universal's continuing financial difficulties indicated a potential impairment of the Company's short term loan receivable. An impairment analysis based on the present value of estimated future cash flows concluded that the carrying value exceeded the fair value of the short term loan receivable. Accordingly, an impairment loss of $362 was recorded by the Company, reducing the short term loan receivable to its fair value of $978 as at June 30, 2012.

The Company will continue to fund its share of Universal's cash requirements until proceeds from the sale of Universal's assets are realized.

The Company's investment in Universal is accounted for on the equity basis, as follows:

	June 30, 2012 **$**	**December 31, 2011** **$**
Investment – beginning of the period	–	5,562
Shareholder advances	–	3,295
Share of loss	–	(8,857)
Investment – end of the period	–	–

The Company's share of letters of credit issued by Universal's banker with respect to its operations was $385 at June 30, 2012 (December 31, 2011 – $417). The Company and the joint venture partner have each provided a guarantee up to the amount of $6,500 to Universal's banker as additional security for Universal's credit facilities.

6. BANK OPERATING ADVANCES AND DEBT

On October 4, 2011, the Company replaced its $15,000 operating credit facility with a new facility from a Canadian bank. The new facility provides for borrowings up to $20,000 based on margin formulae for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts, if applicable. It is a demand facility secured primarily by trade receivables and inventories of the Company's Masonry Products and Landscape Products business segments in Canada and the U.S. The new agreement also contains certain financial covenants. The rate of interest as at June 30, 2012 is based on the Canadian bank prime rate plus a credit spread of 0.75%. As at June 30, 2012, the Company is in compliance with all the financial covenants.

As at June 30, 2012, the borrowing limit is $20,000 and the utilization was $8,679, including $8,427 for bank operating advances and $252 for outstanding letters of credit.

On February 26, 2010, the Company completed a subordinated secured debenture financing in the amount of $9,000. The debentures 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. Substantially all of these debentures were acquired by insiders of the Company or by persons associated with or related to them.

These subordinated debentures are due for repayment on February 26, 2013 and accordingly have been classified as current liabilities. The Company is exploring various alternatives to refinance this debt.

7. DERIVATIVE FINANCIAL INSTRUMENT

Changes in the fair value of the interest rate swap were reflected in the prior period earnings. The Company settled the interest rate swap contract on October 3, 2011 in the amount of $1,459. For the three and six month periods ended June 30, 2011, a loss of $47 and a gain of $163 respectively, were recorded on the interest rate swap contract.

8. SHARE CAPITAL

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 shares issued do not have a specified par value.

As at June 30, 2012, issued and outstanding share capital consisted of 9,197,923 Class A shares (December 31, 2011 – 9,197,923) and 1,738,631 Class B shares (December 31, 2011 – 1,738,631).

There were no changes in the Class A and Class B shares during the period ended June 30, 2012.

9. SHARE-BASED COMPENSATION

At the Annual General Meeting of Shareholders held on May 24, 2012, shareholders approved an additional 600,000 Class A shares to be reserved for issuance pursuant to the terms of Brampton Brick Limited Stock Option Incentive Plan (“the Plan”). Under 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 1,680,965 (2011 – 1,080,965) Class A shares. The exercise price of each stock option is equal to the volume weighted average trading price of the Company’s Class A shares for the five trading days immediately preceding the date of the grant and the maximum term of each option is ten years. As at June 30, 2012, a total of 590,365 (December 31, 2011 – 170,865) stock options were available for grant under the Plan.

The Company granted stock options to nine executive officers and two employees of the Company on March 30, 2012 and to all non-management directors of the Company on June 4, 2012. 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.

Date of grant	**June 4, 2012**	**March 30, 2012**
Number of options granted	**38,000**	**142,500**
Market price	**$ 4.61**	**$ 3.60**
Fair value of each stock option granted	**$ 0.92**	**$ 0.54**
Assumptions:		
Risk-free interest rate	**1.5%**	**1.8%**
Expected life	**7.9 years**	**7.9 years**
Volatility (determined by reference to historically observed prices of the Class A shares)	**32%**	**29%**
Expected dividend yield	**4.3%**	**5.5%**
Expected forfeitures	**Nil**	**Nil**

The total compensation cost charged against income for the three and six months ended June 30, 2012 with respect to all stock options granted was $29 and $70, (2011 – $29 and $86) respectively.

At June 30, 2012, an aggregate of 863,900 (2011 – 690,900) stock options were outstanding, of which 592,900 (2011 – 478,400) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $9.55 (2011 – $10.47) per share.

10. INCOME TAX

The Company computes an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occur subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. The operations are subject to income tax at rates ranging from 25.0% - 26.9% in the Canadian jurisdictions and from 34.0% - 39.5% in the U.S. jurisdictions.

In interim periods, the income tax provision is based on actual earnings by jurisdiction. The Company's consolidated effective income tax rate was 49.5%. The Company has not recorded a deferred tax asset with respect to the potential future income tax benefit pertaining to the losses incurred by its U.S. operations.

On June 20, 2012, Ontario's budget bill 114, approving the provincial general corporate income tax rate freeze at 11.5% was substantively enacted. Previously enacted corporate income tax rate reductions for 2012 and 2013 to 11.0% and 10.0%, respectively, were repealed. However, there was no change to the current 10% income tax rate on income from manufacturing and processing. Consequently, for the Company's Canadian operations the combined federal (15%) and provincial (10%) current and deferred income tax rate remains at 25%.

11. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share is calculated on net income (loss) attributable to the parent using the weighted average number of shares outstanding for the period. The diluted earnings (loss) per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options on net income (loss) per share.

The weighted average number of Class A and Class B shares outstanding utilized in the calculations of earnings per share is as follows:

	Three months ended June 30					
Net income (loss) from operations	**2012**			**2011**		
	Net income $	**Shares (thousands)**	**Earnings per share $**	**Loss $**	**Shares (thousands)**	**Loss per share $**
Basic earnings (loss) attributable to owners of the parent	**3,771**	**10,937**	**0.35**	(542)	10,937	(0.05)
Dilutive effect of options (1)	**–**	**29**	**(0.01)**	–	–	0.00
Diluted earnings (loss) per share	**3,771**	**10,966**	**0.34**	(542)	10,937	(0.05)

(1) Excludes the effect of 694,257 options (2011 – 488,400) to purchase Class A shares that are anti-dilutive.

	Six months ended June 30					
Net income (loss) from operations	**2012**			**2011**		
	Net income $	**Shares (thousands)**	**Earnings per share $**	**Loss $**	**Shares (thousands)**	**Loss per share $**
Basic earnings (loss) attributable to owners of the parent	**977**	**10,937**	**0.09**	(4,967)	10,937	(0.45)
Dilutive effect of options (1)	**–**	**8**	**0.00**	–	–	0.00
Diluted earnings (loss) per share	**977**	**10,945**	**0.09**	(4,967)	10,937	(0.45)

(1) Excludes the effect of 688,829 options (2011 – 528,676) to purchase Class A shares that are anti-dilutive.

12. COMMITMENTS AND CONTINGENCIES

As at June 30, 2012, the Company had capital expenditure commitments to suppliers totaling $791.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at June 30, 2012, the Company has contracted for most of the balance of its estimated 2012 natural gas supply requirements at an aggregate estimated cost of $751, none of which was at fixed prices, and for most of the balance of its estimated 2012 transportation requirements at an aggregate estimated cost of $348, of which 72% was at fixed prices. The potential unrealized loss on the fixed price contracts was approximately $83 (2011 – unrealized loss of $42), which was not taken to income since these are supply contracts that will be charged to operations in the period the gas is consumed.

Letters of credit are issued by the Company's 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, 2012 is $252 (December 31, 2011 – $229).

Guarantees and letters of credit provided by the Company with respect to its interest in Universal are described in note 5.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position or liquidity.

13. RELATED PARTY TRANSACTIONS

The Company has determined which of its customers are related to the Company via common directors or shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 5.7% (2011 – 2.6%) of revenues in aggregate for the three month period and 5.7% (2011 – 3.9%) for the six month period ended June 30, 2012.

Purchases from related parties amounted to $57 (2011 – $56) for the three month period and $84 (2011 – $109) for the six month period ended June 30, 2012. Trade payables to these parties amounted to $17 as at June 30, 2012 (December 31, 2011 – $48).

Dividends paid to a director of a subsidiary company amounted to $75 during the period ended June 30, 2012 (2011 – $nil).

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.

Other related party transactions have been described in notes 5 and 6.

14. OPERATING SEGMENTS

The Company considers that for purposes of operating decision making and assessing performance it operates within two dominant business segments: Masonry Products and Landscape Products.

MASONRY PRODUCTS

Manufacture of clay brick and a range of concrete masonry products including stone veneer, concrete brick and block for use in residential construction and institutional, commercial and industrial building projects.

LANDSCAPE PRODUCTS

Manufacture of concrete paving stones, retaining walls, garden walls and sales of accessory products for use in residential construction and institutional, commercial and industrial building projects.

Other operating loss relates to the impairment loss on the short term loan receivable from Universal.

Segmented information, with comparative information for 2011, is as follows:

	Three months ended June 30		Six months ended June 30	
i) Revenues	**2012 $**	2011 $	**2012 $**	2011 $
Masonry Products	**20,635**	15,480	**35,428**	25,220
Landscape Products	**10,419**	8,015	**11,621**	8,891
Revenues	**31,054**	23,495	**47,049**	34,111
ii) Operating income (loss)				
Masonry Products	**4,292**	559	**3,893**	(437)
Landscape Products	**2,184**	1,283	**296**	(1,282)
Other	**(362)**	–	**(362)**	–
Operating income (loss)	**6,114**	1,842	**3,827**	(1,719)
Finance costs	**(981)**	(1,291)	**(1,893)**	(2,210)
Finance income	**2**	16	**4**	18
Share of loss from investment in Universal Resource Recovery Inc.	**–**	(793)	**–**	(1,507)
Income taxes	**(1,364)**	(314)	**(960)**	453
Net income (loss) for the period	**3,771**	(540)	**978**	(4,965)

iii) Total assets	**June 30, 2012 $**	December 31, 2011 $
Masonry and Landscape Products	**210,128**	204,961
Other	**1,861**	958
Total assets	**211,989**	205,919

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

Geographical information is as follows:

	Three months ended		Six months ended	
	June 30, 2012 Revenues $	June 30, 2011 Revenues $	June 30, 2012 Revenues $	June 30, 2011 Revenues $
Canada	**27,407**	20,876	**42,207**	30,979
United States	**3,647**	2,619	**4,842**	3,132
	31,054	23,495	**47,049**	34,111

	June 30, 2012 Property, plant and equipment $	December 31, 2011 Property, plant and equipment $
Canada	**124,309**	125,173
United States	**46,509**	47,456
	170,818	172,629

15. SEASONAL FLUCTUATIONS

The Company's business is seasonal. Historically, sales are greater in the second and third quarters of each year than in the first and fourth quarters. The Landscape Products business segment is affected to a greater degree than the Masonry Products business segment. Consequently, the results of operations and cash flows for the three and six month periods ended June 30, 2012 are not necessarily indicative of the results to be expected for the full year.

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