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2013 First Quarter Report

BRAMPTON BRICK Limited

FOR THE FIRST QUARTER ENDED MARCH 31, 2013
PREPARED AS OF MAY 7, 2013

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended March 31, 2013 should be read in conjunction with the condensed interim consolidated financial statements as at and for the three month period ended March 31, 2013, and with the audited 2012 annual consolidated financial statements and the 2012 annual MD&A included in the Company's 2012 Annual Report. All amounts are stated in thousands of Canadian dollars, except per share amounts.

DISCUSSION OF OPERATIONS

For the first quarter ended March 31, 2013, the Company recorded a loss of $2,574, or $0.24 per share, compared to a loss of $2,793, or $0.26 per share, for the first quarter of 2012. The aggregate weighted average number of Class A Subordinate Voting shares ("Class A shares") and Class B Multiple Voting shares ("Class B shares") outstanding for the first quarter of 2013 was 10,940,354 and 10,936,554 for the same period in 2012.

Revenues for the first quarter were $12,889 compared to $15,995 in 2012. The decrease of 19.4% was primarily due to lower shipments in the Masonry Products business segment. Revenues of the highly seasonal Landscape Products business segment were also lower in the first quarter of this year. Unfavourable weather conditions negatively impacted shipments for both business segments compared to the first quarter of 2012.

Cost of sales for the quarter amounted to $11,774, compared to $14,843 in 2012. The reduction in cost of sales reflected the impact of the lower sales volumes, as well as higher production volumes and related efficiencies. First quarter repair and maintenance were higher than in the comparable period of 2012 for the landscape and concrete masonry products.

Selling expenses decreased to $1,785 in the first quarter from $1,861 in the prior period. In the first quarter of 2012, higher selling expenses included advertising and marketing expenditures to promote new products introduced in 2011 and to expand the Company's geographic market profile. The decrease in the first quarter of 2013 from 2012 was offset, in part, by the Company's ongoing investment program to upgrade its information systems and enhance its customer support capabilities.

General and administrative expenses were $1,558 for the first quarter of 2013 compared to $1,574 for the same period in 2012.

For the first quarter of 2013, an impairment loss of $158 relating to the loan receivable from Universal Resource Recovery Inc. ("Universal"), the Company's 50/50 joint venture, was recognized. This is described in Note 6 to the condensed interim consolidated financial statements. There was no impairment loss recognized for the Universal loan in the comparable 2012 condensed interim consolidated financial statements.

For the quarter ended March 31, 2013, the operating loss increased moderately to $2,384 from $2,287 in 2012.

Finance costs of $666 declined for the first quarter of 2013 compared to $912 for the same period in 2012. The decrease in interest expense was due to the repayment of the Company's subordinated secured debentures, which bore an effective interest rate of 11.89%. The redemption of these debentures was funded from the Company's operating credit facility bearing interest at prevailing banker's acceptance rates, plus a credit spread of 2%. In addition, lower long term debt balances outstanding during the first quarter of 2013 also contributed to the decline in interest expense. Scheduled principal payments totaling $2,500 on the long term debt were made in the second half of 2012. This debt bears an effective interest rate of 8.40%.

A net recovery of income taxes of $474 was recorded for the first quarter of 2013 compared to a net recovery of $404 in 2012. The income tax recovery in both periods relates to the pre-tax losses of the Company's Canadian operations. 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

Revenues of the Masonry Products business segment were $12,312 for the quarter ended March 31, 2013 compared to $14,793 for the same period in 2012. The decrease in volumes was due to unfavourable weather conditions in the first quarter of 2013 compared to milder conditions in the same quarter of 2012.

Higher plant capacity utilization during the first quarter of the current year compared to the prior period resulted in lower per unit production costs. While higher production levels and lower shipments increased inventory volumes, the expected catch-up in construction activity should bring inventory levels back in line by this summer.

Operating income for the quarter ended March 31, 2013 was $6 compared to operating loss of $399 for the same quarter in 2012.

LANDSCAPE PRODUCTS

The Landscape Products business segment incurred an operating loss of $2,232 on revenues of $577 for the three month period ended March 31, 2013 compared to an operating loss of $1,888 on revenues of $1,202 for the comparable period in 2012. The decline in operating results was due to a decrease in sales volumes combined with equipment overhaul expenses and new equipment commissioning costs. Historically, the significant majority of planned equipment maintenance is scheduled during the winter months.

CASH FLOWS

Cash flow used for operating activities totaled $4,768 for the period ended March 31, 2013 compared to $1,944 for the same period in the prior year. Significantly higher inventory levels contributed to the increase in cash used for operations in 2013.

Cash utilized for purchases of property, plant and equipment totaled $774 for the quarter, compared to $843 in 2012.

Short term loans advanced to Universal totaled $475 during the quarter compared to $500 in the comparative prior period. Further details on this matter are described in Note 6 to the condensed interim consolidated financial statements.

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 March 31, 2013, bank operating advances were $16,662. This represented an increase of $6,227 from the amount outstanding at December 31, 2012. The increase in bank operating advances was utilized to meet working capital requirements, capital expenditures and repayments of finance lease obligations in the first quarter of 2013. Trade payables totaled $12,088 at March 31, 2013 compared to $11,675 at December 31, 2012. Trade and other receivables and inventories totaled $10,548 and $27,078, respectively, at March 31, 2013 compared to $10,832 and $22,287, respectively, at December 31, 2012.

The ratio of total liabilities to shareholders' equity was 0.55:1 at March 31, 2013 compared to 0.50:1 at December 31, 2012. The increase in this ratio from December 2012 to March 2013 was primarily due to the increase in bank operating advances, as noted above and lower retained earnings resulting from the loss incurred for the three month period ended March 31, 2013. Partially offsetting these factors was a notable increase in the foreign currency translation amount for the quarter over the corresponding quarter in 2012. This amount is reported in Accumulated other comprehensive loss in the condensed interim consolidated financial statements and arose due to the weakening of the Canadian dollar in relation to the US dollar in the first quarter in 2013.

As at March 31, 2013, working capital was $5,652, representing a working capital ratio of 1.16:1. Comparable figures for working capital and the working capital ratio at December 31, 2012 were $7,325 and 1.25:1, respectively. The decline from December 31, 2012 is primarily due to the increase in bank operating advances as at March 31, 2013. Cash and cash equivalents totaled $980 at March 31, 2013 compared to $1,412 at December 31, 2012.

The Company's credit facility provides for borrowings up to $22,000 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 March 31, 2013, the Company is in compliance with all of its financial covenants.

As at March 31, 2013, the margin borrowing limit was $19,360, with utilization of $16,914 and was comprised of: a $8,900 banker's acceptance, 90 day note; a current account overdraft balance of $7,762; and outstanding letters of credit of $252.

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 agreement as at March 31, 2013 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 2012 Annual Report and in Note 13 to the condensed interim consolidated financial statements.

With respect to contractual obligations outstanding as at March 31, 2013, changes during the quarter include 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 its natural gas supply and transportation contracts. These are more fully described in Note 13 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	March 31		December 31		September 30		June 30	
	2013	2012	2012	2011	2012	2011	2012	2011
Revenues	$ 12,889	$ 15,995	$ 22,742	$ 19,595	$ 27,270	$ 26,307	$ 31,054	$ 23,495
Net income (loss) attributable to shareholders of Brampton Brick Limited								
	$ (2,574)	$ (2,794)	$ (1,709)	$ 62	$ 2,215	$ (5,074)	$ 3,771	$ (542)
Net income (loss)								
	$ (2,574)	$ (2,793)	$ (1,708)	$ 63	$ 2,215	$ (5,074)	$ 3,771	$ (540)
Net income (loss) per share								
Basic	$ (0.24)	$ (0.26)	$ (0.16)	$ 0.00	$ 0.20	$ (0.46)	$ 0.35	$ (0.05)
Diluted	$ (0.24)	$ (0.26)	$ (0.16)	$ 0.00	$ 0.20	$ (0.46)	$ 0.34	$ (0.05)

The quarterly financial information presented above 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 MARCH 31

Revenues decreased due to lower volumes resulting from comparatively unfavourable weather conditions in both the Masonry Products and Landscape Products business segments in 2013. This was offset to some degree by the favourable impact on unit costs at the clay brick facilities resulting from an increase in production levels.

Finance costs were lower in the current quarter compared to the prior period. Utilization of the Company's operating line of credit to redeem the subordinated secured debentures achieved significant savings in interest costs because of the reduction in the comparable interest rates. In addition, lower term debt balances due to repayments totaling $2,500 in the second half of 2012 contributed to the lower interest expense levels.

QUARTERS ENDED DECEMBER 31

The increase in revenues for the fourth quarter of 2012 compared to the same period in 2011 was due to higher shipments of recently introduced masonry and landscape products in the Company's markets.

Operating results in the fourth quarter of 2012 were negatively impacted by the write-off of certain obsolete and discontinued merchandise inventory and an increase in plant repair and maintenance expenses, primarily roof repair costs incurred at the Brampton clay brick facility. An impairment loss was also recognized on the loan receivable from Universal.

QUARTERS ENDED SEPTEMBER 30

Net income in the third quarter of 2012 surpassed results for the comparative period in 2011, due to:

- higher shipments in the Masonry Products business segment
- improved gross margins in 2012 due to increased production volumes; and
- net income for the third quarter of 2011 was negatively impacted by the Company's share of the impairment charge recorded in Universal in the amount of $5,303.

QUARTERS ENDED JUNE 30

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

OTHER

Information with respect to 'Changes in Accounting Policies' is contained in Note 2 to the 2012 annual consolidated financial statements included in the Company's 2012 Annual Report. The condensed interim consolidated financial statements as at and for the three month period ended March 31, 2013 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2012 along with applicable changes in accounting policies effective January 1, 2013 as described in Note 2 to the 2012 annual consolidated financial statements.

Information with respect to 'Critical Accounting Judgments and Estimates' is disclosed in the 2012 annual MD&A and in Note 3 to the 2012 annual consolidated financial statements included in the Company's 2012 Annual Report. To date, there have not been any significant changes to the Company's critical accounting judgments and estimates.

Information with respect to transactions with related parties in 2013 is disclosed in Note 14 to the condensed interim consolidated financial statements.

Information with respect to transactions with related parties for the year ended December 31, 2012 is disclosed in Notes 11 and 21 to the 2012 annual consolidated financial statements included in the Company's 2012 Annual Report.

The aggregate number of issued and outstanding Class A shares and Class B shares as at March 31, 2013 is disclosed in Note 9 to the condensed interim consolidated financial statements. There have been no changes to the issued and outstanding shares to the date of the MD&A.

Additional information relating to the Company, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2012 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders to be held on May 23, 2013 may be found on SEDAR at www.sedar.com.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the period ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 related to repair and renovation expenditures.

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

After a slower start to the 2013 year in comparison to the prior period for the Canadian Masonry business, improvements in the second and third quarters are expected, as construction activity, delayed due to the inclement weather, regains momentum.

The introduction of new products and improved customer service profiles and ongoing marketing initiatives should also favourably impact sales performance through the remainder of 2013.

The Company has experienced steady gains in volumes since entering the concrete block business in April 2011. For the remainder of 2013 higher sales volumes are forecast, which should also result in greater manufacturing efficiencies related to increased plant capacity utilization.

In the United States, volumes and prices are gradually improving. However, both volumes and prices remain well below historic levels in the Company's market regions.

Sales of landscape products are expected to show growth for the balance of 2013 because of increased acceptance of the Company's expanded product portfolio, combined with an expected overall increase in repair and renovation expenditures in both the United States and Canada.

With respect to Universal, the Company will continue to evaluate its investment based on the decisions made by management of Universal regarding its future direction and operations.

FORWARD-LOOKING STATEMENTS

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 above under "Risks and Uncertainties" in the 2012 annual MD&A included in the Company's 2012 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, 2012), 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 7th day of May, 2013.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

BRAMPTON BRICK Limited

(unaudited)(in thousands of Canadian dollars)	Notes	March 31, 2013	December 31, 2012
ASSETS			
Current Assets			
Cash and cash equivalents		$ **980**	$ 1,412
Trade and other receivables		**10,548**	10,832
Inventories		**27,078**	22,287
Loan receivable	6	**1,709**	1,392
Other assets		**870**	575
		41,185	36,498
Non-current assets			
Property, plant and equipment	4	**168,796**	168,848
Total assets		$ **209,981**	$ 205,346
LIABILITIES			
Current liabilities			
Bank operating advances	8	$ **16,662**	$ 10,435
Trade payables		**12,088**	11,675
Income taxes payable	11	**1,750**	2,110
Current portion of debt		**2,940**	2,928
Decommissioning provisions		**50**	50
Other liabilities		**2,043**	1,975
		35,533	29,173
Non-current liabilities			
Non-current portion of debt		**23,444**	23,554
Decommissioning provisions		**2,241**	2,219
Deferred tax liabilities	11	**13,312**	13,427
Total liabilities		$ **74,530**	$ 68,373
EQUITY			
Equity attributable to shareholders of Brampton Brick Limited			
Share capital	9	$ **33,711**	$ 33,711
Contributed surplus	10	**1,968**	1,895
Accumulated other comprehensive loss		**(1,676)**	(2,655)
Retained earnings		**101,436**	104,010
		135,439	136,961
Non-controlling interests		**12**	12
Total equity		$ **135,451**	$ 136,973
Total liabilities and equity		$ **209,981**	$ 205,346

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended March 31, 2013	2012
Revenues	14, 15	**$ 12,889**	$ 15,995
Cost of sales	14	**11,774**	14,843
Selling expenses		**1,785**	1,861
General and administrative expenses		**1,558**	1,574
Gain on disposal of property, plant and equipment		**(5)**	–
Other expense		**3**	4
Impairment loss on loan receivable	6	**158**	–
		15,273	18,282
Operating loss	15	**(2,384)**	(2,287)
Finance (expense) income			
Finance costs	8	**(666)**	(912)
Finance income		**2**	2
		(664)	(910)
Loss before income taxes		**(3,048)**	(3,197)
Recovery of income taxes	11		
Current		**358**	–
Deferred		**116**	404
		474	404
Loss for the period		**$ (2,574)**	$ (2,793)
Net income (loss) attributable to:			
Shareholders of Brampton Brick Limited		**$ (2,574)**	$ (2,794)
Non-controlling interests		**–**	1
Loss for the period		**$ (2,574)**	$ (2,793)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**$ 979**	$ (938)
Total comprehensive loss for the period		**$ (1,595)**	$ (3,731)
Total comprehensive income (loss) attributable to:			
Shareholders of Brampton Brick Limited		**$ (1,595)**	$ (3,732)
Non-controlling interests		**–**	1
Total comprehensive loss for the period		**$ (1,595)**	$ (3,731)
Loss per Class A and Class B share attributable to shareholders of Brampton Brick Limited			
Basic	12	**$ (0.24)**	$ (0.26)
Diluted	12	**$ (0.24)**	$ (0.26)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(unaudited) (in thousands of Canadian dollars)	Notes	Attributable to shareholders of Brampton Brick Limited: Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total	Non-Controlling interest	Total Equity
Balance – January 1, 2012		**$ 33,689**	**$ 1,801**	**$ (1,540)**	**$ 102,527**	**$ 136,477**	**$ 10**	**$ 136,487**
(Loss) income for the period		–	–	–	(2,794)	**(2,794)**	**1**	**(2,793)**
Other comprehensive loss (net of taxes, $nil)		–	–	(938)	–	**(938)**	–	**(938)**
Comprehensive income (loss) for the period		–	–	**(938)**	**(2,794)**	**(3,732)**	**1**	**(3,731)**
Share-based compensation	10	–	41	–	–	**41**	–	**41**
Balance – March 31, 2012		**$ 33,689**	**$ 1,842**	**$ (2,478)**	**$ 99,733**	**$ 132,786**	**$ 11**	**$ 132,797**
Balance – January 1, 2013		**$ 33,711**	**$ 1,895**	**$ (2,655)**	**$ 104,010**	**$ 136,961**	**$ 12**	**$ 136,973**
Loss for the period		–	–	–	(2,574)	**(2,574)**	–	**(2,574)**
Other comprehensive income (net of taxes, $nil)		–	–	979	–	**979**	–	**979**
Comprehensive income (loss) for the period		–	–	**979**	**(2,574)**	**(1,595)**	–	**(1,595)**
Share-based compensation	10	–	73	–	–	**73**	–	**73**
Balance – March 31, 2013		**$ 33,711**	**$ 1,968**	**$ (1,676)**	**$ 101,436**	**$ 135,439**	**$ 12**	**$ 135,451**

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)(in thousands of Canadian dollars)	Notes	Three months ended March 31, 2013	2012
Cash provided by (used for)			
Operating activities			
Loss for the period		**$ (2,574)**	$ (2,793)
Items not affecting cash and cash equivalents			
Depreciation	4	**1,765**	1,744
Current taxes	11	**(358)**	–
Deferred taxes	11	**(116)**	(404)
Gain on disposal of property, plant and equipment		**(5)**	–
Unrealized foreign currency exchange (gain) loss		**(1)**	24
Impairment loss on loan receivable	6	**158**	–
Net interest expense	8	**665**	911
Other		**73**	41
		(393)	(477)
Changes in non-cash items			
Trade and other receivables		**289**	(2,145)
Inventories		**(4,785)**	285
Other assets		**(290)**	(177)
Trade payables		**387**	(67)
Other liabilities		**27**	641
		(4,372)	(1,463)
Income tax payments made		**(3)**	(3)
Payments for decommissioning of assets		**–**	(1)
Cash used for operating activities		**(4,768)**	(1,944)
Investing activities			
Purchase of property, plant and equipment		**(774)**	(843)
Loan advances paid to Universal Resource Recovery Inc.	6	**(475)**	(500)
Proceeds from disposal of property, plant and equipment		**5**	–
Cash used for investing activities		**(1,244)**	(1,343)
Financing activities			
Increase in bank operating advances		**6,227**	4,232
Payment of term loans		**(16)**	(75)
Interest paid	8	**(607)**	(839)
Payments on obligations under finance leases		**(107)**	(110)
Payment of dividends by subsidiary to non-controlling interests	14	**–**	(75)
Cash provided by financing activities		**5,497**	3,133
Foreign exchange on cash held in foreign currency		**83**	(3)
Decrease in cash and cash equivalents		**(432)**	(157)
Cash and cash equivalents at the beginning of the period		**1,412**	1,180
Cash and cash equivalents at the end of the period		**$ 980**	$ 1,023

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 March 31, 2013 and for the three month periods ended March 31, 2013 and 2012 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 month period ended March 31, 2013 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 statements as at and for the three month period ended March 31, 2013 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2012 along with applicable changes in accounting policies effective January 1, 2013 as described in Note 2 to the 2012 annual consolidated financial statements.

STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements as at March 31, 2013 and for the three month periods ended March 31, 2013 and 2012 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 May 7, 2013.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

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

IFRS 9, *Financial Instruments* is effective for years beginning on or after January 1, 2015 and 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 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.

The Company will continue to monitor and evaluate the amendments to this standard under consideration by IASB. Although the full impact of the final standard cannot be determined, it is not expected to materially impact the consolidated financial statements.

Amendment to IAS 32, *Financial Instruments – Presentation* is effective for annual periods beginning on or after January 1, 2014, with retrospective application required and clarifies the meaning of the phrases ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realization and settlement’.

4. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2012					
Cost	79,213	31,381	126,007	5,898	242,499
Accumulated depreciation and impairment loss	(13,359)	(11,741)	(44,268)	(4,283)	(73,651)
Net book value	**$ 65,854**	**$ 19,640**	**$ 81,739**	**$ 1,615**	**$ 168,848**

For the three months ended March 31, 2013					
Additions	154	–	662	–	816
Depreciation for the period	(175)	(223)	(1,237)	(130)	(1,765)
Exchange differences	125	159	610	3	897
	104	**(64)**	**35**	**(127)**	**(52)**

As at March 31, 2013					
Cost	79,544	31,606	127,563	5,847	244,560
Accumulated depreciation and impairment loss	(13,586)	(12,030)	(45,789)	(4,359)	(75,764)
Net book value	**$ 65,958**	**$ 19,576**	**$ 81,774**	**$ 1,488**	**$ 168,796**

For the three months ended March 31, 2013, depreciation expense totaled $1,765 (2012 – $1,744) of which $1,700 (March 31, 2012 – $1,677) was included in Cost of sales and $65 (March 31, 2012 – $67) was included in General and administrative expenses.

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

	March 31, 2013	December 31, 2012
Cost – finance leases	$ 4,555	$ 5,106
Accumulated depreciation	(3,326)	(3,593)
	$ 1,229	**$ 1,513**

5. INTEREST IN JOINT ARRANGEMENT

The Company holds 50% of the voting rights in Universal Resource Recovery Inc. ("Universal") which is a joint arrangement. Both venturers have joint control over the arrangement as governed by a contractual agreement and unanimous consent is required from both venturers for all major activities or transactions.

Universal is structured as a limited company and provides both venturers with rights to the net assets under the joint arrangement and is therefore, classified as a joint venture and is accounted for using the equity method of accounting. Universal's waste composting facility is located at Welland, Ontario. Composting operations have been suspended since June 2011 and management is committed to an active plan to locate a buyer for this facility. Accordingly, the assets held in Universal have been classified as held for sale.

A summary of Universal's financial information is presented below.

Summarized financial information:	March 31, 2013	December 31, 2012
Financial Position	$	$
Current assets	**181**	181
Non-current assets	**8,552**	8,552
Current liabilities	**11,366**	10,534
Non-current liabilities	**2,807**	3,347
Long-term advances payable to Brampton Brick Limited	**16,251**	16,251
Long-term advances payable to joint venture partner	**16,251**	16,251

Additional summarized financial information (included above):		
Cash and cash equivalents	**85**	117
Current financial liabilities (excluding trade and other payables):		
Current portion of bank term loans and finance leases	**4,115**	4,298
Loan payable to Brampton Brick Limited	**3,145**	2,670
Loan payable to joint venture partner	**3,145**	2,670
Non-current financial liabilities (excluding trade and other payables):		
Non-current portion of bank term loans and finance leases	**2,807**	3,347

Operations	March 31, 2013	March 31, 2012
Revenue	**–**	–
Loss from operations	**(292)**	(310)
Post-tax loss from operations	**(292)**	(310)

The Company's investment in Universal is accounted using the equity method of accounting. Under this method, if the Company's share of losses equals or exceeds the investment value of its interest in Universal, including long-term unsecured advances, the Company does not recognize further losses, unless it had incurred obligations or made payments on behalf of Universal. As at December 31, 2011, the Company's share of accumulated losses exceeded its investment in Universal resulting in a carrying value of zero. The Company's share of unrecognized losses in Universal for the first quarter of 2013, was $146 (first quarter of 2012 – $155) and cumulatively as at March 31, 2013 was $2,720 (December 31, 2012 – $2,574).

Universal's bank term loan arrangements includes a first mortgage on the assets and requires that these loans be repaid prior to the settlement of other financial obligations or distributions of dividends to the venturers. The loan payable by Universal to the Company in the amount of $3,145 is described below in note 6, 'Loan receivable'.

The Company's share of letters of credit issued by Universal's banker with respect to its operations was $385 at March 31, 2013 (December 31, 2012 – $385). 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. The Company has unrecognized commitments to provide financial support in proportion to its ownership interest in Universal to meet certain payment obligations such as fixed facility costs, interest on bank term loans, outstanding trade payables and finance leases in excess of collections from outstanding receivable accounts.

6. LOAN RECEIVABLE

For the three month period ended March 31, 2013, additional advances from the Company to Universal totaled $475, increasing the cumulative advances to $3,145. As at March 31, 2013, the Company revisited the impairment assessment due to Universal's continuing financial difficulties and concluded that the carrying value of the loan receivable was further impaired. The carrying value of this loan receivable was written down by $158 for the current quarter to its fair value of $1,709 as at March 31, 2013.

7. INTERESTS IN SUBSIDIARIES

The Company's interest in subsidiaries as at March 31, 2013 are detailed below. These subsidiaries have share capital consisting of common and preferred shares and are held by the Company as noted below. The proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Parent	% of ownership interest held by the parent	% of ownership interest held by non-controlling interests	Principal activities
Oaks U.S. Holdings Inc.	United States	Brampton Brick Limited	100	0	Holding company
Brampton Brick Inc.	United States	Oaks U.S. Holdings Inc.	100	0	Manufacture of clay brick
Oaks Concrete Products Inc.	United States	Oaks U.S. Holdings Inc.	100	0	Manufacture of concrete paving stones, retaining and garden walls
1813435 Ontario Limited	Canada	Brampton Brick Limited	65	35	Non-operating

The non-controlling interests for the period ended March 31, 2013 was $12.

Effective January 1, 2013, the Company's wholly owned subsidiary, 2009616 Ontario Limited was amalgamated with Brampton Brick Limited.

There are no restrictions on the Company's ability to use the assets and settle the liabilities of the subsidiary companies.

8. BANK OPERATING ADVANCES

The Company's credit facility provides for borrowings up to $22,000 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 March 31, 2013, the Company is in compliance with all the financial covenants.

As at March 31, 2013, the borrowing limit is $19,360 (December 31, 2012 – $17,864) and the utilization was $16,914 (December 31, 2012 – $10,682) and comprised of: a $8,900 (December 31, 2012 – $8,900) banker's acceptance, 90 day note; a current account overdraft balance of $7,762 (December 31, 2012 – $1,535); and outstanding letters of credit for $252 (December 31, 2012 – $247).

As at March 31, 2013, the rate of interest on the banker's acceptance note is based on prevailing bankers acceptance rates plus a credit spread of 2.00% and the rate of interest on the current account overdraft is based on the Canadian bank prime rate plus a credit spread of 0.75%. The Company's credit spread is variable and determined by its interest coverage ratio.

9. 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 March 31, 2013, issued and outstanding share capital consisted of 9,201,723 Class A shares (December 31, 2012 – 9,201,723) and 1,738,631 Class B shares (December 31, 2012 – 1,738,631).

There were no changes in the Class A and Class B shares during the quarter ended March 31, 2013.

10. SHARE-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 1,680,965 (December 31, 2012 – 1,680,965) 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 March 31, 2013, a total of 428,365 (December 31, 2012 – 607,865) stock options were available for grant under the Plan.

The Company granted stock options to all executive officers, two employees and all non-management directors of the Company on March 22, 2013. 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	**March 22, 2013**
Number of options granted	**179,500**
Market price	**$ 5.52**
Fair value of each stock option granted	**$ 1.35**
Assumptions:	
Risk-free interest rate	**1.7%**
Expected life	**7.8 years**
Volatility (determined by reference to historically observed prices of the Class A shares)	**34%**
Expected dividend yield	**3.6%**
Expected forfeitures	**Nil**

The total compensation cost charged against income for the three months ended March 31, 2013 with respect to all stock options granted was $73 (2012 – $41).

At March 31, 2013, an aggregate of 1,022,100 (2012 – 825,900) stock options were outstanding, of which 677,800 (2012 – 562,800) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $7.98 (2012 – $9.80) per share.

11. 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% - 26.5% (2012 – 25.0% - 28.3%) in the Canadian jurisdictions and from 34.0% - 39.3% (2012 – 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 tax rate for the period ending March 31, 2013 was 15.6% (2012 – 12.6%).

12. LOSS PER SHARE

Loss per share is calculated on losses attributable to the shareholders of Brampton Brick Limited using the weighted average number of shares outstanding for the period. The diluted loss per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options on loss per share.

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

	Three months ended March 31					
Loss from operations	**2013**			**2012**		
	Loss $	**Shares (thou-sands)**	**Loss per share $**	**Loss $**	**Shares (thou-sands)**	**Loss per share $**
Basic and Diluted loss per share attributable to shareholders of Brampton Brick Limited	**(2,574)**	**10,940**	**(0.24)**	(2,794)	10,937	(0.26)

In the determination of diluted earnings per share, 349,400 options (2012 – 683,400) to purchase Class A shares would have been considered to be anti-dilutive. However, potentially dilutive employee stock options have no effect in the calculation of the diluted earnings per share due to the loss incurred for the periods ended March 31, 2013 and March 31, 2012.

13. COMMITMENTS AND CONTINGENCIES

As at March 31, 2013, the Company had capital expenditure commitments with suppliers totaling $2,162.

The Company normally enters into supply and transportation contracts for natural gas to cover future requirements. As at March 31, 2013, the Company has contracted for its estimated 2013 Canadian natural gas supply requirements at an aggregate estimated cost of approximately $1,750, none of which was at fixed prices, and for its estimated 2013 Canadian transportation requirements at an aggregate estimated cost of approximately $520, of which 75% was at fixed prices. As at March 31, 2013, the Company's U.S. operations, have contracted only for its April 2013 estimated natural gas transportation requirements at an estimated cost of approximately $8 at fixed prices. The potential unrealized loss on the fixed price contracts was approximately $78 (2012 – unrealized loss of $172), 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 March 31, 2013 is $252 (December 31, 2012 – $247).

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.

14. 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% (2012 – 5.7%) of revenues in aggregate for the quarter ended March 31, 2013. Trade receivables from these customers amounted to $20 (2012 – nil).

Purchases from related parties amounted to $36 for the quarter ended March 31, 2013 (2012 – $27). Trade payables to these parties amounted to $6 as at March 31, 2013 (December 31, 2012 – $17).

Dividends paid to a director of a subsidiary company amounted to nil for the quarter ended March 31, 2013 (2012 – $75).

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.

15. 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 business operations and assets consist of a loan receivable from Universal and a short term investment held by 1813435 Ontario Limited.

Segmented information, with comparative information for 2012, is as follows:

	March 31,	
i) Revenues	**2013 $**	2012 $
Masonry Products	**12,312**	14,793
Landscape Products	**577**	1,202
Revenues	**12,889**	15,995
ii) Operating income (loss)		
Masonry Products	**6**	(399)
Landscape Products	**(2,232)**	(1,888)
Other	**(158)**	-
Operating loss	**(2,384)**	(2,287)
Finance costs	**(666)**	(912)
Finance income	**2**	2
Income taxes	**474**	404
Loss for the period	**(2,574)**	(2,793)
iii) Total assets	**March 31, 2013 $**	December 31, 2012 $
Masonry and Landscape Products	**207,386**	203,068
Other	**2,595**	2,278
Total assets	**209,981**	205,346

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:

	March 31, 2013 Revenues $	**March 31, 2012 Revenues $**	**March 31, 2013 Property, plant and equipment $**	**December 31, 2012 Property, plant and equipment $**
Canada	**11,755**	14,800	**123,235**	123,808
United States	**1,134**	1,195	**45,561**	45,040
	12,889	15,995	**168,796**	168,848

16. 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. Consequently, the results of operations and cash flows for the three month period ended March 31, 2013 are not necessarily indicative of the results to be expected for the full year.

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