


Brampton Brick Limited

2016 First Quarter Report

BRAMPTON
BRICK
Limited
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FOR THE FIRST QUARTER ENDED MARCH 31, 2016
PREPARED AS OF MAY 4, 2016

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended March 31, 2016, should be read in conjunction with the condensed interim consolidated financial statements as at and for the three month period ended March 31, 2016, and with the audited 2015 annual consolidated financial statements and the 2015 annual MD&A included in the Company's 2015 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, unless otherwise indicated.

DISCUSSION OF OPERATIONS

For the first quarter ended March 31, 2016, the Company recorded a net loss of $3,738, or $0.34 per share, compared to a net loss of $4,637, or $0.42 per share, for the first quarter of 2015. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the first quarter of 2016 and 2015 were 10,947,254 and 10,940,354, respectively.

Revenues increased by 24% to $18,658 for the first quarter of 2016 from $15,063 for the corresponding quarter of 2015. Higher shipments in both the Masonry Products and Landscape Products business segments contributed to the increase in revenues for the current quarter. Comparatively milder weather conditions in the first quarter of 2016 contributed to a significant increase in masonry product shipments in the Company's Canadian market over the same period in 2015.

Cost of sales for the quarter ended March 31, 2016 increased 15% to $17,901, from $15,555 for the corresponding period in 2015. The increase in the current quarter was due to a higher volume of shipments but was partially offset by higher production volumes, resulting in lower fixed costs per unit sold in the Masonry Products business segment. Costs were also unfavourably impacted by the temporary shutdown of the Farmersburg, Indiana clay brick facility for maintenance and enhancements to the plant's manufacturing equipment processes.

Selling expenses for the first quarter of 2016 increased to $2,675, compared to $2,135 for the corresponding quarter of 2015, due to the timing of product marketing costs and other costs related to enhanced customer relationship management systems.

General and administrative expenses of $1,604 during the first quarter ended March 31, 2016, were generally in line with the corresponding quarter of 2015.

Other expense of $213 for the first quarter of 2016 compared to $344 for the corresponding period in 2015 includes the net gains and losses on the translation of foreign currency transactions, converted into the functional currency using exchange rates prevailing at the dates of the transactions.

The operating loss for the quarter ended March 31, 2016, decreased to $3,735 from an operating loss of $4,623 for the first quarter of 2015.

Finance expense for the three month period ended March 31, 2016 was $773, compared to $909 for the corresponding quarter of 2015. Excluding the change in the fair value of the interest rate swap which amounted to an unrealized loss of $395 (2015 – $484), net interest expense for the current quarter decreased to $378 compared to $425 in the first quarter of 2015 on lower debt balances. The decrease in outstanding debt balances was due to scheduled repayments amounting to $2,500 made in the second half of 2015.

Recovery of income taxes totaled $770 for the first quarter of 2016 compared to $895 for the same period in 2015. The decrease was due to a smaller operating loss for the Canadian operations in the first quarter of 2016 compared to the same period in 2015. 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 deferred tax benefit pertaining to losses incurred by its U.S. operations.

The following paragraphs explain each operating business segment in more detail.

MASONRY PRODUCTS

Revenues of the Masonry Products' business segment increased 24% to $16,855 for the quarter ended March 31, 2016, compared to $13,603 for the same quarter in 2015, due to increases across all product lines in this business segment. During the current quarter, comparatively favourable weather conditions for residential construction and an increase in housing starts contributed to the strength in masonry products' shipments.

For the quarter ended March 31, 2016, cost of sales increased by 10% to $15,195 from $13,841 for the corresponding period in 2015. The increase in cost of sales due to higher masonry products' shipments was largely offset by the impact of lower per unit costs on comparatively higher production volumes. As noted earlier, costs at the Farmersburg, Indiana clay brick facility were higher in the first quarter of 2016 compared to the same quarter of 2015 because of a temporary shutdown for maintenance and process improvements.

The operating loss for the quarter ended March 31, 2016 was $1,727 compared to $3,668 for the comparative quarter of 2015.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products' business segment for the three month period ended March 31, 2016 increased to $1,803 from $1,460 for the same period in 2015. This increase in revenues was supported by mild weather conditions and the positive impact of previously implemented product marketing programs. Cost of sales for the quarter ended March 31, 2016 increased to $2,705 from $1,714 primarily due to a decrease in production levels resulting from planned winter maintenance at a number of the plants. The reduced production levels resulted in an increase in unit production costs. In addition, higher expenses related to product marketing improvements and customer service initiatives were incurred during the current quarter.

As a result, the operating loss for the first quarter of 2016 increased to $2,008 compared to $954 for the same period in 2015.

CASH FLOWS

Cash used for operating activities increased to $12,060 for the quarter ended March 31, 2016, compared to $8,956 for the same quarter in 2015. The cash used for operations during the current quarter increased because of the $5,500 acquisition cost incurred for the Eurobloq Inc. transaction which closed subsequent to the current quarter end, as discussed further under the caption 'Financial Condition'. An increase in trade payables disbursements was offset by higher collections of trade receivables, a comparative decrease in inventories held and an improvement in operating results.

Cash utilized for purchases of property, plant and equipment totaled $1,718 in the first quarter of 2016 and includes equipment upgrades at both U.S. facilities. Purchases for the corresponding three months in 2015 totaled $1,211.

FINANCIAL CONDITION

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

As at March 31, 2016, bank operating advances were $10,936. There was no outstanding balance as at December 31, 2015.

Trade payables totaled $12,207 at March 31, 2016 compared to $17,655 at December 31, 2015.

The ratio of total liabilities to shareholders' equity was 0.62:1 at March 31, 2016 compared to 0.57:1 at December 31, 2015. The increase in this ratio from December 2015 to March 2016 was primarily due to higher bank operating advances and lower retained earnings resulting from the net loss incurred for the three months ended March 31, 2016. In addition, the decrease in the foreign exchange translation gain included in 'Accumulated other comprehensive income' due to the strengthening of the Canadian dollar against the U.S. dollar during the first quarter of 2016 supported the increase of this ratio, which was partially offset by a lower trade payables balance.

As at March 31, 2016, the Company's current ratio was 1.71:1, representing working capital of $23,045 compared to 1.94:1 and $27,125, respectively, as at December 31, 2015. The decrease in working capital was due to an increase in bank operating advances, partially offset by an increase in inventories and other assets, which included a $5,500 deposit for the Eurobloq Inc. transaction which closed subsequent to the current quarter end. Cash and cash equivalents totaled $442 at March 31, 2016, compared to $4,021 at December 31, 2015.

The Company's demand operating facility provides for borrowings of up to $22,000 based on margin formulae for trade receivables, certain other qualified receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts. It is a demand facility secured by a general security agreement over all assets excluding the Company's 225 Wanless Drive, Brampton, Ontario property. The agreement also contains certain financial covenants.

As at March 31, 2016, the borrowing limit based on the margin formulae was $19,461. Its utilization was $11,258 and was comprised of a current account balance of $10,936 and outstanding letters of credit of $322.

The Company was in compliance with all financial covenants under its term financing agreement and operating credit facility as at March 31, 2016 and anticipates that it will maintain compliance throughout the year.

On April 9, 2016, the Company completed the acquisition of certain assets from Eurobloq Inc., a concrete products manufacturing company located in the province of Quebec. The assets acquired include land and buildings and concrete products manufacturing equipment, all located in Boisbriand, Quebec. The purchase price of $5,500 and related costs were financed from the Company's committed revolving term loan and its demand operating credit facility.

The $5,500 on this transaction was paid into escrow during the first quarter of 2016 and was originally financed from the demand operating credit facility. On April 1, 2016, an amount of $3,405 was drawn on the committed revolving term loan and was used to reduce the outstanding balance on the demand operating credit facility. The deposit is reflected in Other Assets on the Condensed Interim Consolidated Balance Sheet and was released from escrow upon closing of the transaction.

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.

Information with respect to the Company's material off-balance sheet arrangements, which consist primarily of operating leases, purchase commitments 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 2015 Annual Report and in Note 13 to the condensed interim consolidated financial statements.

With respect to contractual obligations outstanding as at March 31, 2016, changes during the first quarter include scheduled payments of principal and interest on debt and finance lease obligations and operating leases. Additional changes include 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	
	2016	2015	2015	2014	2015	2014	2015	2014
Revenues	$ 18,658	$ 15,063	$ 32,362	$ 27,200	$ 40,465	$ 37,451	$ 39,138	$ 33,066
Net income (loss) attributable to shareholders of Brampton Brick Limited								
	$ (3,738)	$ (4,637)	$ (524)	$(10,231)	$ 4,324	$ 3,355	$ 5,507	$ 772
Net income (loss)								
	$ (3,738)	$ (4,637)	$ (534)	$(10,232)	$ 4,324	$ 3,354	$ 5,667	$ 772
Net income (loss) per share								
Basic	$ (0.34)	$ (0.42)	$ (0.05)	$ (0.94)	$ 0.39	$ 0.31	$ 0.50	$ 0.07
Diluted	$ (0.34)	$ (0.42)	$ (0.05)	$ (0.94)	$ 0.39	$ 0.30	$ 0.49	$ 0.07

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 described below:

QUARTERS ENDED MARCH 31

Revenues during the first quarter of 2016 increased across all product lines compared to the corresponding three months in 2015. Comparatively milder weather conditions and an increase in housing starts led to strong growth in the Company's Canadian markets.

Costs of sales increased due to higher shipments but were largely offset by lower per unit manufacturing costs on comparatively higher production levels. In addition, costs associated with a temporary shutdown for maintenance and process improvements at the Farmersburg plant were incurred.

During the current quarter, higher marketing and customer service related expenses were also incurred.

As a result, the net loss for the first quarter of 2016 decreased by $899, compared to the same quarter in 2015.

QUARTERS ENDED DECEMBER 31

Revenues for the fourth quarter of 2015 increased by 19% over the same period in 2014 due to higher masonry and landscape product shipments. The comparative year-over-year increase in cost of sales was 10%, due to lower per unit manufacturing costs on higher production volumes.

Operating results improved significantly in the fourth quarter of 2015 for the reasons discussed above. In the fourth quarter of 2014, an impairment loss of $11,611 was recognized on the Farmersburg, Indiana plant and was partially offset by the gain on the sale of the Milton plant recognized during the fourth quarter of 2014 which amounted to $3,155.

QUARTERS ENDED SEPTEMBER 30

Higher shipments in both the Masonry Products and Landscape Products business segments during the third quarter in 2015 from the new facilities located at Hillsdale and Brockville, as well as an expanded product portfolio and improvements in marketing and customer service initiatives, contributed to the significant increase in revenues compared to the prior period.

Operating costs during the third quarter of 2015 were positively impacted by higher production volumes. In addition, the corresponding period in 2014 included higher costs of sales due to start-up and related retrofit costs of commissioning the newly acquired Hillsdale and Brockville plants and an increase in average per unit manufacturing costs due to lower production volumes and trial production runs which reduced net income for the quarter ended September 30, 2014.

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 2015. Other transactions that positively impacted the second quarter results were a property tax credit of $537, decreases in bad debts and other provisions and an unrealized gain on the change in the fair value of the interest rate swap.

In the second quarter of 2014, cost of sales included the write-off of production equipment amounting to $1,600 at the former Milton facility and costs related to equipment commissioning at the recently acquired Hillsdale and Brockville plants. Collectively, these factors negatively impacted net income for the second quarter of 2014.

OTHER

Information with respect to 'Changes in Accounting Policies' is contained in Note 2 to the 2015 annual consolidated financial statements included in the Company's 2015 Annual Report. The condensed interim consolidated financial statements as at and for the three month period ended March 31, 2016 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2015, along with applicable changes in accounting policies effective January 1, 2016, as described in Note 2 to the 2015 annual consolidated financial statements.

Information with respect to 'Critical Accounting Judgments and Estimates' is disclosed in the 2015 annual MD&A and in Note 3 to the 2015 annual consolidated financial statements included in the Company's 2015 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 is disclosed: (a) for the year ended December 31, 2015, in Note 23 to the 2015 annual consolidated financial statements included in the Company's 2015 Annual Report; and (b) for the three month period ended March 31, 2016, in Note 14 to the condensed interim consolidated financial statements.

The aggregate number of issued and outstanding Class A Subordinate Voting shares and Class B Multiple Voting shares as at March 31, 2016 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 this MD&A.

The aggregate number of outstanding stock options as at March 31, 2016 that were fully vested and convertible to Class A Subordinate Voting shares upon exercise by the option holders is disclosed in Note 10 to the condensed interim consolidated financial statements for the three month period ended March 31, 2016. There have been no changes to the outstanding number of stock options to the date of this MD&A.

Additional information relating to the Company, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2015 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders to be held on May 26, 2016, 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 three month period ended March 31, 2016 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, as well as consumer spending patterns.

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

Year 2016 started in the same manner that 2015 ended. Milder weather conditions along with a relative increase in residential housing and construction activity in our various market regions resulted in a positive first quarter. These market conditions are expected to continue through the next two quarters, which are historically our high season quarters and, weather permitting, should translate into improved overall operating results.

The Boisbriand facility, which was recently acquired from Eurobloq Inc., is in the process of equipment modifications and product development, and it is expected that commercial production will be on stream to coincide with the start of summer. Production volumes and inventory at the Company's other concrete plants within the plant network are at appropriate levels to meet expected demand through the high season. This increased productivity and throughput, required to meet demand, should result in lower per unit product costs and improved margins.

Capacity utilization at the Canadian clay brick facility is expected to increase in order to service the demand supporting the growth in Ontario residential housing for 2016. Based on the fixed cost nature of the facility, this increased capacity utilization should result in an increase in margins for 2016 in the absence of unforeseen expenses.

Residential housing starts in the Company's U.S. market regions remain at historically low levels, along with pricing and capacity utilization levels. The Company is presently developing new products for the commercial sector which are expected to improve the capacity utilization at its Farmersburg facility, and higher margins of these products are expected to be reflected in operating results.

Since the signing of the Universal Resource Recovery Inc. ("Universal") lease with its tenant, Universal has been self-sufficient on a cash basis. As a result, the Company did not need to fund any cash shortfalls in 2015 and through to March 31, 2016. Additionally, any excess cash flow at Universal is expected to be used to repay the loan receivable of the Company and of the other joint venture partner during the lease period.

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 loan receivable from Universal and the expected self-sufficiency on a cash basis of 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, production levels, costs, productivity, 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 2015 annual MD&A included in the Company's 2015 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, 2015), 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 4th day of May, 2016.

Condensed Interim Consolidated Balance Sheets

(unaudited)(in thousands of Canadian dollars)	Notes	March 31, 2016	December 31, 2015
ASSETS			
Current Assets			
Cash and cash equivalents		**$ 442**	$ 4,021
Trade and other receivables		**13,888**	18,711
Inventories		**33,559**	32,163
Taxes recoverable	11	**1,094**	–
Other assets	17	**6,468**	1,111
Loan receivable	4	**86**	85
		55,537	56,091
Non-current assets			
Loans receivable	4	**4,930**	4,947
Property, plant and equipment	5	**165,308**	168,091
		170,238	173,038
Total assets	15	**$ 225,775**	$ 229,129
LIABILITIES			
Current liabilities			
Bank operating advances	6	**$ 10,936**	$ –
Trade payables		**12,207**	17,655
Income tax payable	11	**–**	1,729
Current portion of debt	7	**6,571**	6,380
Current derivative financial instrument	8	**222**	248
Decommissioning provisions		**30**	30
Other liabilities		**2,526**	2,924
		32,492	28,966
Non-current liabilities			
Non-current portion of debt	7	**32,356**	32,970
Non-current derivative financial instrument	8	**677**	256
Decommissioning provisions		**5,338**	5,377
Deferred tax liabilities	11	**15,585**	15,681
		53,956	54,284
Total liabilities		**$ 86,448**	$ 83,250
EQUITY			
Equity attributable to shareholders of Brampton Brick Limited			
Share capital	9	**$ 33,755**	$ 33,755
Contributed surplus	10	**2,713**	2,641
Accumulated other comprehensive income		**9,290**	12,176
Retained earnings		**93,532**	97,270
		139,290	145,842
Non-controlling interests		**37**	37
Total equity		**139,327**	145,879
Total liabilities and equity		**$ 225,775**	$ 229,129

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

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended March 31, 2016	2015
Revenues	15, 16	**$ 18,658**	$ 15,063
Cost of sales		**17,901**	15,555
Selling expenses		**2,675**	2,135
General and administrative expenses		**1,604**	1,641
Loss on disposal of property, plant and equipment		**–**	11
Other expense		**213**	344
		22,393	19,686
Operating loss	15	**(3,735)**	(4,623)
Finance expense	6, 7, 8	**(773)**	(909)
Loss before income taxes		**(4,508)**	(5,532)
Recovery of (provision for) income taxes	11		
Current		**676**	905
Deferred		**94**	(10)
		770	895
Net loss for the period		**$ (3,738)**	$ (4,637)
Net loss attributable to:			
Shareholders of Brampton Brick Limited		**$ (3,738)**	$ (4,637)
Non-controlling interests		**–**	–
Net loss for the period		**$ (3,738)**	$ (4,637)
Other comprehensive (loss) income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Foreign currency translation (loss) income		**$ (2,886)**	$ 3,716
Total comprehensive loss for the period		**$ (6,624)**	$ (921)
Total comprehensive loss attributable to:			
Shareholders of Brampton Brick Limited		**$ (6,624)**	$ (921)
Non-controlling interests		**–**	–
Total comprehensive loss for the period		**$ (6,624)**	$ (921)
Net loss per Class A Subordinate Voting share and Class B Multiple Voting share attributable to shareholders of Brampton Brick Limited			
Basic	12	**$ (0.34)**	$ (0.42)
Diluted	12	**$ (0.34)**	$ (0.42)

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, 2015		**$ 33,711**	**$ 2,293**	**$ 4,573**	**$ 92,600**	**$ 133,177**	**$ 27**	**$ 133,204**
Net loss for the period		–	–	–	(4,637)	(4,637)	–	(4,637)
Other comprehensive income (net of taxes, $nil)		–	–	3,716	–	3,716	–	3,716
Total comprehensive income (loss) for the period		**–**	**–**	**3,716**	**(4,637)**	**(921)**	**–**	**(921)**
Share-based compensation	10	–	42	–	–	**42**	–	**42**
Balance – March 31, 2015		**$ 33,711**	**$ 2,335**	**$ 8,289**	**$ 87,963**	**$ 132,298**	**$ 27**	**$ 132,325**
Balance – January 1, 2016		**$ 33,755**	**$ 2,641**	**$ 12,176**	**$ 97,270**	**$ 145,842**	**$ 37**	**$ 145,879**
Net loss for the period		–	–	–	(3,738)	(3,738)	–	(3,738)
Other comprehensive loss (net of taxes, $nil)		–	–	(2,886)	–	(2,886)	–	(2,886)
Total comprehensive loss for the period		**–**	**–**	**(2,886)**	**(3,738)**	**(6,624)**	**–**	**(6,624)**
Share-based compensation	10	–	72	–	–	**72**	–	**72**
Balance – March 31, 2016		**$ 33,755**	**$ 2,713**	**$ 9,290**	**$ 93,532**	**$ 139,290**	**$ 37**	**$ 139,327**

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

		Three months ended March 31,	
(unaudited)(in thousands of Canadian dollars)	Notes	**2016**	2015
Cash provided by (used for)			
Operating activities			
Net loss for the period		**$ (3,738)**	$ (4,637)
Items not affecting cash and cash equivalents			
Depreciation	5	**2,294**	2,180
Current tax recovery	11	**(676)**	(905)
Deferred tax (recovery) provision	11	**(94)**	10
Loss on disposal of property, plant and equipment		**–**	11
Unrealized foreign currency exchange loss (gain)		**112**	(178)
Net interest expense	6, 7	**378**	425
Derivative financial instrument loss	8	**395**	484
Other	10	**72**	42
		(1,257)	(2,568)
Changes in non-cash items			
Trade and other receivables		**4,756**	3,479
Inventories		**(2,009)**	(4,838)
Other assets	17	**(5,390)**	(213)
Trade payables		**(5,647)**	(4,036)
Other liabilities		**(366)**	(753)
		(8,656)	(6,361)
Income tax payments		**(2,147)**	(27)
Cash used for operating activities		**(12,060)**	(8,956)
Investing activities			
Purchase of property, plant and equipment	5	**(1,718)**	(1,211)
Proceeds from repayments of loans receivable		**16**	–
Proceeds from disposal of property, plant and equipment		**–**	166
Cash used for investing activities		**(1,702)**	(1,045)
Financing activities			
Increase in bank operating advances	6	**10,936**	10,100
Payment of term loans	7	**(79)**	(71)
Interest paid	6, 7	**(332)**	(440)
Payments on obligations under finance leases		**(321)**	(341)
Cash provided by financing activities		**10,204**	9,248
Foreign exchange on cash held in foreign currency		**(21)**	38
Decrease in cash and cash equivalents		**(3,579)**	(715)
Cash and cash equivalents at the beginning of the period		**4,021**	1,419
Cash and cash equivalents at the end of the period		**$ 442**	$ 704

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

1. GENERAL INFORMATION

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, Hillsdale, Brampton and Brockville, Ontario and in Wixom, Michigan manufacture concrete masonry and landscape products.

On April 9, 2016, the Company completed the acquisition of certain assets of a concrete products manufacturing company, located at Boisbriand, in the province of Quebec (refer to Note 17, 'Subsequent event').

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

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements as at and for the three month period ended March 31, 2016 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, 2016 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, 2016 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2015, along with applicable changes in accounting policies effective January 1, 2016, as described in Note 2 to the annual consolidated financial statements.

STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements as at and for the three month period ended March 31, 2016 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 4, 2016.

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 annual periods beginning on or after January 1, 2018 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 carry 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 is evaluating the impact of this standard on its consolidated financial statements.

IFRS 15 *Revenue from contracts with customers* is effective for annual periods beginning on or after January 1, 2018 and is based on the principle that revenues should reflect the consideration to which the entity expects to be entitled to, in exchange for the transfer of promised goods or services. The standard provides a single, principle-based five step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures. The Company is evaluating the impact of this standard on the consolidated financial statements.

IFRS 16 *Leases* is effective for annual periods beginning on or after January 1, 2019. It eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17, *Leases*. It establishes principles for the recognition, measurement, presentation and disclosure of leases with the objective of ensuring that lessees and lessors provide relevant information for all leases with a term of more than 12 months, unless the underlying asset is of low value for those transactions.

The standard introduces a single lessee accounting model which requires a lessee to recognize:

a) assets by recognizing the present value of the lease payments;

b) liabilities by recognizing its obligation to make future payments; and

c) depreciation of lease assets separately from interest on lease liabilities in the income statement.

The Company is evaluating the impact of this standard on the consolidated financial statements.

Amendments effective for annual periods beginning on or after January 1, 2017 are as below:

Amendment to IAS 7, *Statement of cash flows* requires the following disclosure for changes in liabilities arising from cash flows classified in the statement of cash flows as cash flows from financing activities:

a) changes from financing cash flows;

b) changes arising from obtaining or losing control of subsidiaries or other businesses;

c) the effect of changes in foreign exchange rates;

d) changes in fair values; and

e) other changes.

This amendment has disclosure requirements and is not expected to impact the consolidated financial statements.

Amendment to IAS 12, *Income taxes* clarifies that in determining the deferred tax assets to be recognized on unrealized losses, taxation law restrictions on the sources of future taxable profits, against which deductions may be made on the reversal of deductible temporary differences, should be considered. Additionally, in estimating the probable future taxable profit, if there is sufficient evidence to conclude that it is probable that the entity will recover from a financial asset more that its carrying value, such amounts may be included. This amendment is not expected to significantly impact the consolidated financial statements.

4. LOANS RECEIVABLE

The secured, non-interest bearing, non-current loan receivable ("loan receivable") from Universal Resource Recovery Inc. ("Universal") totaled $4,700 as at March 31, 2016 (December 31, 2015 – $4,700).

In relation to this loan receivable, the Company has registered, as security, a mortgage on Universal's property located in Welland, Ontario.

Other Loans Receivable as at March 31, 2016 total $316, of which $230 is classified as non-current.

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at December 31, 2015					
Cost	86,991	34,665	153,234	7,391	282,281
Accumulated depreciation and impairment loss	(18,146)	(17,100)	(73,613)	(5,331)	(114,190)
Net book value	**68,845**	**17,565**	**79,621**	**2,060**	**168,091**
For the three months ended March 31, 2016					
Additions	149	25	1,783	24	1,981
Depreciation for the period	(149)	(234)	(1,676)	(235)	(2,294)
Exchange differences	(386)	(433)	(1,635)	(16)	(2,470)
	(386)	**(642)**	**(1,528)**	**(227)**	**(2,783)**
As at March 31, 2016					
Cost	86,346	33,773	151,283	7,310	278,712
Accumulated depreciation and impairment loss	(17,887)	(16,850)	(73,190)	(5,477)	(113,404)
Net book value	**68,459**	**16,923**	**78,093**	**1,833**	**165,308**

For the three month period ended March 31, 2016, depreciation expense totaled $2,294 (2015 – $2,180) of which $2,217 (2015 – $2,100) was included in Cost of sales and $77 (2015 – $80) 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, 2016	December 31, 2015
Cost – finance leases	$ 7,857	$ 7,879
Accumulated depreciation	(4,979)	(4,703)
	$ 2,878	**$ 3,176**

6. BANK OPERATING ADVANCES

The Company's credit facility provides for borrowings of up to $22,000 (2015 – $22,000) based on margin formulae for trade receivables and inventories, less priority claims and the mark-to-market exposure on swap contracts. It is a demand facility secured by a general security agreement over all assets excluding the Company's 225 Wanless Drive, Brampton, Ontario property. The agreement also contains certain financial covenants. As at March 31, 2016, the Company is in compliance with all the financial covenants.

As at March 31, 2016, the borrowing limit was $19,461 (December 31, 2015 – $22,000). The utilization was $11,258 (December 31, 2015 – $343) and comprised of: a current account balance of $10,936 (December 31, 2015 – Nil); and outstanding letters of credit for $322 (December 31, 2015 – $343).

As at March 31, 2016, the rate of interest on the current account 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 fixed charge coverage ratio.

7. DEBT

Debt consists of the following:

		March 31, 2016 $	December 31, 2015 $
Committed revolving reducing term loan – monthly instalments commenced July 2015 to July 2019	(a)	**24,000**	24,000
Committed revolving term loan – monthly instalments to commence July 2016 to December 2017	(b)	**10,095**	10,095
Demand non-revolving loan – monthly instalments commenced January 2014 to December 2019		**2,209**	2,252
Other term loans		**202**	245
		36,506	36,592
Obligations under finance leases		**2,421**	2,758
		38,927	39,350
Less: Payments due within one year – current portion		**6,571**	6,380
Non-current portion of debt		**32,356**	32,970

(a) The $24,000 committed revolving reducing term loan ("committed term loan") bore interest at the bank's prime rate plus 0.30% until January 29, 2015, and thereafter, the 30 day bankers' acceptance rate plus a stamp fee of 1.80% is effective. The term of this loan is five years and requires monthly interest payments for the duration of the loan. The committed term loan will be repaid by way of principal repayments of $400 per month from July to November each year, commencing from 2015 until 2018, with a balloon payment on July 31, 2019. The committed term loan is secured only by a mortgage on the Company's 225 Wanless Drive, Brampton, Ontario property.

On January 30, 2015, the Company entered into a floating-to-fixed interest rate swap agreement to fix the interest rate on this term loan, as further described in Note 8, 'Derivative Financial Instrument'.

(b) The committed revolving term loan bears interest at the bank's prime rate plus 0.50%. The same interest terms were effective during 2015 on the then demand revolving term loan.

Principal repayments of $100 per month from July to November each year, commencing from 2016 until 2017, with a maturity date of December 31, 2017, are scheduled on the committed revolving term loan.

The committed revolving term loan is secured by a mortgage over the Company's properties located in Hillsdale and Markham, Ontario and two quarry sites located in Brampton and Cheltenham, Ontario.

The agreements for these loans contain certain financial covenants. As at March 31, 2016, the Company is in compliance with all the financial covenants.

8. DERIVATIVE FINANCIAL INSTRUMENT

The Company has entered into a floating-to-fixed interest rate swap with a current notional value of $24,000 (originally $26,000), to minimize its exposure to fluctuations in cash flows from changes in interest rates on the committed term loan of the same amount. The swap notional value will decrease proportionately with the outstanding balance of the underlying committed term loan as scheduled repayments are made over its duration. As a result of this transaction, the Company's interest rate for the committed term loan is fixed at 3.69%.

The Company has not applied hedge accounting. The change in fair value of the interest rate swap recognized in 'Finance expense' on the Condensed Interim Consolidated Statement of Comprehensive Income (Loss) for the period ended March 31, 2016 amounted to an unrealized loss of $395 (2015 – $484). The fair value of the interest rate swap derivative in the amounts of $222 (December 31, 2015 – $248) and $677 (December 31, 2015 – $256) were classified as current and non-current derivative financial liabilities, respectively.

9. SHARE CAPITAL

The authorized capital of the Company consists of an unlimited number of Preference shares, Class A Subordinate Voting shares and Class B Multiple Voting shares. The Class B Multiple Voting shares are convertible into Class A Subordinate Voting shares on a share-for-share basis at any time. Class A Subordinate Voting shares may be converted into Class B Multiple Voting shares in certain circumstances in connection with a takeover bid. Class A Subordinate Voting shareholders are entitled to one vote per share and Class B Multiple Voting 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, 2016, issued and outstanding share capital consisted of 9,208,623 Class A Subordinate Voting shares (December 31, 2015 – 9,208,623) and 1,738,631 Class B Multiple Voting shares (December 31, 2015 – 1,738,631).

There were no changes in the Class A Subordinate Voting shares and Class B Multiple Voting shares during the quarter ended March 31, 2016.

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, 2015 – 1,680,965) Class A Subordinate Voting shares. The exercise price of each stock option is equal to the volume weighted average trading price of the Company's Class A Subordinate Voting shares for the five trading days immediately preceding the date of the grant and the maximum term of each option is ten years. As at March 31, 2016, a total of 257,765 (December 31, 2015 – 225,365) stock options were available for grant under the Plan.

For the three month period ended March 31, 2016, the total compensation cost charged against income with respect to all stock options granted was $72 (2015 – $42).

As at March 31, 2016, an aggregate of 1,185,800 (December 31, 2015 – 1,218,200) stock options were outstanding, of which 931,300 (December 31, 2015 – 866,000) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $6.35 (December 31, 2015 – $6.70) per share.

11. INCOME TAX

The Company computes an income tax recovery (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 in Canada and the United States are subject to income tax at the following rates 26.5% (2015 – 26.5%) in the Canadian jurisdictions and from 34.0% to 38.2% (2015 – 34.0% to 38.7%) in the U.S. jurisdictions.

In interim periods, the income tax recovery (provision) is based on actual earnings by jurisdiction. 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.

12. NET LOSS PER SHARE

Net loss per share is calculated on net loss 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 Subordinate Voting shares and Class B Multiple Voting shares outstanding utilized in the calculations of net loss per share is as follows:

	Three months ended March 31					
	2016			2015		
	Net Loss $	Shares (thousands)	Per share amount $	Net Loss $	Shares (thousands)	Per share Amount $
Basic and diluted loss per share attributable to shareholders of Brampton Brick Limited	**(3,738)**	**10,947**	**(0.34)**	(4,637)	10,940	(0.42)

Dilutive employee stock options have no effect in the calculation of the diluted loss per share due to the loss incurred for the periods ended March 31, 2016 and March 31, 2015.

13. COMMITMENTS AND CONTINGENCIES

As at March 31, 2016, the Company had capital expenditure commitments with suppliers totaling $2,575.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at March 31, 2016, the Company has contracted for its estimated remaining 2016 Canadian natural gas supply requirements at an aggregate estimated cost of $916, none of which was at fixed prices, and for its estimated remaining 2016 Canadian transportation requirements at an aggregate estimated cost of $840, of which 79% was at fixed prices. As at March 31, 2016, the Company's U.S. operations, have contracted for its April 2016 estimated natural gas transportation requirements at an estimated cost of $4 at fixed prices. The potential unrealized gain on the fixed price contracts was approximately $47 (2015 – unrealized gain of approximately $29), 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, 2016 is $322 (December 31, 2015 – $343).

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 6.5% (2015 – 4.2%) of revenues in aggregate for the quarter ended March 31, 2016.

Purchases from related parties amounted to $10 for the quarter ended March 31, 2016 (2015 – $39). Trade payables to related parties was $97 as at March 31, 2016 (December 31, 2015 – $125).

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. Although the Company operates several plants, the nature of products, production methods and type of customers for their products and services share similar economic characteristics within each segment.

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

Other business operations and assets consist of a loan receivable from Universal and a short term investment pertaining to 1813435 Ontario Limited.

Segmented information, with comparative information for 2015, is as follows:

	March 31,	
i) Revenues	**2016** $	2015 $
Masonry Products	**16,855**	13,603
Landscape Products	**1,803**	1,460
Revenues	**18,658**	15,063
ii) Operating income (loss)		
Masonry Products	**(1,727)**	(3,668)
Landscape Products	**(2,008)**	(954)
Other	**–**	(1)

Operating loss	**(3,735)**	(4,623)
Finance expense	**(773)**	(909)
Income taxes	**770**	895
Net loss for the period	**(3,738)**	(4,637)

iii) Total assets	**March 31, 2016 $**	December 31, 2015 $
Masonry and Landscape Products	**220,969**	224,156
Other	**4,806**	4,973
Total assets	**225,775**	229,129

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, 2016 Revenues $	**March 31, 2015 Revenues $**	**March 31, 2016 Property, plant and equipment $**	**December 31, 2015 Property, plant and equipment $**
Canada	**16,726**	13,678	**124,318**	125,619
United States	**1,932**	1,385	**40,990**	42,472
	18,658	15,063	**165,308**	168,091

16. SEASONAL FLUCTUATIONS

The Company's business is seasonal. Historically, sales and results 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 by seasonality 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, 2016 are not necessarily indicative of the results to be expected for the full year.

17. SUBSEQUENT EVENT

On April 9, 2016, the Company completed the acquisition of certain assets from Eurobloq Inc., a concrete products manufacturing company located in the province of Quebec. The assets acquired include land and buildings and concrete products manufacturing equipment, all located in Boisbriand, Quebec. The purchase price of $5,500 and related costs were financed from the Company's committed revolving term loan and its demand operating credit facility.

The $5,500 on this transaction was paid into escrow during the first quarter of 2016 and was originally financed from the demand operating credit facility. On April 1, 2016, an amount of $3,405 was drawn on the committed revolving term loan and was used to reduce the outstanding balance on the demand operating credit facility. The deposit is reflected in Other Assets on the Condensed Interim Consolidated Balance Sheet and was released from escrow upon closing of the transaction.

BRAMPTON BRICK Limited
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