BRAMPTON BRICK Limited

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BRAMPTON BRICK LIMITED THIRD QUARTER REPORT 2017

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2017
PREPARED AS OF NOVEMBER 8, 2017

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the three and nine month interim periods ended September 30, 2017, should be read in conjunction with the condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2017, and with the audited 2016 annual consolidated financial statements and the 2016 annual MD&A included in the Company's 2016 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

THREE MONTHS ENDED SEPTEMBER 30, 2017

The Company recorded net income of $7,232, or $0.66 per share, for the third quarter ended September 30, 2017, compared to net income of $4,636, or $0.42 per share for the corresponding quarter in 2016. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the third quarter of 2017 and 2016 were 10,973,754 and 10,947,254, respectively.

Revenues increased by 15% to $50,194 in the third quarter of 2017 from $43,811 for the same quarter of 2016 due to higher shipments, in both the Masonry Products and Landscape Products business segments. Strong customer demand in most market segments fueled the growth in both the Canadian and U.S. markets, outpacing the corresponding quarter of 2016.

Cost of sales for the third quarter ended September 30, 2017 increased to $35,325 from $31,683 for the corresponding quarter in 2016, due to the increase in shipments. This increase was partially offset by the favourable impact of higher production volumes. During the third quarter of 2016, the timing of equipment modifications at the Farmersburg, Indiana clay brick plant increased the cost of sales in that period. For the current quarter, higher production levels at the Farmersburg, Indiana plant contributed positively to lower unit production costs.

Selling expenses for the third quarter of 2017 increased to $3,075 from $2,837 for the corresponding quarter of 2016. This increase was primarily due to a payment for the initial development and marketing of new products and the design and engineering of related manufacturing processes. In addition, increases in personnel costs were related to higher revenues.

General and administrative expenses decreased to $1,948 for the third quarter ended September 30, 2017, from $2,142 primarily due to collections from accounts receivable for which bad debt allowances were previously recorded.

Operating income from operations for the quarter ended September 30, 2017 increased to $9,649 from $6,984, for the same quarter in 2016, as a result of the factors discussed above.

Finance income for the three months ended September 30, 2017 was $71, compared to finance expense of $346 for the corresponding quarter in 2016. Excluding the change in the fair value of the interest rate swap, which amounted to an unrealized gain of $388 (2016 – unrealized gain of $50), net interest expense for the current quarter decreased to $317 compared to $396 in the third quarter of 2016 due to lower debt balances. The decrease in outstanding debt balances was the result of scheduled repayments amounting to $1,170 made during the third quarter of 2017, in addition to $2,500 made in the second half of 2016, as discussed in Note 7 of the Condensed Interim Consolidated Financial Statements.

Provision for income taxes totaled $2,488 for the third quarter of 2017 compared to $2,002 for the same quarter of 2016. The income tax provision, in both periods, relates to the pre-tax income 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.

NINE MONTHS ENDED SEPTEMBER 30, 2017

For the nine months ended September 30, 2017, the Company recorded net income of $9,010, or $0.82 per share, compared to a net income of $6,170, or $0.56 per share, for the same period in 2016. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the periods ended September 30, 2017 and September 30, 2016 was 10,967,639 and 10,947,254, respectively.

Revenues for the nine months ended September 30, 2017 grew to $119,677, a 13% increase from $106,287 for the same period in 2016. Shipments in both the Masonry Products and Landscape Products business segments were significantly higher due to the robust pace of housing construction through the first nine months of 2017, in spite of unusually wet weather conditions in the spring and early summer. Customer demand was also supported by marketing programs to promote masonry and landscape products' sales.

Cost of sales for the nine months ended September 30, 2017 increased to $89,626 from $80,623 for the corresponding period in 2016, primarily due to an increase in shipments and was partially offset by a decrease in per unit costs on increased production. During the 2016 third quarter, lower production volumes due to a temporary plant shutdown and the subsequent production trial runs increased costs of sales at the Farmersburg, Indiana clay brick facility. Production volumes at this plant were significantly higher and contributed to lower per unit production costs for the period ended September 30, 2017.

Selling expenses for the nine-month period ended September 30, 2017 were $9,054, compared to $8,344 for the corresponding period in 2016. The increase through the first nine months of 2017 was largely due to an increase in personnel costs related to higher shipments and a charge related to the development of new products and the design work related to new manufacturing processes. In addition, costs associated with promoting the Company's products through multiple social media platforms were incurred.

General and administrative expenses increased to $6,824 for the year-to-date period of 2017, compared to $5,856 for the same period of 2016, largely due to the cash settlement of certain employee stock options which resulted in an expense of $771 incurred in the second quarter of 2017. This transaction is described in more detail in Note 10 to the Condensed Interim Consolidated Financial Statements. In addition, compensation cost recognized on share appreciation rights amounted to $314, for the period ended September 30, 2017. There was no such expense recorded for the prior period. The compensation expense recognized is a measure of the increase in the fair market value of the share appreciation rights at the reporting date over the base price. The offsetting liability was recognized as Current and Non-Current based on the estimated timing of settlement. This transaction, along with the associated accounting policy, is described in more detail in Note 10 to the Condensed Interim Consolidated Financial Statements.

Other expense of $207 for the nine-month period ended September 30, 2017 compared to $280 for the corresponding prior period relates primarily to the loss on translation of foreign currency transactions as a result of currency exchange fluctuations attributed to the U.S. dollar during the period.

Operating income for the nine months ended September 30, 2017 increased to $13,924, compared to $11,037 for the same period of 2016.

Finance expense for the nine-month period ended September 30, 2017 totaled $507, compared to $1,697 for the same period of 2016. Excluding the unrealized gain on the interest rate swap of $473 (2016 – unrealized loss of $474), finance expense for the first nine months of 2017 decreased to $980 from $1,223 for the corresponding period in 2016. This decrease in finance expense was due to lower bank operating advances and lower debt balances.

A provision for income taxes totaling $4,407 was recorded for the nine months ending September 30, 2017 compared to $3,170 for the corresponding prior period. The income tax provisions for the year-to-date periods of 2017 and 2016 relate to 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 by 14% to $32,911 for the quarter ended September 30, 2017, compared to $28,758 for the corresponding quarter of 2016. During the third quarter of 2017, revenues increased due to strong customer demand in spite of an unusually wet early summer period.

Operating income for the third quarter of 2017 increased to $6,194 compared to

$3,834 for corresponding quarter of 2016. Process improvement costs incurred at the Farmersburg, Indiana clay brick facility reduced the level of production activity and increased costs of sales during the third quarter of 2016.

For the nine months ended September 30, 2017, revenues of the Masonry Products business segment increased 13% to $84,364 from $74,556 in the corresponding period of 2016. The strength in residential construction during the first half of 2017 continued in the third quarter supporting the year-to-date increase in revenues over the prior period. In addition, growth in customer demand for the Company's expanded range of masonry products also contributed to the increase.

Cost of sales for the first nine months of 2017 increased to $64,790 as compared to $58,037 for the corresponding period in 2016. The increase in costs of sales was due to higher shipments of masonry products. This increase was partially offset by the positive impact of higher production volumes on per unit costs. At the Farmersburg, Indiana clay brick facility, production volumes were significantly higher compared to the comparative period of 2016. During the first half of 2016, a temporary shutdown for maintenance and the installation of new process manufacturing equipment had reduced production levels at this U.S. clay brick facility.

In addition, selling and general and administrative expenses related to this business segment increased during the current period, as is described in more detail under the caption, "Discussion of Operations" for the nine months ended September 30, 2017.

Operating income for the nine months ended September 30, 2017 was $8,497 compared to $6,489 for the comparative period of 2016.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment for the three months ended September 30, 2017 increased to $17,283, from $15,053 for the corresponding quarter of 2016. Higher shipments during this seasonally strong quarter contributed to the increase in revenues. Cost of sales for the quarter ended September 30, 2017 increased to $11,860 from $10,144 for the corresponding quarter of 2016, primarily due to the increase in shipments.

As a result, operating income for the third quarter of 2017 increased to $3,455 compared to $3,150 for the same quarter in 2016.

For the nine months ended September 30, 2017, revenues of the Landscape Products business segment increased to $35,313 from $31,731 for the corresponding period of 2016 due to an increase in shipments. Robust activity in home sales, and repair and remodeling expenditures, supported exterior landscaping and renovation during the period.

Cost of sales for the nine months ended September 30, 2017 increased to $24,835 from $22,586 for the corresponding period in 2016, due to higher production levels and shipments.

Both selling and general and administrative expenses were higher for the reasons described above under the caption "Discussion of Operations" for the nine months ended September 30, 2017.

Operating income of the Landscape Products business segment for the first nine months ending September 30, 2017 increased to $5,427 from $4,548 for the same period for 2016.

CASH FLOWS

Cash provided from operating activities decreased to $11,062 for the nine months ended September 30, 2017, compared to $12,510 for the corresponding period in 2016. The change in inventories for the first nine months of 2017 decreased to $95. In the comparative nine-month period of 2016, this change was higher and amounted to $2,560, due to the build-up of inventories at the Farmersburg, Indiana clay brick plant at the end of fiscal year 2015 to prepare for the temporary shutdown in early 2016 for maintenance and process improvements. During the nine-month period of 2016, inventories decreased as sales volumes exceeded the low production levels at this plant. In addition, higher trade receivable balances due to higher revenues and higher income tax payments, which included final income tax remittances for 2016, as well as higher 2017 income tax installment payments, during the year-to-date period of 2017 were partially offset by an improvement in operating results and a decrease in accounts payable disbursements.

Cash utilized for purchases of property, plant and equipment totaled $4,993 in the first nine months of 2017. This amount primarily includes additions during the period of $4,399 and net amounts paid relating to capital additions made prior to January 2017. These capital expenditures included $1,010 for mobile equipment, of which $323 were capital leases and $2,215 for production process equipment primarily at the Brampton and Wixom concrete products plants. During the corresponding prior period, cash utilized for purchases of property, plant and equipment was $10,296, and comprised primarily of the purchase of certain assets in Boisbriand, Quebec and equipment upgrades at both U.S. facilities and at certain Ontario plants.

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.

There were no bank operating advances outstanding as at September 30, 2017 and as at December 31, 2016.

Trade payables totaled $19,449 at September 30, 2017 compared to $15,956 at December 31, 2016.

The ratio of total liabilities to shareholders' equity was 0.54:1 at September 30, 2017 compared to 0.55:1 at December 31, 2016. The decrease in the ratio was primarily due to the significant improvement in operating results, scheduled repayments on term debt and a decrease in income tax payable as at September 30, 2017, due to higher income tax instalment payments as described above, under the caption "Cash Flows". Other items partially offsetting the decrease in this ratio included: an increase in trade payables, due to a timing difference in disbursements; the increase in other liabilities outstanding, due to sales tax and other taxes payable on higher revenues; and the decrease in accumulated other comprehensive income, due to the strengthening of the Canadian dollar, during the nine months ended September 30, 2017.

As at September 30, 2017, the Company's current ratio was 2.68:1, representing working capital of $47,379, compared to 2.43:1 and $36,382, respectively, as at December 31, 2016. The increase in working capital was due to an increase in cash and cash equivalents, trade and other receivables and a decrease in income tax payable as at September 30, 2017, as described above. This increase was offset, in part, by an increase in higher trade payables and other liabilities. Cash and cash equivalents totaled $14,540 at September 30, 2017, compared to $10,923 at December 31, 2016.

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. It is a demand facility secured by a general security agreement over all assets. The agreement also contains certain financial covenants.

As at September 30, 2017, the borrowing limit based on the margin formulae was $22,000, of which $353 was utilized for outstanding letters of credit.

The Company was in compliance with all financial covenants under its term financing agreement and operating credit facility as at September 30, 2017 and anticipates that it will maintain compliance throughout the year.

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 2016 Annual Report and in Note 14 to the condensed interim consolidated financial statements.

With respect to contractual obligations outstanding as at September 30, 2017, changes during the first nine months include scheduled payments of principal and interest on debt and finance lease obligations and on operating leases. Additional changes include reductions in the remaining 2017 balances of the Company's purchase obligations under its natural gas supply and transportation contracts and additional obligations for the Company's estimated 2018 natural gas supply and transportation requirements. These are more fully described in Note 14 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	September 30		June 30		March 31		December 31	
	2017	2016	2017	2016	2017	2016	2016	2015
Revenues	$ 50,194	$ 43,811	$ 47,814	$ 43,818	$ 21,669	$ 18,658	$ 36,739	$ 32,362
Net income (loss) attributable to shareholders of Brampton Brick Limited								
	$ 7,232	$ 4,636	$ 4,679	$ 5,272	$ (2,901)	$ (3,738)	$ 1,304	$ (524)
Net income (loss)								
	$ 7,232	$ 4,636	$ 4,679	$ 5,272	$ (2,901)	$ (3,738)	$ 1,304	$ (534)
Net income (loss) per share								
Basic	$ 0.66	$ 0.42	$ 0.43	$ 0.48	$ (0.26)	$ (0.34)	$ 0.12	$ (0.05)
Diluted	$ 0.64	$ 0.41	$ 0.41	$ 0.47	$ (0.26)	$ (0.34)	$ 0.12	$ (0.05)

Due to changes in the weighted average number of shares outstanding during the current period or due to rounding, the basic and diluted net income (loss) per share by quarter may not add up precisely to the year-to-date total for each period.

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 SEPTEMBER 30

During the third quarter of 2017, growth in revenues in the Masonry Products business segment continued the momentum of the first half of 2017. Shipments in the Landscape Products business segments increased significantly over the prior period, positively impacting revenues during the third quarter.

Cost of sales increased on higher shipments, but benefited from lower costs of higher production volumes. Higher costs were incurred at the Farmersburg, Indiana clay brick plant due to upgrades to process equipment which continued through the third quarter of 2016. These process improvements positively impacted production activity and increased overall production volume at the facility during the third quarter of 2017.

In addition, an unrealized gain on the change in fair value of the interest rate swap amounting to $388 was recorded for the third quarter of 2017 compared to an unrealized gain of $50 in the comparative quarter of 2016.

As a result, net income for the quarter ended September 30, 2017 grew significantly to $7,232 from $4,636 for the corresponding prior quarter.

QUARTERS ENDED JUNE 30

Revenues in both the Masonry Products and Landscape Products business segments increased for the quarter ended June 30, 2017, compared to the same quarter of 2016 due to the continuing strength in the housing market and rising demand for home exterior remodeling upgrades in spite of relatively wet weather conditions. During the second quarter of 2017, cost of sales were higher due to the increase in shipments and higher repair and maintenance expenses, but were partially offset by lower costs on higher production volumes. For the second quarter of 2016, the increase in costs of sales was due to costs associated with upgrades to process equipment installed at the Farmersburg, Indiana clay brick plant and the retrofit and other costs associated with the April 2016 acquisition of the Boisbriand, Quebec facility.

The increase in general and administrative expenses during the second quarter of 2017 was due to the recognition of the increase in fair market value of certain employee stock options, over the fair market value as at the grant date, upon exercise and cash-settlement thereof. This transaction is described in greater detail in Note 10 to the Condensed Interim Consolidated Financial Statements. In addition, an unrealized gain of $227 from the change in fair value of the interest rate swap was recorded during the second quarter of 2017 compared to an unrealized loss of $129 for the corresponding quarter of 2016.

As a result, net income for the quarter ended June 30, 2017 was $4,679, compared to $5,272 for the same period in 2016.

QUARTERS ENDED MARCH 31

Revenues during the first quarter of 2017 increased in the Masonry Products business segment compared to the corresponding three months of 2016. The momentum in residential construction in 2016, which continued through the first quarter of 2017, combined with favourable weather conditions, contributed to the increase in revenues.

Costs of sales were higher due to the increase in shipments and were positively impacted by lower per unit manufacturing costs on higher production levels during the first quarter of 2017. The temporary shutdown for maintenance and process improvements at the Farmersburg plant unfavourably impacted costs in the first quarter of 2016.

Selling expenses were higher during the first quarter of 2017 due to an increase in license fees for customer relationship management tools and personnel-related costs associated with higher revenues.

As a result, the net loss for the first quarter of 2017 decreased to $2,901 from $3,738 for the same quarter in 2016.

QUARTERS ENDED DECEMBER 31

Revenues for the fourth quarter of 2016 increased 14% over the same period in 2015 due to higher masonry and landscape product shipments. Costs of sales in the last quarter of 2016 increased by 8% due to higher shipments. This increase was partially offset by lower per unit manufacturing costs on higher production volumes.

In addition, the unrealized gain on the interest rate swap in the fourth quarter of 2016 amounted to $619, compared to an unrealized loss of $26 recognized in the corresponding prior period.

An increase in the income tax provision, which was recorded on pre-tax income of the Canadian operations, was the result of a significant improvement in operating results due to the continued strength in demand for the Company's product portfolios.

Net income improved significantly to $1,304 in the fourth quarter of 2016 from a net loss of $534 for the corresponding comparative quarter of 2015 for the reasons discussed above.

OTHER

Information with respect to "Changes in Accounting Policies" is contained in Note 2 to the 2016 annual consolidated financial statements included in the Company's 2016 Annual Report. The condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2017 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2016, along with applicable changes in accounting policies effective January 1, 2017, as described in Note 2 to the 2016 annual consolidated financial statements. On March 31, 2017, share appreciation rights, with cash settlement on exercise, were granted by the Board of Directors. This transaction and the associated accounting policy is further described in Note 10 to the condensed interim consolidated financial statements.

Information with respect to 'Critical Accounting Judgments and Estimates' is disclosed in the 2016 annual MD&A and in Note 3 to the 2016 annual consolidated financial statements included in the Company's 2016 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, 2016, in Note 22 to the 2016 annual consolidated financial statements included in the Company's 2016 Annual Report; and (b) for the three and nine month periods ended September 30, 2017, in Note 15 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 September 30, 2017 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.

There were no Class A Subordinate Voting shares purchased under the Company's Normal Course Issuer Bid ("NCIB"), which commenced May 16, 2016 and ended on May 15, 2017. On July 12, 2017, The Toronto Stock Exchange (the "TSX") accepted a notice of intention (the "Notice") filed by the Company to make an NCIB. The Notice provided that the Company could purchase on the TSX up to 461,756 Class A Subordinate Voting shares in total, being approximately 5% of the total number of Class A Subordinate Voting shares outstanding as of July 10, 2017, during the 12-month period commencing on July 17, 2017 and ending on July 16, 2018. The Company has not repurchased any Class A Subordinate Voting shares under this NCIB.

The aggregate number of outstanding stock options and share appreciation rights as at September 30, 2017 that were fully vested and exercisable by plan participants are disclosed in Note 10 to the condensed interim consolidated financial statements for the period ended September 30, 2017. On exercise, stock options are convertible to Class A Subordinate Voting shares, whereas share appreciation rights are settled in cash. There have been no changes to the number of stock options and share appreciation rights outstanding 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, 2016 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders held on May 25, 2017, 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 months ended September 30, 2017 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 related to repair and remodeling expenditures.

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

The Company's operating results for 2017 have been positive due to favourable market conditions driven by buoyant residential and commercial construction activity, as well as improved operational performance, despite an unusually wet spring and early summer period. The outlook for the remainder of the year remains positive and, weather permitting, can result in a year-over-year improvement in operating results.

The Company's landscape and concrete masonry business has experienced positive growth in 2017, enabled by favourable market conditions and the effect of various strategic initiatives implemented over recent years focusing on new product development and enhanced customer service levels.

The Company's facility based in Boisbriand, Quebec is now predominantly a distribution site, servicing the Quebec and Eastern Ontario markets with the Company's full range of products. We remain optimistic that our strategy for this facility will result in greater sales volumes going forward.

The Canadian clay brick facility saw an increase in its production capacity utilization through the first three quarters of this year. Production levels are expected to correspond to market conditions for the balance of 2017.

Activity in the Company's U.S. market regions, more specifically related to residential housing, remains at historically low levels with respect to pricing and industry-wide clay brick capacity utilization. The Company's U.S. clay brick plant is now operating at the appropriate capacity utilization level in order to service its current sales demand for both commercial and residential sector products for the balance of 2017. This improvement in production capacity utilization is expected to result in improved gross margin levels for the plant.

Since the signing of the lease with its tenant, Universal Resource Recovery Inc. ("Universal"), has been self-sufficient on a cash basis. As a result, the Company did not need to fund any cash shortfalls in 2016 and through to September 30, 2017. 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. In October 2017, Universal's primary tenant delivered appropriate notice to terminate the lease on March 31, 2018. Universal is in the process of developing a strategy for the facility for when the tenant departs from the premises.

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, including the statements contained in the "Outlook" section of this MD&A. 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 2016 annual MD&A included in the Company's 2016 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, 2016), which may be accessed at www.sedar.com.

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

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

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

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

Jeffrey G. Kerbel
President and Chief Executive Officer

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

Dated as of the 8th day of November, 2017.

BRAMPTON BRICK Limited

Condensed Interim Consolidated Balance Sheets

(unaudited)(in thousands of Canadian dollars)	Notes	September 30, 2017		December 31, 2016
ASSETS				
Current Assets				
Cash and cash equivalents		**$**	**14,540**	$ 10,923
Trade and other receivables			**31,027**	21,108
Inventories			**28,271**	29,031
Other assets			**1,578**	756
Loan receivable	4		**93**	89
			75,509	61,907
Non-current assets				
Loans receivable	4		**4,343**	4,408
Property, plant and equipment	5		**163,779**	170,072
Non-current derivative financial instrument	8		**168**	-
			168,290	174,480
Total assets	16	**$**	**243,799**	$ 236,387
LIABILITIES				
Current liabilities				
Trade payables		**$**	**19,449**	$ 15,956
Income tax payable	11		**1,137**	2,822
Current portion of debt	7, 13		**2,181**	2,638
Current derivative financial instrument	8		**54**	155
Current provision on share appreciation rights	10		**230**	-
Decommissioning provisions			**30**	30
Other liabilities			**5,049**	3,924
			28,130	25,525
Non-current liabilities				
Non-current portion of debt	7, 13		**34,857**	35,910
Non-current derivative financial instrument	8		**-**	204
Non-current provision on share appreciation rights	10		**83**	-
Decommissioning provisions			**6,455**	6,429
Deferred tax liabilities	11		**15,640**	15,889
			57,035	58,432
Total liabilities		**$**	**85,165**	$ 83,957
EQUITY				
Share capital	9	**$**	**33,915**	$ 33,755
Contributed surplus	10		**3,098**	3,101
Accumulated other comprehensive income			**7,866**	10,829
Retained earnings			**113,755**	104,745
Total equity			**158,634**	152,430
Total liabilities and equity		**$**	**243,799**	$ 236,387

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

Condensed Interim Consolidated Statements of Comprehensive Income

		Three months ended September 30,		Nine months ended September 30,	
(unaudited)(in thousands of Canadian dollars, except per share amounts)	**Notes**	**2017**	2016	**2017**	2016
Revenues	15, 16, 17	**$ 50,194**	$ 43,811	**$119,677**	$ 106,287
Cost of sales		**35,325**	31,683	**89,626**	80,623
Selling expenses		**3,075**	2,837	**9,054**	8,344
General and administrative expenses		**1,948**	2,142	**6,824**	5,856
Loss on disposal of property, plant and equipment		**118**	147	**42**	147
Other expense		**79**	18	**207**	280
		40,545	36,827	**105,753**	95,250
Operating income	16	**9,649**	6,984	**13,924**	11,037
Finance income (expense)	6, 7, 8	**71**	(346)	**(507)**	(1,697)
Income before income taxes		**9,720**	6,638	**13,417**	9,340
(Provision) recovery of income taxes	11				
Current		**(2,497)**	(1,933)	**(4,653)**	(3,159)
Deferred		**9**	(69)	**246**	(11)
		(2,488)	(2,002)	**(4,407)**	(3,170)
Net income for the period		**$ 7,232**	$ 4,636	**$ 9,010**	$ 6,170
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
Foreign currency translation (loss) income		**$ (1,503)**	$ 705	**$ (2,963)**	$ (2,364)
Total comprehensive income for the period		**$ 5,729**	$ 5,341	**$ 6,047**	$ 3,806
Net income per Class A Subordinate Voting share and Class B Multiple Voting share					
Basic	12	**$ 0.66**	$ 0.42	**$ 0.82**	$ 0.56
Diluted	12	**$ 0.64**	$ 0.41	**$ 0.80**	$ 0.55

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, 2016		**$ 33,755**	**$ 2,641**	**$ 12,176**	**$ 97,270**	**$145,842**	**$ 37**	**$145,879**
Net income for the period					6,170	**6,170**	-	**6,170**
Other comprehensive loss (net of taxes, $nil)				(2,364)		**(2,364)**		**(2,364)**
Total comprehensive (loss) income for the period		**-**	**-**	**(2,364)**	**6,170**	**3,806**	**-**	**3,806**
Share-based compensation	10		373			**373**		**373**
Dividends paid to non-controlling interests						**-**	(35)	**(35)**
Balance - September 30, 2016		**$ 33,755**	**$ 3,014**	**$ 9,812**	**$103,440**	**$150,021**	**$ 2**	**$150,023**
Balance – January 1, 2017		**$ 33,755**	**$ 3,101**	**$ 10,829**	**$104,745**	**$152,430**	**$ -**	**$152,430**
Net income for the period					9,010	**9,010**	-	**9,010**
Other comprehensive loss (net of taxes, $nil)				(2,963)		**(2,963)**		**(2,963)**
Total comprehensive (loss) income for the period		**-**	**-**	**(2,963)**	**9,010**	**6,047**	-	**6,047**
Cash-settled, share-based compensation	10	-	(167)			**(167)**		**(167)**
Stock options exercised	10	160	(25)			**135**		**135**
Share-based compensation	10		189			**189**		**189**
Balance - September 30, 2017		**$ 33,915**	**$ 3,098**	**$ 7,866**	**$113,755**	**$158,634**	**$ -**	**$158,634**

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

Condensed Interim Consolidated Statements of Cash Flows

BRAMPTON BRICK Limited

(unaudited)(in thousands of Canadian dollars)	Notes	Nine months ended September 30, 2017	2016
Cash provided from (used for)			
Operating activities			
Net income for the period		**$ 9,010**	$ 6,170
Items not affecting cash and cash equivalents			
Depreciation	5	**7,704**	7,267
Current tax provision	11	**4,653**	3,159
Deferred tax (recovery) provision	11	**(246)**	11
Loss on disposal of property, plant and equipment		**42**	147
Unrealized foreign currency exchange loss		**411**	185
Net interest expense	6, 7	**980**	1,223
Derivative financial instrument (gain) loss	8	**(473)**	474
Other	10	**503**	373
		22,584	19,009
Changes in non-cash items			
Trade and other receivables		**(10,132)**	(7,981)
Inventories		**95**	2,560
Other assets		**(846)**	(552)
Trade payables		**4,512**	564
Other liabilities		**1,187**	1,761
		(5,184)	(3,648)
Income tax payments		**(6,338)**	(2,848)
Payments for decommissioning of assets		**-**	(3)
Cash provided from operating activities		**11,062**	12,510
Investing activities			
Purchase of property, plant and equipment	5	**(4,993)**	(10,296)
Proceeds from repayments of loans receivable		**62**	508
Proceeds from disposal of property, plant and equipment		**245**	17
Cash used for investing activities		**(4,686)**	(9,771)
Financing activities			
Increase in committed term loans		**-**	3,405
Payment of term loans	7, 13	**(1,178)**	(2,298)
Interest paid	6, 7	**(964)**	(1,077)
Payments on obligations under finance leases	13	**(642)**	(968)
Proceeds from exercise of stock options	10	**135**	-
Payment of dividends by subsidiary to non-controlling interests		**-**	(35)
Cash used for financing activities		**(2,649)**	(973)
Foreign exchange on cash held in foreign currency		**(110)**	(28)
Increase in cash and cash equivalents		**3,617**	1,738
Cash and cash equivalents at the beginning of the period		**10,923**	4,021
Cash and cash equivalents at the end of the period		**$ 14,540**	$ 5,759

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. Facilities located in Markham, Hillsdale, Brampton and Brockville, Ontario, in Boisbriand, Quebec and in Wixom, Michigan manufacture and distribute concrete masonry and landscape 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 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 and nine months ended September 30, 2017 are unaudited and include all adjustments that management considers necessary for a fair presentation in accordance with IAS 34, Interim Financial Reporting. The Company's business is seasonal. Results for the three and nine month periods ended September 30, 2017 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 and nine month periods ended September 30, 2017 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2016, along with applicable changes in accounting policies effective January 1, 2017, as described in Note 2 to the annual consolidated financial statements.

On March 31, 2017, share appreciation rights with cash settlement on exercise were granted by the Board of Directors. This transaction and the associated accounting policy is further described in Note 10.

STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements as at and for the three and nine month periods ended September 30, 2017 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 November 8, 2017.

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 replaces IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). The standard largely carries forward the requirements of IAS 39. Certain new requirements within the scope of the standard apply to the Company. These include a revision in the classification of financial instruments and a defined approach to the recognition and measure of expected credit losses.

Under the new standard, financial assets will be classified as subsequently measured at:

a) amortized cost, where the assets are held to collect contractual cash flows;

b) fair value through other comprehensive income, where the assets are held to collect proceeds from sales or from contractual cash flows; or

c) fair value through profit or loss, for assets not classified as above or have been designated as such.

All financial liabilities will be classified as subsequently measured at amortized cost with the exception of certain transactions specified within the standard.

These new classifications have disclosure requirements and are not expected to have a quantitative impact on the consolidated financial statements.

Under the expected credit loss approach, a loss allowance equal to twelve-month expected credit losses should be recognized at the reporting date, unless the credit risk on a financial instrument has increased significantly requiring estimated lifetime expected credit losses to be recognized.

The expected credit losses of a financial instrument should be measured to reflect a range of probability-weighted outcomes, the time value of money and reasonable information about past, current and future economic conditions.

The standard allows a simplified approach in measuring the loss allowance of trade receivables at an amount equal to lifetime expected credit losses.

The Company's current accounting treatment for the subsequent measure of its financial assets is consistent with the requirements of the new standard.

Although, the Company has not concluded its evaluation of the standard, a substantial evaluation of the standard's requirements, within the scope of the Company's financial transactions indicated no significant quantitative impact to the 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.

The five steps are:

a) Identification of the contract;

b) Performance obligations;

c) Determining transaction price;

d) Allocation of price to performance obligations; and

e) Recognition of revenue

Under the new standard, transaction prices which vary due to discounts and rebates must be recognized over the appropriate time period they relate to and the transaction price must be allocated over all performance obligations deliverable under the contract. The Company's current accounting treatment for revenue recognition is consistent with the requirements of the standard.

Although, the Company has not concluded its evaluation of the standard, a substantial evaluation of the standard's requirements, within the scope of the Company's revenue recognition framework indicated no significant quantitative impact to the consolidated financial statements.

IFRIC 22 *Foreign currency transactions and advance consideration* is effective for annual reporting periods beginning on or after January 1, 2018. The Interpretation clarifies that the exchange rate to be used on initial recognition in the functional currency for a foreign-currency denominated asset, expense or income, where advance consideration had been previously paid or received resulting in a non-monetary asset or non-monetary liability, is the spot exchange rate as of the date of recognition of the advance consideration. In case of multiple payments or receipts of advance consideration, exchange rates for each of these transaction dates must be applied. No significant changes to the consolidated financial statements are expected to result from the adoption of the standard.

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 twelve 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 has not completed evaluating the impact of this standard on the consolidated financial statements. The standard specifies the measurement and disclosure requirements where an asset is represented by the lessee's right to use the underlying asset. A right-of-use asset and an offsetting liability must be recognized at inception of the lease. The transitional provisions on adoption of this standard are expected to have disclosure requirements in the consolidated financial statements.

IFRIC 23 *Uncertainty over income tax treatments* is effective for annual periods beginning on or after January 1, 2019 and clarifies the approach to help determine the accounting treatment for uncertain income tax outcomes under IAS 12, *Income taxes*. The interpretation requires that an entity:

a) apply judgment in ascertaining if the tax treatment would collectively or individually impact associated transactions;

b) assume that the taxation authority would have full knowledge of all relevant information;

c) ascertain the probability that the relevant taxation authority will accept the tax treatment applied;

d) based upon the best prediction for the resolution of the uncertainty, should apply the corresponding income tax treatment; and

e) in case of any changes to facts and circumstances should require a reassessment of judgments and assumptions to be considered.

This standard provides enhanced guidance for the application of IAS 12, *Income taxes*. No significant changes to the consolidated financial statements are expected to result from the adoption of the standard.

Amendment to IFRS 2, *Share-based payment* is effective for annual periods beginning on or after January 1, 2018 and clarifies that:

a) the accounting for the impact of vesting and non-vesting conditions on the measurement of cash-settled, share-based payments should follow the equity-settled, share-based payments approach which is based on an assessment of the satisfaction of market conditions and performance conditions;

b) a share-based payment transaction with a net settlement feature, permitting an entity to settle the net share-based payment arrangement by withholding a portion of the equity instruments to meet the statutory tax withholding obligation, should be classified as an equity-settled transaction in its entirety if the transaction would have otherwise been classified as equity-settled if it had not included the net settlement feature; and

c) where the classification of a cash-settled, share-based payment is changed to an equity-settled, share-based payment, then the transaction is measured at the fair value of the equity instrument at the modification date and recognized for services rendered up to the modification date. Any difference between the carrying amount of the liability with respect to the cash-settled, share-based payment and the amount recognized in equity is recorded in profit or loss, immediately.

This amendment is not expected to 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 $4,250 as at September 30, 2017 (December 31, 2016 - $4,250).

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 September 30, 2017 total $186 (December 31, 2016 - $247), of which $93 (December 31, 2016 - $158) 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, 2016					
Cost	89,462	35,774	159,149	7,712	292,097
Accumulated depreciation and impairment loss	(18,807)	(17,859)	(79,239)	(6,120)	(122,025)
Net book value	**70,655**	**17,915**	**79,910**	**1,592**	**170,072**
For the nine months ended September 30, 2017					
Additions	211	-	3,178	1,010	4,399
Disposals	-	-	(245)	(43)	(288)
Depreciation for the period	(937)	(783)	(5,219)	(765)	(7,704)
Exchange differences	(379)	(451)	(1,855)	(15)	(2,700)
	(1,105)	**(1,234)**	**(4,141)**	**187**	**(6,293)**
As at September 30, 2017					
Cost	88,774	34,750	156,635	7,985	288,144
Accumulated depreciation and impairment loss	(19,224)	(18,069)	(80,866)	(6,206)	(124,365)
Net book value	**69,550**	**16,681**	**75,769**	**1,779**	**163,779**

For the three and nine month periods ended September 30, 2017, depreciation expense totaled $2,606 (2016 - $2,470) and $7,704 (2016 - $7,267), respectively, of which $2,526 (2016 - $2,389) and $7,458 (2016 - $7,027), respectively, were included in Cost of sales and $80 (2016 - $81) and $246 (2016 - $240), respectively, were included in General and administrative expenses.

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

	September 30, 2017	December 31, 2016
Cost – financed leases	$ 4,019	$ 6,580
Accumulated depreciation	(3,663)	(5,081)
	$ 356	**$ 1,499**

6. BANK OPERATING ADVANCES

The Company's operating credit facility provides for borrowings up to a maximum of $22,000 (2016 - $22,000) based on margin formulae for trade receivables and inventories, less priority claims. It is a demand facility secured by a general security agreement over all assets. The agreement contains certain financial covenants. As at September 30, 2017, the Company was in compliance with all the financial covenants.

As at September 30, 2017, the borrowing limit available based on the margin formulae was at the maximum available amount of $22,000 (December 31, 2016 - $22,000), of which $353 (December 31, 2016 - $333) was utilized for outstanding letters of credit. There was no current account overdraft balance outstanding as at September 30, 2017 (December 31, 2016 – Nil).

As at September 30, 2017, the rate of interest on the current account overdraft is based on the Canadian bank prime rate plus a credit spread of 0.25%.

7. DEBT

Debt consists of the following:

	September 30, 2017 $	December 31, 2016 $
Committed term A credit facility – monthly instalments commenced July 2017 to November 2019, maturing December 29, 2019 (a)	**26,130**	27,000
Committed term B credit facility – monthly instalments commenced July 2017 to November 2019, maturing December 29, 2019 (b)	**10,365**	10,665
Other term loans	**11**	19
	36,506	37,684
Obligations under finance leases	**532**	864
	37,038	38,548
Less: Payments due within one year – current portion	**2,181**	2,638
Non-current portion of debt	**34,857**	35,910

The loans under the credit agreement are secured by a general security agreement over all assets and a first-priority mortgage over certain properties located in Canada. The debt includes the following credit facilities:

(a) The committed term A credit facility in the original amount of $27,000 is a non-revolving term loan which bears interest at the bankers' acceptance rate plus 1.60%.

The term of the loan is three years and requires monthly interest payments for the duration of the loan. This term loan will be repaid by way of principal repayments of $290 per month from July to November each year, commencing from 2017 to 2019, with the loan balance payable on December 29, 2019.

On December 29, 2016, 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 term B credit facility provided up to a maximum borrowing of $10,665, which was fully drawn down and is a non-revolving term loan, bearing interest at the bankers' acceptance rate plus 1.60%. The term of the loan is three years and requires monthly interest payments for the duration of the loan. This term loan will be repaid by way of principal repayments of $100 per month from July to November each year, commencing from 2017 to 2019, with the loan balance payable on December 29, 2019.

This credit agreement includes a revolving, committed capital expenditure credit facility, which provides up to a maximum amount of $5,000, none of which has been utilized as at September 30, 2017.

The agreements for these loans contain certain financial covenants. As at September 30, 2017, the Company is in compliance with all the financial covenants.

8. DERIVATIVE FINANCIAL INSTRUMENT

The Company has a floating-to-fixed interest rate swap with a notional value of $26,130 (December 31, 2016, original notional value - $27,000) as at September 30, 2017, to minimize its exposure to fluctuations in cash flows from changes in interest rates on term debt of the same amount. The swap notional value decreases proportionately with the outstanding balance of the underlying committed term A credit facility as scheduled repayments are made over its duration. As a result of this transaction, the Company's interest rate for the committed term A credit facility is fixed at 3.48%.

The Company has not applied hedge accounting for the period ended September 30, 2017 or in the prior period. The change in fair value of the interest rate swap recognized in 'Finance income (expense)' on the Consolidated Statement of Comprehensive Income for the three and nine month periods ended September 30, 2017 amounted to an unrealized gain of $388 (2016 – gain of $50) and an unrealized gain of $473 (2016 - loss of $474), respectively. The fair value of the interest rate swap derivative in the amounts of $54 (December 31, 2016 - $155, current financial liability) and $168 (December 31, 2016 - $204, non-current financial liability) were classified as a current derivative financial liability and a non-current derivative financial asset, 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 Mutiple 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 September 30, 2017 issued and outstanding share capital consisted of 9,235,123 Class A Subordinate Voting shares (December 31, 2016 – 9,208,623) and 1,738,631

Class B Multiple Voting shares (December 31, 2016 – 1,738,631). Changes to the issued and outstanding share capital during the nine-month period ended September 30, 2017 are discussed in Note 10 below.

There were no Class A Subordinate Voting shares purchased under the Company's Normal Course Issuer Bid ("NCIB") , which commenced May 16, 2016 and ended on May 15, 2017. On July 12, 2017, The Toronto Stock Exchange (the "TSX") accepted a notice of intention (the "Notice") filed by the Company to make an NCIB. The Notice provided that the Company, could purchase on the TSX up to 461,756 Class A Subordinate Voting shares in total, being approximately 5% of the total number of Class A Subordinate Voting shares outstanding as of July 10, 2017, during the 12-month period commencing on July 17, 2017 and ending on July 16, 2018. The Company has not repurchased any Class A Subordinate Voting shares under this NCIB.

10. SHARE-BASED COMPENSATION

a) Equity-settled stock options:

Under the Brampton Brick Limited Stock Option Incentive Plan ("the Plan"), the Company may grant stock options to the officers, full-time employees and directors of the Company and its subsidiaries up to an aggregate of 1,680,965 (December 31, 2016 – 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 September 30, 2017, a total of 148,065 (December 31, 2016 – 62,265) stock options were available for grant under the Plan.

No stock options were exercised during the third quarter of 2017. During the second quarter of 2017, 1,000 stock options were exercised at an average price of $3.60. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $4.

In addition, during the first quarter of 2017, 25,500 stock options were exercised at an average price of $5.14. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $131.

In the second quarter of 2017, 173,700 stock options were exercised and cash-settled in the amount of $938, of which $167 was previously recognized over the vesting period of these stock options. Cash paid in excess of the fair market value ("FMV") at grant date amounted to $771 and was expensed to compensation cost during the second quarter of 2017. No Class A Subordinate Voting shares were issued on exercise of these options.

No stock options were exercised during the corresponding nine months of 2016.

For the three and nine month periods ended September 30, 2017, the total compensation cost charged against income with respect to all stock options granted was $47 (2016 - $95) and $960 (2016 - $373), respectively, of which:

i) $771 (2016 – Nil), relates to cash paid in excess of the FMV at the grant date on exercised stock options for the nine-month period ended September 30, 2017; and

ii) $47 (2016 – $95) and $189 (2016 - $373) pertain to the recognition of compensation cost at FMV as at the date of grant on outstanding stock options for the three and nine month periods ended September 30, 2017, respectively.

As at September 30, 2017, an aggregate of 1,086,500 (December 31, 2016 – 1,372,500) stock options were outstanding, of which 864,700 (December 31, 2016 – 1,004,500) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $6.24 (December 31, 2016 - $6.43) per share.

b) Share appreciation rights:
On March 21, 2017, the Board of Directors approved the Brampton Brick Limited Share Appreciation Rights Plan (the "SARs Plan"). Under the SARs Plan, the Company may grant share appreciation rights to the officers, full-time employees and directors of the Company and its subsidiaries. The base price of each share appreciation right is determined by the Board of Directors and cannot be less than the volume weighted average trading price ("VWAP") of the Company's Class A Subordinate Voting shares for the five trading days immediately preceding the effective date of the grant, and the maximum exercise term of a share appreciation right is ten years. Upon exercise of the share appreciation right, the excess of the FMV, being the five-day VWAP, as of the day preceding the date of exercise, over the base price will be payable to the participant.

For accounting purposes, share appreciation rights are measured at FMV using the Black-Scholes option pricing model. Compensation expense is recorded for the increase in the FMV of the share appreciation rights over the base price as specified in the Share Appreciation Rights Grant Agreement until settlement or expiration. The offsetting liability is recognized as Current and Non-Current based on the estimated timing of settlement. Compensation expense is recognized for share appreciation rights over the vesting period. Each vesting period represents a tranche, which is treated as a separate grant. Forfeitures are estimated in the determination of vested rights.

The Company granted share appreciation rights to all executive officers, certain employees and to all non-management members of the Board of directors of the Company on March 31, 2017. Share appreciation rights in each grant vest as follows: 20% on the date immediately following the date of the grant; and an additional 20% on each anniversary of the grant date thereof until fully vested

Date of grant	**March 31, 2017**
Number of share appreciation rights granted	**205,500**
Base price	**$ 9.01**
Fair value of each share appreciation right as at September 30, 2017	**$ 3.78**
Assumptions:	
Risk-free interest rate	**1.9%**
Expected life	**7.8 years**
Volatility (determined by reference to historically observed prices of the Class A Subordinate Voting shares)	**44.56%**
Expected dividend yield	**0.0%**
Expected forfeitures	**Nil**

During the second quarter, 600 share appreciation rights were exercised and settled in cash, for the increase in FMV over the Base price amounting to $1. A total of 2,400 share appreciation rights were forfeited during the second quarter of 2017. No share appreciation rights were exercised during the third quarter of 2017.

Compensation cost recorded was $16 (2016 – Nil) and $314 (2016 – Nil) for the three and nine month periods ended September 30, 2017, respectively. As at September

30, 2017, an aggregate of 202,500 (December 31, 2016 – Nil) share appreciation rights were outstanding, of which 40,500 (December 31, 2016 – Nil) were fully vested and exercisable. The fair value of the share appreciation rights recognized, in the amounts of $230 (December 31, 2016 – Nil) and $83 (December 31, 2016 – Nil), were classified as current and non-current provisions for share appreciation rights, respectively.

11. INCOME TAX

The Company computes an income tax (provision) recovery 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% (2016 – 26.5%) in the Canadian jurisdictions and from 34.0% to 38.1% (2016 – 34.0% to 38.2%) in the U.S. jurisdictions.

In interim periods, the income tax (provision) recovery 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 INCOME PER SHARE

Net income per share is calculated on net income attributable to the shareholders of Brampton Brick Limited using the weighted average number of shares outstanding for the period. The diluted earnings per share is calculated to reflect the dilutive effect of the exercise of the outstanding stock options on earnings 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 income per share is as follows:

	Three months ended September 30					
	2017			2016		
Earnings Per Share	**Net Income $**	**Shares (thousands)**	**Per share amount $**	**Net Income $**	**Shares (thousands)**	**Per share amount $**
Basic	**7,232**	**10,974**	**0.66**	4,636	10,947	0.42
Dilutive effect of stock options		**290**	**(0.02)**		402	(0.01)
Diluted		**11,264**	**0.64**		11,349	0.41

	Nine months ended September 30					
	2017			2016		
Earnings Per Share	**Net Income $**	**Shares (thousands)**	**Per share amount $**	**Net Income $**	**Shares (thousands)**	**Per share amount $**
Basic	**9,010**	**10,968**	**0.82**	6,170	10,947	0.56
Dilutive effect of stock options		**331**	**(0.02)**		350	(0.01)
Diluted		**11,299**	**0.80**		11,297	0.55

In determining the dilutive earnings per share, 103,000 (2016 – 179,500) and 126,819 (2016 – 187,659) options to purchase Class A Subordinate Voting shares were considered anti-dilutive for the three and nine month periods ended September 30, 2017, respectively.

13. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the period ended September 30, 2017, cash used for financing activities resulted in the following changes to the Company's financing liabilities.

	Term loans		Finance leases	
	Current	Non-current	Current	Non-current
Balance as at December 31, 2016	**$ 1,960**	**$ 35,724**	**$ 678**	**$ 186**
Cash flows:				
Payments during the period	(1,178)		(642)	
Changes from cash flows	**(1,178)**		**(642)**	
Non-cash changes:				
Increase in financial obligations			110	213
Impact of currency exchange rates			(1)	(12)
Other non-cash movements	1,178	(1,178)	76	(76)
Non-cash changes	**1,178**	**(1,178)**	**185**	**125**
Balance as at September 30, 2017	**$ 1,960**	**$ 34,546**	**$ 221**	**$ 311**

14. COMMITMENTS AND CONTINGENCIES

As at September 30, 2017, the Company had capital expenditure commitments with suppliers totaling $1,442.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at September 30, 2017, the Company has contracted for its estimated remaining 2017 Canadian natural gas supply requirements at an aggregate estimated cost of $406, none of which was at fixed prices, and for its estimated remaining 2017 Canadian transportation requirements at an aggregate estimated cost of $274, of which 34% was at fixed prices. The Company has contracted for its estimated 2018 Canadian natural gas supply requirements at an aggregate estimated cost of $1,612 and for its estimated 2018 Canadian transportation requirements at an aggregate estimated cost of $901, of which 85% was at fixed prices. The potential unrealized gain on the fixed price contracts was approximately $36 (2016 – unrealized gain of approximately $6), and 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 September 30, 2017 is $353 (December 31, 2016 - $333).

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.

15. RELATED PARTY TRANSACTIONS

The Company has determined which of its customers are related to the Company via common directors or shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 3.1% (2016 – 3.9%) of revenues in aggregate for the three-month period and 4.9% (2016 - 4.5%) for the nine-month period ended September 30, 2017. As at September 30, 2017, the trade receivable balance outstanding from related customers was $7 (December 31, 2016 - $12).

Trade payables to related parties totaled $69 as at September 30, 2017 (December 31, 2016 - $118) and includes payables for rebates.

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.

16. 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 primarily of a loan receivable from Universal.

Segmented information, with comparative information for 2016, is as follows:

	Three months ended September 30		Nine months ended September 30	
i) Revenues	**2017 $**	2016 $	**2017 $**	2016 $
Masonry Products	**32,911**	28,758	**84,364**	74,556
Landscape Products	**17,283**	15,053	**35,313**	31,731
Revenues	**50,194**	43,811	**119,677**	106,287
ii) Operating income				
Masonry Products	**6,194**	3,834	**8,497**	6,489
Landscape Products	**3,455**	3,150	**5,427**	4,548
Operating income	**9,649**	6,984	**13,924**	11,037
Finance income (expense)	**71**	(346)	**(507)**	(1,697)
Income taxes	**(2,488)**	(2,002)	**(4,407)**	(3,170)
Net income for the period	**7,232**	4,636	**9,010**	6,170

iii) Total assets	**September 30, 2017 $**	December 31, 2016 $
Masonry and Landscape Products	**239,549**	232,134
Other	**4,250**	4,253
Total assets	**243,799**	236,387

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

Geographical information is as follows:

	Three months ended September 30		Nine months ended September 30	
	2017 Revenues $	2016 Revenues $	**2017 Revenues $**	2016 Revenues $
Canada	**44,987**	38,903	**106,610**	94,064
United States	**5,207**	4,908	**13,067**	12,223
	50,194	43,811	**119,677**	106,287

	September 30, 2017 Property, plant and equipment $	**December 31, 2016 Property, plant and equipment $**
Canada	**127,034**	129,067
United States	**36,745**	41,005
	163,779	170,072

17. 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 and nine month periods ended September 30, 2017 are not necessarily indicative of the results to be expected for the full year.

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