




BRAMPTON BRICK Limited

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FIRST QUARTER REPORT 2019

FOR THE FIRST QUARTER ENDED MARCH 31, 2019
PREPARED AS OF MAY 7, 2019

The following management's discussion and analysis of financial condition and results of operations ("MD&A") for the interim period ended March 31, 2019, should be read in conjunction with the Condensed Interim Consolidated Financial Statements as at and for the three months ended March 31, 2019, and with the audited 2018 annual consolidated financial statements and the 2018 annual MD&A, included in the Company's 2018 Annual Report, and 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, 2019, the Company recorded a net loss of $4,498, or $0.41 per share compared to a net loss of $949, or $0.09 per share for the corresponding quarter in 2018. The aggregate weighted average number of Class A Subordinate Voting shares and Class B Multiple Voting shares outstanding for the first quarter of 2019 and 2018 were 10,964,182 and 10,973,754, respectively.

Revenues for the first quarter of 2019 were $19,356 compared to $24,957 for the same quarter of 2018. Very unfavourable weather conditions during the first quarter of 2019 significantly affected construction activity, reducing shipments in Ontario and Quebec, Canada. In contrast, weather conditions conducive to construction in March 2018 supported the carry-forward of construction projects from 2017 resulting in increased masonry product shipments in the first quarter of 2018. In addition, landscape shipments were also comparatively lower in the first quarter of 2019 due to the recognition of shipments in the first quarter of 2018 under the Company's dealer winter booking program that were deferred from the last quarter of 2017 due to production capacity constraints.

Cost of sales for the first quarter ended March 31, 2019 decreased to $18,965 from $20,441 for the corresponding quarter in 2018. The comparative decrease in the cost of sales due to lower shipments was offset, in part, by higher per unit costs of production on lower production volumes. Higher costs were also incurred for scheduled repairs and maintenance. In addition, freight and delivery expenses were lower during the first three months of 2019.

Selling expenses for the first quarter of 2019 increased to $3,343 compared to $2,984 for the same quarter of 2018. Personnel expenses were higher primarily due to one-time costs related to employee severances during the first quarter of 2019. In addition, higher costs relating to enhancements to the customer relationship application software, and marketing costs to promote improved product awareness in the Company's expanded geographic markets were incurred during the first quarter of 2019.

General and administrative expenses for the quarter ended March 31, 2019, increased to $2,639 from $2,121 for the same period of 2018 primarily due to legal expenses related to the business acquisition discussed below and employee severance costs. These increases were partially offset by lower share-based compensation costs recognized on the provision for share appreciation rights due to a decrease in their fair market value as at March 31, 2019.

Other expense was $132 for the three-month period ended March 31, 2019 compared to other income of $82 for the corresponding quarter of 2018. This primarily relates 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.

On February 4, 2019, the Company acquired the business of a concrete block manufacturing plant located in Cambridge, Ontario. Assets acquired at fair value totaled $7,500 and included land, building, production equipment and inventory.

The purchase consideration was settled by a cash payment of $2,500 and a vendor take-back loan in the form of two non-interest bearing promissory notes totaling $5,000, payable in equal instalments over five years. On the date of acquisition, the fair value of the business acquired exceeded the acquisition-date fair value of the purchase consideration due to the non-interest bearing, deferred settlement terms on the vendor take-back loan recognized at present value. Accordingly, a gain of $573 was recognized from the bargain purchase of this concrete block business in the Consolidated Statement of Comprehensive Income (loss).

The operating loss for the quarter ended March 31, 2019 increased to $5,129 from $499 for the same quarter in 2018, for the reasons noted above.

Finance expense for the three months ended March 31, 2019 was $493 compared to $173 for the corresponding quarter in 2018. Excluding the change in the fair value of the interest rate swap, which amounted to an unrealized loss of $222 (2018 – unrealized gain of $86), net interest expense for the current quarter increased to $271 compared to $259 for the first quarter of 2018. This increase during the period was due to the unwinding of the discount related to the present value of the non-interest bearing, promissory notes acquired on the settlement of the business acquisition discussed above. This increase was partially offset by lower interest expense on lower term loan balances outstanding under the Company's banking credit facilities, as a result of scheduled repayments amounting to $1,950 made during the second half of 2018.

Recovery of income taxes totaled $1,124 for the first quarter of 2019 compared to a provision for income taxes of $277 for the same quarter of 2018. The recovery of income taxes in the first quarter of 2019 and the provision for income taxes in the corresponding quarter of 2018, related to the pre-tax loss and pre-tax income of the Company's Canadian operations, respectively. 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 in the current or any prior period.

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

MASONRY PRODUCTS

Revenues of the Masonry Products business segment were $17,677 for the quarter ended March 31, 2019, compared to $21,771 for the corresponding quarter of 2018. During the first quarter of 2019, unfavourable weather conditions, as well as a decrease in housing starts, affected the pace of residential construction in Ontario, Canada. This related decrease in shipments was partially offset by an increase in housing starts in the high-rise residential market sector, as well as strength in commercial and other development activity, which supported an increase in the Company's masonry concrete product shipments. In addition, during the first quarter of 2018, the carryover of construction projects from the last quarter of 2017 favourably impacted shipments in that period.

Cost of sales for the first quarter of 2019 decreased to $15,473 compared to $16,421 for the corresponding quarter in 2018, due to lower shipments. This decrease was partially offset by higher per unit production costs on lower production volumes at the Brampton clay brick plant in order to balance inventory levels. Higher production volumes of masonry concrete products supported lower per unit manufacturing costs during the first quarter of 2019. During the first quarter of 2019, higher costs were incurred for repairs and maintenance of specific manufacturing equipment, in order to optimize production capacity utilization in 2019. In addition, freight and delivery costs were lower in the first quarter of 2019.

General and administrative expenses increased during the first quarter of 2019 for the reasons noted above under "Discussion of Operations".

The gain from the bargain purchase of a concrete block business in Cambridge, Ontario totaling $573 was recognized during the first quarter of 2019 and is described in more detail above under "Discussion of Operations".

The operating loss for the first quarter of 2019 was $1,929 compared to operating income of $1,475 for the corresponding quarter of 2018.

LANDSCAPE PRODUCTS

Revenues of the Landscape Products business segment for the three months ended March 31, 2019 were $1,644, compared to $3,186 for the corresponding quarter of 2018. While sales in this segment are historically low in the first quarter of the year, relatively unfavourable weather also impacted results. In addition, during the first quarter of 2018, shipments under the 2017 – 2018 dealer winter booking program were only delivered in the first three months of 2018 due to production capacity constraints in the Company's landscape products' facilities.

Cost of sales for the quarter ended March 31, 2019 decreased to $3,291 from $4,020 for the corresponding quarter of 2018. This decrease due to lower shipments was offset, in part, by higher per unit production costs on lower production volumes. Lower freight and delivery costs during the three-month period of 2019 favourably impacted cost of sales.

Selling expenses were higher during the three months ended March 31, 2019 for the same reasons discussed above under "Discussion of Operations".

As a result, the operating loss for the first quarter of 2019 increased to $3,063 compared to $1,974 for the same quarter in 2018.

CASH FLOWS

Cash used for operating activities increased to $14,207 for the three months ended March 31, 2019 compared to $9,499 for the corresponding period in 2018 primarily due to a decrease in operating results as well as an increase in disbursements of trade payables. This increase in cash used for operating activities was offset, in part, by lower production levels to rebalance inventories and lower income tax instalment payments.

Cash utilized for purchases of property, plant and equipment totaled $3,399 for the three-month period of 2019 compared to $965 for the same period of 2018. Assets acquired from the business acquisition of the concrete block manufacturing plant located in Cambridge, Ontario, totaled $6,250, excluding inventory. Of the cash payment of $2,500 on acquisition of this business, cash paid towards property, plant and equipment, excluding inventory, totaled $2,083.

Excluding the above-noted transaction, purchases of property, plant and equipment during the first three months of 2019 totaled $1,393 (2018 – $997) and net amounts paid relating to additions in the prior period. Additions included $1,047 (2018 - $655) for production process equipment and $163 (2018 - $39) for mobile equipment.

On January 1, 2019, the new accounting standard, IFRS 16, *Leases*, became effective. The impact of this accounting standard is described in more detail in Notes 3 and 13 to the Condensed Interim Consolidated Financial Statements.

FINANCIAL CONDITION

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

There were no bank operating advances outstanding as of March 31, 2019 and as of December 31, 2018.

Trade payables totaled $13,143 at March 31, 2019 compared to $17,429 at December 31, 2018.

The ratio of total liabilities to shareholders' equity was 0.48:1 at March 31, 2019 compared to 0.46:1 both at January 1, 2019 and at December 31, 2018. This increase in the ratio was primarily due to a decrease in retained earnings on lower operating results, and a decrease in accumulated other comprehensive income due to a decrease in the value of the exchange rate of the U.S. dollar, as at the end of

March 31, 2019, from the year-end exchange rate as at December 31, 2018.

As at March 31, 2019, the Company's current ratio was 3.39:1, representing working capital of $51,239, compared to 3.32:1 and $57,428, respectively, as at January 1, 2019 and 3.33:1 and $57,547, respectively, as at December 31, 2018. The increase in the current ratio was due to an increase in inventories and a decrease in trade payables outstanding at March 31, 2019 compared to December 31, 2018. This increase was partially offset by a decrease in cash and cash equivalents. Cash and cash equivalents totaled $9,345 at March 31, 2019, compared to $27,043 at December 31, 2018 and $11,213 at March 31, 2018.

The change in the January 1, 2019 balance sheet balances from December 31, 2018 is due to the adoption of the new accounting standard, IFRS 16, *Leases*, on January 1, 2019. The impact of the initial adoption of this standard is discussed in more detail in Notes 3 and 13 to the Condensed Interim Consolidated Financial Statements.

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 March 31, 2019, the borrowing limit based on the margin formulae was $22,000, of which $378 in outstanding letters of credit was utilized.

The Company was in compliance with all financial covenants under its term financing agreement and operating credit facility as at March 31, 2019 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 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 2018 Annual Report and in Note 13 to the Condensed Interim Consolidated Financial Statements.

With respect to contractual obligations outstanding as at March 31, 2019, changes during the first three months include scheduled payments of interest on debt, as principal debt payments are made during the latter half of the year, and payments of lease obligations. Additional changes include reductions in the remaining 2019 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	
	2019	2018	2018	2017	2018	2017	2018	2017
Revenues	$ 19,356	$ 24,957	$ 34,244	$ 36,567	$ 49,832	$ 50,194	$ 50,852	$ 47,814
Net income (loss)								
	$ (4,498)	$ (949)	$ 991	$ (3,066)	$ 5,359	$ 7,232	$ 8,043	$ 4,679
Net income (loss) per share								
Basic	$ (0.41)	$ (0.09)	$ 0.09	$ (0.28)	$ 0.49	$ 0.66	$ 0.73	$ 0.43
Diluted	$ (0.41)	$ (0.09)	$ 0.09	$ (0.28)	$ 0.48	$ 0.64	$ 0.72	$ 0.41

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 MARCH 31

Revenues for the first quarter of 2019 were below the corresponding quarter of 2018 due to comparatively unfavourable weather conditions, as well as a decrease in housing starts for low-rise residential units. However, increasing growth in the high-rise residential sector and from commercial developments supported an increase in shipments of masonry concrete products during the first quarter of 2019. Revenues for the corresponding quarter of 2018 were favourably impacted by the reduction of a backlog in residential construction carried forward from 2017, as well as due to timing differences in landscape shipments made under the Company's dealer winter booking program in the first quarter of 2018.

Cost of sales incurred during the first quarter of 2019 were below the corresponding prior quarter of 2018 due to a decrease in shipments. This decrease was offset, in part, by higher per unit production costs on lower production volumes, as well as higher scheduled repairs and maintenance expenses.

Selling expenses and general and administrative expenses increased during the first quarter of 2019, primarily due to the recognition of employee severance expenses.

Higher finance expense incurred during the first quarter of 2019 was primarily due to an unrealized loss from changes in the fair value of the interest rate swap. These increases were partially offset by a gain of $573 from the bargain purchase of the concrete block business recognized on February 4, 2019 described under "Discussion of Operations".

As a result, net loss for the first quarter of 2019 was $4,498 compared to net loss of $949 for the corresponding prior quarter of 2018.

QUARTERS ENDED DECEMBER 31

Revenues for the fourth quarter of 2018 decreased compared to the corresponding quarter of the prior year. Unfavourable weather conditions and the introduction of fiscal measures to moderate housing demand slowed the pace of residential construction in Ontario, Canada. Higher shipments of landscape products and masonry concrete products partially offset this decrease in shipments. Cost of sales in the last quarter of 2018 were below costs incurred for the corresponding prior quarter. Operating efficiencies attributed largely to the Brampton, Ontario and Farmersburg, Indiana clay brick plants were partially offset by lower production volumes which increased per unit costs.

The increase in net income for the fourth quarter of 2018 was due to the recognition of an asset impairment charge of $6,285 on the Farmersburg, Indiana plant in 2017. This decrease was offset, in part, by an impairment reversal on the Loan receivable of $1,875, net of taxes recognized as at December 31, 2017. Excluding the impact of these non-recurring transactions, net income for the fourth quarter of 2018 was $991, compared to $1,344 for the corresponding quarter of 2017.

QUARTERS ENDED SEPTEMBER 30

Revenues in the third quarter of 2018 were impacted by lower housing starts in the single-family detached housing and multi-family housing units. The pace of growth in residential construction was impacted after certain legislative and economic measures were adopted in the Canadian mortgage market as well as from the implementation of the *Non-resident speculation tax* imposed in the Province of Ontario. The increase in revenues for the third quarter of 2017 was supported by the continuing momentum in residential construction during that period.

Costs of sales increased due to higher per unit production costs on lower production volumes to optimize inventory levels, and higher freight costs incurred on product transfers to meet customer demand. These increases in costs were partially offset by higher production volumes at the Farmersburg, Indiana clay brick plant, which favourably impacted per unit production costs. In addition, the increase in the value of the average U.S. dollar exchange rate during the third quarter of 2018 increased the overall Canadian dollar operating costs of the Company.

Additionally, an unrealized gain on the change in fair value of the interest rate swap, amounting to $142, was recorded for the third quarter of 2018 compared to a gain of $388 in the comparative quarter of 2017.

As a result, net income for the quarter ended September 30, 2018 decreased to $5,359, from $7,232 for the corresponding prior quarter.

QUARTERS ENDED JUNE 30

For the second quarter of 2018, revenues increased in the Masonry Products business segment, compared to the same quarter of 2017. Strength in multi-family housing construction in Ontario, Canada, as well as strength in commercial and other development activity supported the increase in masonry product revenues. Relatively unfavourable weather conditions in April 2018, affected shipments of landscape products resulting in slightly lower revenues compared to the corresponding quarter of 2017.

The increase in costs of sales due to higher shipments in 2018 was only partially offset by lower per unit costs on higher production volumes in the masonry products operations, lower natural gas costs and greater efficiencies in electric power consumption. As well, the second quarter of 2017 incurred higher spending for repairs and maintenance expenses. In addition, a decrease in the U.S. dollar exchange rate during the second quarter of 2018, favourably impacted operating costs of the U.S. operations.

General and administrative costs decreased during the second quarter of 2018 compared to the same period of 2017, due to the exercise of certain cash-settled stock options in the second quarter of 2017. Share-based compensation costs recorded on the increase in fair market value of certain employee stock options, on exercise and cash-settlement thereof, totaled $771 during the second quarter of 2017. Share-based compensation costs recorded on share appreciation rights, measured at fair value, totaled $39 in the three months ended June 30, 2018 compared to $298 during the corresponding period of 2017, due to differences in timing of recognition.

The Company's share of income from its joint venture interest in Universal Resource Recovery Inc. ("Universal") amounted to $762 for the quarter ended June 30, 2018.

As a result, net income for the quarter ended June 30, 2018 increased to $8,043, compared to $4,679 for the same period in 2017.

OTHER

Information with respect to changes in accounting policies is contained in Note 2 to the 2018 annual consolidated financial statements included in the Company's 2018 Annual Report. The Condensed Interim Consolidated Financial Statements as at and for the three months ended March 31, 2019 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2018, along with applicable changes to the accounting policies contained in Note 2 to the 2018 annual consolidated financial statements included in the Company's 2018 Annual Report, and the newly adopted accounting standard IFRS 16, *Leases*, that became effective on January 1, 2019. The initial adoption of this standard is described in Note 3 to the Condensed Interim Consolidated Financial Statements.

Information with respect to "Critical Accounting Judgments and Estimates" is disclosed in the 2018 annual MD&A and in Note 3 to the 2018 annual consolidated financial statements included in the Company's 2018 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, 2018, in Note 23 to the 2018 annual consolidated financial statements included in the Company's 2018 Annual Report; and (b) for the three months ended March 31, 2019, 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, 2019 is disclosed in Note 8 to the Condensed Interim Consolidated Financial Statements. There have been no changes to the shares outstanding during the interim period from March 31, 2019 to the date of this MD&A.

There were no Class A Subordinate Voting shares repurchased during the three months ended March 31, 2019 under the Company's Normal Course Issuer Bid ("NCIB") which commenced September 7, 2018 and ends on September 6, 2019.

The aggregate number of outstanding stock options and share appreciation rights as at March 31, 2019 that were fully vested and exercisable by plan participants is disclosed in Note 9 to the Condensed Interim Consolidated Financial Statements for the period ended March 31, 2019. 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 during the interim period from March 31, 2019 to the date of this MD&A.

Additional information relating to the Company includes the annual consolidated financial statements as at and for the year ended December 31, 2018, and the annual MD&A for the year ended December 31, 2018. These documents are included in the Company's Annual Report and may be found on SEDAR www.sedar.com, along with the Annual Information Form for the year ended December 31, 2018 and the Management Information Circular issued in connection with the Annual General Meeting of Shareholders to be held on May 22, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2019 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.

Harsh winter conditions that prevailed through the first quarter of 2019 significantly impacted construction activity in the Company's masonry and landscape markets.

While milder temperatures in the second and third quarters of 2019 should allow for some of the delayed construction activity to be completed, housing starts are expected to remain relatively soft as the market adjusts to increased mortgage cost levels introduced in the past 18 months. These mortgage costs have created a softening in the low-rise residential sector of the Company's Canadian masonry markets. However, the impact of these softer conditions on Company results could be somewhat offset by increased volumes and efficiencies generated from the acquisition of the additional concrete block manufacturing business in February, which has been fully operational since the date of acquisition.

For 2019, business activity for landscape products across the Company's market regions is anticipated to increase from 2018 levels. The second and third quarters of 2019 should include a catch-up of weather-related, delayed first-quarter activity as well as incremental organic growth, aided by strong momentum in the Company's Quebec and Eastern Ontario markets.

For 2019, the Company's U.S. clay brick plant is expected to operate at the appropriate capacity utilization levels to service its commercial and residential product segments, resulting in an improved cost structure for that facility and lower per unit costs. At the same time, the Company's results could still be impacted by historically low industry capacity utilization levels in its related market regions.

The Company purchased the remaining 50% interest in Universal from its joint venture partner during 2018. The assets of Universal consist primarily of a 65-acre property containing two industrial buildings totaling approximately 600,000 square feet located in Welland, Ontario. It is the Company's intention to develop this site as part of its ongoing strategy to further enhance its masonry and landscape businesses, but at this time, no specific plans have been finalized.

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: the future development plans for the Universal property, 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 2018 annual MD&A, included in the Company's 2018 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, 2018), which may be accessed at www.sedar.com.

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

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

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

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

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

Jeffrey G. Kerbel
President and Chief Executive Officer

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

Dated as of the 7th day of May, 2019.

Condensed Interim Consolidated Balance Sheets

BRAMPTON BRICK Limited

(unaudited)(in thousands of Canadian dollars)	Notes	March 31, 2019	January 1, 2019	December 31, 2018
ASSETS				
Current Assets				
Cash and cash equivalents		**$ 9,345**	$ 27,043	$ 27,043
Trade and other receivables		**17,765**	18,137	18,137
Inventories		**42,129**	35,583	35,583
Other assets		**1,438**	1,210	1,210
Income tax recoverable		**1,956**	119	119
Loan receivable		**45**	64	64
Current derivative financial instrument	7	**13**	77	77
		72,691	82,233	82,233
Non-current assets				
Property, plant and equipment	3, 4	**174,041**	169,338	169,075
Non-current derivative financial instrument	7	**–**	129	129
Other assets		**16**	79	79
		174,057	169,546	169,283
Total assets	15	**$ 246,748**	$ 251,779	$ 251,516
LIABILITIES				
Current liabilities				
Trade payables		**$ 13,143**	$ 17,429	$ 17,429
Current portion of debt	3, 6, 12	**3,330**	2,537	2,418
Current provision on share appreciation rights	9	**486**	402	402
Other liabilities		**4,493**	4,437	4,437
		21,452	24,805	24,686
Non-current liabilities				
Non-current portion of debt	3, 6, 12	**35,914**	32,385	32,241
Non-current derivative financial instrument	7	**29**	–	–
Non-current provision on share appreciation rights	9	**69**	161	161
Decommissioning provisions		**6,980**	6,974	6,974
Deferred tax liabilities	10	**15,150**	15,334	15,334
		58,142	54,854	54,710
Total liabilities		**$ 79,594**	$ 79,659	$ 79,396
EQUITY				
Share capital	8	**$ 34,186**	$ 33,909	$ 33,909
Contributed surplus	9	**3,200**	3,218	3,218
Accumulated other comprehensive income		**10,220**	10,947	10,947
Retained earnings		**119,548**	124,046	124,046
Total equity		**$ 167,154**	$ 172,120	$ 172,120
Total liabilities and equity		**$ 246,748**	$ 251,779	$ 251,516

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

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

(unaudited)(in thousands of Canadian dollars, except per share amounts)	Notes	Three months ended March 31, 2019	2018
Revenues	14, 15, 16	**$ 19,356**	$ 24,957
Cost of sales		**18,965**	20,441
Selling expenses		**3,343**	2,984
General and administrative expenses		**2,639**	2,121
Gain on disposal of property, plant and equipment		**(21)**	(8)
Other expense (income)		**132**	(82)
Gain from bargain purchase of concrete block business	4	**(573)**	–
		24,485	25,456
Operating loss	15	**(5,129)**	(499)
Finance expense	5, 6, 7	**(493)**	(173)
Loss before income taxes		**(5,622)**	(672)
Recovery of (provision for) income taxes	10		
Current		**941**	(422)
Deferred		**183**	145
		1,124	(277)
Net loss for the period		**$ (4,498)**	$ (949)
Other comprehensive (loss) income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Foreign currency translation (loss) gain		**$ (727)**	$ 885
Total comprehensive loss for the period		**$ (5,225)**	$ (64)
Net loss per Class A Subordinate Voting share and Class B Multiple Voting share			
Basic	11	**$ (0.41)**	$ (0.09)
Diluted	11	**$ (0.41)**	$ (0.09)

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	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Retained Earnings	Total Equity
Balance – January 1, 2018		**$ 33,915**	**$ 3,146**	**$ 8,240**	**$110,689**	**$155,990**
Net loss for the period					(949)	(949)
Other comprehensive income (net of taxes, $nil)				885		885
Total comprehensive income (loss) for the period		**–**	**–**	**885**	**(949)**	**(64)**
Share-based compensation	9		47			**47**
Balance - March 31, 2018		**$ 33,915**	**$ 3,193**	**$ 9,125**	**$109,740**	**$155,973**
Balance – January 1, 2019		**$ 33,909**	**$ 3,218**	**$ 10,947**	**$124,046**	**$172,120**
Net loss for the period					(4,498)	(4,498)
Other comprehensive loss (net of taxes, $nil)				(727)		(727)
Total comprehensive loss for the period		**–**	**–**	**(727)**	**(4,498)**	**(5,225)**
Stock options exercised	9	277	(39)			**238**
Share-based compensation	9		21			**21**
Balance - March 31, 2019		**$ 34,186**	**$ 3,200**	**$ 10,220**	**$119,548**	**$167,154**

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

BRAMPTON BRICK Limited

Condensed Interim Consolidated Statements of Cash Flows

(unaudited)(in thousands of Canadian dollars)	Notes	Three months ended March 31, 2019	2018
Cash provided by (used for)			
Operating activities			
Net loss for the period		**$ (4,498)**	$ (949)
Items not affecting cash and cash equivalents			
Depreciation	4	**2,296**	2,250
Current tax (recovery) provision	10	**(941)**	422
Deferred tax recovery	10	**(183)**	(145)
Gain on disposal of property, plant and equipment		**(21)**	(8)
Unrealized foreign currency exchange loss (gain)		**132**	(87)
Gain from bargain purchase of concrete block business	4	**(573)**	–
Net interest expense	5, 6	**271**	259
Derivative financial instrument loss (gain)	7	**222**	(86)
Other	10	**14**	230
		(3,281)	1,886
Changes in non-cash items			
Trade and other receivables		**338**	744
Inventories		**(5,943)**	(6,825)
Other assets		**(170)**	(465)
Trade payables		**(4,274)**	(2,980)
Other liabilities		**19**	54
		(10,030)	(9,472)
Income tax payments		**(896)**	(1,913)
Cash used for operating activities		**(14,207)**	(9,499)
Investing activities			
Purchase of property, plant and equipment		**(3,399)**	(965)
Proceeds from repayments of loans receivable		**19**	8
Proceeds from disposal of property, plant and equipment		**21**	29
Cash used for investing activities		**(3,359)**	(928)
Financing activities			
Payment of term loans	12	**–**	(3)
Interest paid	5, 6	**(181)**	(318)
Payments on obligations under leases	12	**(132)**	(51)
Proceeds from exercise of stock options	9	**238**	–
Cash used for financing activities		**(75)**	(372)
Foreign exchange on cash held in foreign currency		**(57)**	2
Decrease in cash and cash equivalents		**(17,698)**	(10,797)
Cash and cash equivalents at the beginning of the period		**27,043**	22,010
Cash and cash equivalents at the end of the period		**$ 9,345**	$ 11,213

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, Cambridge and Brockville, Ontario, Boisbriand, Quebec and Wixom, Michigan manufacture and distribute concrete masonry and landscape products.

On February 4, 2019, the Company acquired the concrete block manufacturing plant located in Cambridge, Ontario for a purchase consideration of $7,500. This acquisition is discussed in more detail in Note 4, below.

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 months ended March 31, 2019 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 months ended March 31, 2019 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 2018 annual consolidated financial statements.

The condensed interim consolidated financial statements as at and for the three months ended March 31, 2019 have been prepared using the same accounting policies applied to the Company's annual consolidated financial statements for the year ended December 31, 2018, along with applicable changes to the accounting policies contained in Note 2 to the Company's 2018 annual consolidated financial statements, and the newly adopted accounting standard IFRS 16, *Leases*, that became effective on January 1, 2019. The initial adoption of this standard is described in Note 3, below.

STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements as at and for the three months ended March 31, 2019 have been prepared in accordance with IAS 34, *Interim Financial Reporting*.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 7, 2019.

3. ACCOUNTING STANDARD IFRS 16, *LEASES*

Effective January 1, 2019, the Company adopted the new accounting standard IFRS 16, *Leases*. The standard eliminates the classification of leases as either operating leases or finance leases. Under this standard's single accounting model, the right to use an asset must be recognized on the consolidated balance sheets, regardless of the transfer of substantially all risks and rewards of ownership of the asset for all leases with a term of more than twelve months, unless the underlying asset is of low value for those transactions.

Assets are recognized as Right-of-Use assets at the present value of their future lease payments or at an amount equal to the lease liability, adjusted for prepaid or accrued lease payments. The offsetting obligations are recognized as lease liabilities at the present value of future lease payments. Asset values recorded under leases are amortized on a straight-line basis over the term of the lease. Lease obligations are reduced by lease payments net of imputed interest, which is recognized as interest expense.

On adoption of this standard on January 1, 2019, the Modified Retrospective method was applied to the opening condensed interim consolidated balance sheet. The retrospective cumulative effect of initially applying the standard was recognized at the date of initial application but had no impact on Retained Earnings as the Right-of-Use assets for operating leases were recognized at an amount equal to the lease liability. This is described in the table below

Net Book Value – Property, plant and equipment		**March 31, 2019 $**	**January 1, 2019 $**	**December 31, 2018 $**
Right-of-Use assets:				
Right-of-Use assets - finance leases		680	763	763
Right-of-Use assets - operating leases		229	263	–
Right-of-Use assets	**A**	**909**	**1,026**	**763**
Owned assets	**B**	**173,132**	**168,312**	**168,312**
Property, plant and equipment	**A+B**	**174,041**	**169,338**	**169,075**
Current portion of debt:				
Current finance lease obligations		453	468	468
Current operating lease obligations		108	119	–
Current lease obligations	**C**	**561**	**587**	**468**
Current term loans	**D**	**2,769**	**1,950**	**1,950**
Current portion of debt	**C+D**	**3,330**	**2,537**	**2,418**
Non-current portion of debt:				
Non-current finance lease obligations		340	426	426
Non-current operating lease obligations		123	144	–
Non-current lease obligations	**E**	**463**	**570**	**426**
Non-current term loans	**F**	**35,451**	**31,815**	**31,815**
Non-current portion of debt	**E+F**	**35,914**	**32,385**	**32,241**
Retained Earnings (impact of lease accounting)	**A-C-E**	**(115)**	**(131)**	**(131)**

4. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Improvements	Buildings	Machinery and Equipment	Mobile Equipment	Total
As at January 1, 2019					
Cost	93,087	46,570	167,202	9,381	316,240
Accumulated depreciation and impairment loss	(21,928)	(21,508)	(96,762)	(6,704)	(146,902)
Net book value	**71,159**	**25,062**	**70,440**	**2,677**	**169,338**
For the three months ended March 31, 2019					
Additions	4,683	500	2,272	188	7,643
Depreciation for the period	(159)	(347)	(1,506)	(284)	(2,296)
Exchange differences	(88)	(102)	(440)	(14)	(644)
	4,436	**51**	**326**	**(110)**	**4,703**
As at March 31, 2019					
Cost	97,485	46,758	168,083	9,306	321,632
Accumulated depreciation and impairment loss	(21,890)	(21,645)	(97,317)	(6,739)	(147,591)
Net book value	**75,595**	**25,113**	**70,766**	**2,567**	**174,041**

The change in the balances from December 31, 2018 to January 1, 2019 is described in Note 3 above and the closing balances as at December 31, 2018 are included in Note 7 of the notes to the 2018 annual consolidated financial statements included in the Company's 2018 Annual Report.

For the three months ended March 31, 2019, depreciation expense totaled $2,296 (2018 - $2,250), of which $2,210 (2018 - $2,170) was included in Cost of sales, $7 (2018 – nil) was included in Selling expenses and $79 (2018 - $80) was included in General and administrative expenses.

On February 4, 2019, the Company acquired the business of a concrete block manufacturing plant located in Cambridge, Ontario. Assets acquired at fair value totaled $7,500 and included land, building, production equipment and inventory.

The purchase consideration was settled by a cash payment of $2,500 and a vendor take-back loan in the form of two non-interest bearing promissory notes totaling $5,000, payable in equal instalments over five years. On the date of acquisition, the fair value of the business acquired exceeded the acquisition-date fair value of the purchase consideration due to the non-interest bearing, deferred settlement terms on the vendor take-back loan recognized at present value. Accordingly, a gain of $573 was recognized from the bargain purchase of this concrete block business in the Consolidated Statement of Comprehensive Income (loss).

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

	March 31, 2019	January 1, 2019	December 31, 2018
Cost – finance lease assets	$ 1,383	$ 1,388	$ 1,388
Cost – operating lease assets	$ 263	$ 263	–
Cost – Right-of-Use assets	**$ 1,646**	**$ 1,651**	**$ 1,388**

BRAMPTON BRICK Limited

Accumulated depreciation – finance lease assets	$ (703)	$ (625)	$ (625)
Accumulated depreciation – operating lease assets	$ (34)	–	–
Accumulated depreciation – Right-of-Use assets	**$ (737)**	**$ (625)**	**$ (625)**
Net book value – Right-of-Use Assets	**$ 909**	**$ 1,026**	**$ 763**

5. BANK OPERATING ADVANCES

The Company's operating credit facility provides for borrowings up to a maximum of $22,000 (2018 - $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 March 31, 2019, the Company was in compliance with all the financial covenants.

As at March 31, 2019, the borrowing limit available based on the margin formulae was at the maximum available amount of $22,000 (December 31, 2018 - $22,000), of which $378 (December 31, 2018 - $386) was utilized for outstanding letters of credit. There was no current account overdraft balance outstanding as at March 31, 2019 (December 31, 2018 – Nil).

As at March 31, 2019, the rate of interest on the current account overdraft is based on the Canadian bank prime rate plus a credit spread of 0.25%.

6. DEBT

Debt consists of the following:

		March 31, 2019 $	January 1, 2019 $	December 31, 2018 $
Committed term A credit facility – monthly instalments commenced July 2017 to November 2020, maturing January 29, 2021	(i)	**24,100**	24,100	24,100
Committed term B credit facility – monthly instalments commenced July 2017 to November 2020, maturing January 29, 2021	(ii)	**9,665**	9,665	9,665
	a	**33,765**	33,765	33,765
Non-interest bearing, promissory notes		**5,000**	–	–
Less: Unamortized imputed interest		**(545)**	–	–
	b	**4,455**	–	–
Obligations under finance leases		**793**	894	894
Obligations under operating leases		**231**	263	–
Obligations under leases	**c**	**1,024**	1,157	894
	a+b+c	**39,244**	34,922	34,659
Less: Payments due within one year – current portion		**3,330**	2,537	2,418
Non-current portion of debt		**35,914**	32,385	32,241

a) 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:

(i) The committed term A credit facility is a non-revolving term loan, which bears interest at the bankers' acceptance rate plus 1.60%. The term loan requires monthly interest payments for its duration and is to be repaid by way of principal repayments of $290 per month during the months of July to November from 2017 each year to maturity date.

The Company has entered into a floating-to-fixed interest rate swap agreement to fix the interest rate on this term loan, as further described in Note 7, 'Derivative Financial Instrument'.

(ii) The committed term B credit facility is a non-revolving term loan, bearing interest at the bankers' acceptance rate plus 1.60%. The term loan requires monthly interest payments for its duration and is to be repaid by way of principal repayments of $100 per month during the months of July to November each year from 2017 to maturity date.

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 at March 31, 2019.

The agreements for these loans contain certain financial covenants. As at March 31, 2019, the Company is in compliance with all the financial covenants.

b) On February 4, 2019, the Company acquired the business of a concrete block manufacturing plant, as described in Note 4, above. The purchase consideration included a vendor take-back loan, in the form of two non-interest bearing promissory notes totaling $5,000, payable annually in equal instalments over five years. The promissory notes are secured by a first ranking general security interest over the acquired assets.

7. DERIVATIVE FINANCIAL INSTRUMENT

The Company has a floating-to-fixed interest rate swap with a notional value of $24,100 as at March 31, 2019, (December 31, 2018 - $24,100), 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 March 31, 2019 or in the prior periods. The change in fair value of the interest rate swap recognized in "Finance expense" on the Consolidated Statement of Comprehensive Income (Loss) for the three months ended March 31, 2019 amounted to an unrealized loss of $222 (2018 - $86 unrealized gain). The fair value of the interest rate swap derivative in the amounts of $13 (December 31, 2018 - $77, current derivative financial asset) and $29 (December 31, 2018 - $129, non-current derivative financial asset) were classified as a current derivative financial asset and a non-current derivative financial liability, respectively.

8. 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.

On September 5, 2018, the Toronto Stock Exchange (the "TSX") accepted a notice of intention (the "Notice") filed by the Company to make a Normal Course Issuer Bid ("NCIB"). The Notice provided that the Company, could purchase on the TSX up to 461,431 Class A Subordinate Voting shares in total, being approximately 5% of the total number of Class A Subordinate Voting shares outstanding as of August 31, 2018, during the 12-month period which commenced on September 7, 2018 and ends on September 6, 2019. Under this NCIB, 12,000 Class A Subordinate Voting shares were repurchased at an average market price of $8.36 and subsequently cancelled in 2018. There were no repurchases under this NCIB in the first quarter of 2019.

As at March 31, 2019, issued and outstanding share capital consisted of 9,270,523 Class A Subordinate Voting shares (December 31, 2018 – 9,223,023) and 1,738,631 Class B Multiple Voting shares (December 31, 2018 – 1,738,631).

Changes to the issued and outstanding share capital due to the exercise of stock options during the three-month periods ended March 31, 2019 and March 31, 2018 are discussed in Note 9 below.

9. 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, 2018 – 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, 2019, a total of 255,065 (December 31, 2018 – 255,065) stock options were available for grant under the Plan. There were no stock options granted during the period ended March 31, 2019 and the comparative period in 2018.

During the first quarter of 2019, 47,500 stock options were exercised at an average price of $4.99. Proceeds from the issue of an equal number of Class A Subordinate Voting shares amounted to $238. No stock options were exercised during the first quarter of 2018.

For the three months ended March 31, 2019, the total compensation cost charged against income with respect to all stock options granted was $21 (2018 - $47).

As at March 31, 2019, an aggregate of 919,600 (December 31, 2018 – 967,100) stock options were outstanding, of which 810,500 (December 31, 2018 – 858,000) were fully vested and exercisable by the holders thereof at a weighted average exercise price of $5.84 (December 31, 2018 - $5.79) per share.

b) Share appreciation rights:

Under the Brampton Brick Limited Share Appreciation Rights Plan (the "SARs Plan"), the Company may grant share appreciation rights to all executive officers, certain employees and to all non-management members of the Board of Directors of the Company. 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.

On March 27, 2019, 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. 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 27, 2019**	**March 28, 2018**	**March 31, 2017**
Number of share appreciation rights granted	**196,500**	**207,500**	**205,500**
Base price	**$ 6.51**	**$ 8.48**	**$ 9.01**
Fair value of each share appreciation right as at March 31, 2019	**$ 2.65**	**$ 1.61**	**$ 1.54**
Assumptions:			
Risk-free interest rate	**1.47%**	**1.54%**	**1.54%**
Expected life	**7.5 years**	**6.0 years**	**6.3 years**
Volatility (determined by reference to historically observed prices of Class A Subordinate Voting Shares)	**35.36%**	**31.07%**	**31.19%**
Expected dividend yield	**0.0%**	**0.0%**	**0.0%**
Expected forfeitures	**Nil**	**Nil**	**Nil**

No share appreciation rights were exercised during the three-month periods ended March 31, 2019 and March 31, 2018, respectively.

For the three months ended March 31, 2019, the change in fair value of the provision for share appreciation rights was an unrealized gain of $7 (2018 – $183 unrealized loss). As at March 31, 2019, an aggregate of 591,500 (December 31, 2018 – 395,000) share appreciation rights were outstanding, of which 235,800 (December 31, 2018 – 117,500) were fully vested and exercisable. The fair value of the share appreciation rights recognized, in the amounts of $486 (December 31, 2018 – $402) and $69 (December 31, 2018 – $161), were classified as current and non-current provisions for share appreciation rights, respectively.

10. 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% (2018 – 26.5%) in the Canadian jurisdictions and from 21.0% to 23.2% (2018 – 21.0% to 23.2%) 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 in the current period or in prior years.

11. NET LOSS PER SHARE

Net loss per share is calculated on the net loss 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					
	2019			2018		
Loss Per Share	**Net Loss $**	**Shares (thousands)**	**Per share amount $**	**Net Loss $**	**Shares (thousands)**	**Per share amount $**
Basic and diluted loss per share	**(4,498)**	**10,964**	**(0.41)**	(949)	10,974	(0.09)

Dilutive employee stock options have no effect on the calculation of the diluted loss per share due to the loss incurred for the periods ended March 31, 2019 and March 31, 2018.

12. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

For the periods ended March 31, 2019 and March 31, 2018, cash provided by (used for) financing activities resulted in the following changes to the Company's financing liabilities.

The balances as at December 31, 2018 and the changes in balances from December 31, 2018 to January 1, 2019 are included in Note 3.

	Term loans		Leases	
	Current	Non-current	Current	Non-current
Balance as at January 1, 2019	**$ 1,950**	**$ 31,815**	**$ 587**	**$ 570**
Cash flows:				
Payments during the period	–		(132)	
Changes from cash flows	**–**		**(132)**	
Non-cash changes:				
Increase in financial obligations	814	3,612	–	–
Impact of currency exchange rates	–	–	(2)	1
Unwinding of discount on promissory notes	29	–	–	–
Other non-cash movements	(24)	24	108	(108)
Non-cash changes	**819**	**3,636**	**106**	**(107)**
Balance as at March 31, 2019	**$ 2,769**	**$ 35,451**	**$ 561**	**$ 463**

	Term loans		Finance leases	
	Current	Non-current	Current	Non-current
Balance as at December 31, 2017	**$ 1,959**	**$ 33,765**	**$ 170**	**$ 272**
Cash flows:				
Payments during the period	(3)	–	(51)	–
Changes from cash flows	**(3)**	**–**	**(51)**	–
Non-cash changes:				
Impact of currency exchange rates	–	–	1	4
Other non-cash movements	–	–	41	(41)
Non-cash changes	**–**	**–**	**42**	**(37)**
Balance as at March 31, 2018	**$ 1,956**	**$ 33,765**	**$ 161**	**$ 235**

13. COMMITMENTS AND CONTINGENCIES

As at March 31, 2019, the Company had capital expenditure commitments with suppliers totaling $1,640.

The Company normally enters into supply and transportation contracts for natural gas to satisfy its future requirements. As at March 31, 2019, the Company has contracted for its estimated remaining 2019 Canadian natural gas supply requirements at an aggregate estimated cost of $572, none of which was at fixed prices, and for its estimated remaining 2019 Canadian transportation requirements at an aggregate estimated cost of $833, of which 80% was at fixed prices. The potential unrealized gain on the fixed price transportation contracts was approximately $41 (2018 – approximately $187 unrealized gain), 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 March 31, 2019 is $378 (December 31, 2018 - $386).

Effective January 1, 2019, operating leases are recognized as Right-of-Use assets in property, plant and equipment (refer Note 3), with an offsetting lease obligation at the present value of their future lease payments. The closing balances of operating leases as at December 31, 2018 were carried forward to January 1, 2019 and changes during the period to March 31, 2019 are described below.

Operating leases	**$**
Balance as at January 1, 2019	**277**
Less: Operating lease payments	**(32)**
Less: Interest paid	**(4)**
Balance as at March 31, 2019	**241**
Current operating lease obligation	**108**
Non-current operating lease obligation	**123**
Add: Imputed interest	**10**
	241

As at March 31, 2019, the future aggregate minimum lease payments under operating leases, (primarily mobile equipment and vehicles) are as follows:

Operating leases	March 31, 2019	December 31, 2018
	$	$
January – March 2019	-	36
April – December 2019	**92**	92
2020	**89**	89
2021	**53**	53
2022	**7**	7
	241	277

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. These customers are controlled by common directors or significant shareholders. Sales to these customers are made under competitive terms and conditions. These customers accounted for 8.3% (2018 – 5.6%) of revenues in aggregate for the three months ended March 31, 2019. As at March 31, 2019, the trade receivable balance outstanding from related customers was $10 (December 31, 2018 - $14).

Trade payables to related parties, including payables for rebates, totaled $39 as at March 31, 2019 (December 31, 2018 - $176).

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 primarily of the Company's investment in Universal Resource Recovery Inc., which includes rental revenues, related costs and assets of this wholly-owned subsidiary.

Segmented information, with comparative information for 2018, is as follows:

	Three months ended March 31	
i) Revenues	**2019 $**	2018 $
Masonry Products	**17,677**	21,771
Landscape Products	**1,644**	3,186
Other	**35**	–
Revenues	**19,356**	24,957
ii) Operating income (loss)		
Masonry Products	**(1,929)**	1,475
Landscape Products	**(3,063)**	(1,974)
Other	**(137)**	–
Operating loss	**(5,129)**	(499)
Finance expense	**(493)**	(173)
Recovery of (provision for) income taxes	**1,124**	(277)
Net loss for the period	**(4,498)**	(949)

iii) Total assets	**March 31, 2019 $**	**January 1, 2019 $**	**December 31, 2018 $**
Masonry and Landscape Products	**233,293**	238,376	238,113
Other	**13,455**	13,403	13,403
Total assets	**246,748**	251,779	251,516

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 March 31	
	2019 Revenues $	**2018 Revenues $**
Canada	**17,283**	22,927
United States	**2,073**	2,030
	19,356	24,957

	March 31, 2019 Property, plant and equipment $	**January 1, 2019 Property, plant and equipment $**	**Deecmber 31, 2018 Property, plant and equipment $**
Canada	**142,792**	137,080	136,833
United States	**31,249**	32,258	32,242
	174,041	169,338	169,075

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 months ended March 31, 2019 are not necessarily indicative of the results to be expected for the full year.

BRAMPTON BRICK Limited

ONE Trusted Source

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