VITREOUS GLASS INC.
NINE MONTHS ENDED JUNE 30, 2017
MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") is dated August 4, 2017.

The following is management's discussion and analysis of the business and financial results of Vitreous Glass Inc. ("Vitreous" or the "Company") for the three and nine months ended June 30, 2017. This MD&A should be read in conjunction with the unaudited condensed financial statements of the Company for the three and nine months ended June 30, 2017 and the audited financial statements of the Company for the year ended September 30, 2016. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Advisory Regarding Forward Looking Statements and Information

This MD&A contains forward looking statements and information. Forward looking statements and information are based upon current expectations and assumptions that involve a number of risks and uncertainties, certain of which are beyond the Company's control and could cause actual events or results to differ materially from those reflected in the MD&A. Forward looking statements and information are based upon the estimates and opinions of the Company's management at the time the statements were made.

Readers of this MD&A are strongly cautioned that any statements relating to the future business prospects of the Company (and therefore its ability to meet its financial obligations, and potentially continue to pay dividends) are entirely subject to the continuation of satisfactory business conditions. These include, but are not limited to, availability of waste glass for processing, demand for fiberglass building insulation by the consumer, willingness and ability of the Company's customers to continue to use waste glass as part of their raw material, availability of hauling product to and from the Company's plant, adequate margins to cover the Company's costs, and the financial health of the Company's customers.

In particular, forward looking statements and information include:

- Assuming that (i) there is continuing market demand for fiberglass insulation; (ii) its customers continue to operate their Alberta plants at a level where historical levels of demand for glass are present; and (iii) glass supply and transportation continue to be available on an economically viable basis, management believes that Vitreous has sufficient cash and available credit facilities to meet its obligations as they fall due, and anticipates no change in the ability to meet such obligations on an ongoing basis.

The reader is cautioned that historical results are not necessarily indicative of future performance. The forward looking statements are made as of the date of this MD&A and the Company does not undertake any obligation to update publicly or revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

The Company

Vitreous operates a waste glass processing plant at Airdrie, Alberta. The plant gathers post-consumer waste glass from Alberta and elsewhere, crushes it, removes contaminants, and sells the final product to three manufacturers of fiberglass building insulation for use as a raw material in their production facilities in Alberta.

Sales

Sales for the three months ended June 30, 2017 decreased by 1.7% from the same three months of the preceding fiscal year due to a decrease in volume of product sold of 3.1% partially offset by an increase in average product selling price of 1.5%.

Sales for the nine months ended June 30, 2017 decreased by 9.5% from the first six months of the preceding fiscal year due to a decrease in volume of product sold of 10.9% partially offset by an increase in average product selling price of 1.5%.

Fluctuations in customer demand for the Company's product and the supply of raw glass are discussed under "Business Risks".

Cost of sales

Cost of sales as a percentage of sales revenue for the three months (nine months) ended June 30, 2017 decreased by 3.3 (1.3) percentage points to 44.3% (44.8%) for the current fiscal year from 47.6% (46.1%) for the same periods of the preceding fiscal year. This reduction in cost of sales as a percentage of sales revenue is due to (a) lower cost per unit of glass sold, and (b) slightly higher average product selling price per unit in the three and nine months ended June 30, 2017 compared to the same periods of the prior year.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2017 increased by 6.2% from the same period of the preceding fiscal year primarily due to the incentive based nature of compensation for the chief executive officer. This incentive based compensation is primarily determined by gross margin amount which increased by 4.6% in the three months ended June 30, 2017 compared to the same period of the preceding fiscal year.

General and administrative expenses for the nine months ended June 30, 2017 decreased by 4.6% from the same period of the preceding fiscal year primarily due to the incentive based nature of compensation for the chief executive officer. This incentive based compensation is primarily determined by gross margin amount which decreased by 7.3% in the nine months ended June 30, 2017 compared to the same period of the preceding fiscal year.

Accounts receivable

Accounts receivable at June 30, 2017 were consistent with sales in the period leading up to the end of the quarter. In July 2016, the Company agreed to new payment terms with one of its two major customers. These new terms result in a significant reduction in the level of accounts receivable at September 30, 2016 and following month ends compared to all prior month ends. However the total accounts receivable as at June 30, 2017 includes amounts receivable from one customer that were due prior to June 30, 2017 and not collected until mid July 2017 due to an administrative error on the part of the customer. All accounts receivable as at June 30, 2017 are considered collectible.

Inventory and Supply

Inventory is maintained at levels that are dictated largely by available supply and customer demand as discussed under "Business Risks".

The total carrying value of inventory on hand as at June 30, 2017, comprising primarily raw glass on hand plus a modest amount of crushed glass in process, was reduced by 26.1% from the value on hand at September 30, 2016. This overall decrease is due to the combined effect of (a) a 22.4% reduction in the quantity of the raw glass portion of inventory on hand and (b) a 7.9% decrease in the per-unit carrying cost of the raw glass portion of inventory at June 30, 2017 compared to September 30, 2016.

As discussed under "Business Risks", the Company accepts deliveries of raw glass from its major supplier and other suppliers as it becomes available. The volume of supply of raw glass made available in the nine months ended June 30, 2017 declined by 5.9% compared to the same period of the prior year. This decrease comprises two separate factors: (a) 2.3% is due to an expected decline arising from a change in supply contracts, and (b) 3.6% is due to an unanticipated decline in the level of supply from continuing suppliers. See comments under "Business Risks".

Purchase of property, plant and equipment

In the three months (nine months) ended June 30, 2017, the Company spent $Nil ($9,439) on additions to plant equipment compared to $13,760 ($41,393) spent on property, plant and equipment in the same periods of the prior fiscal year.

Cash and bank operating lines of credit

The Company continues to carry an available operating line of credit in an authorized amount of $750,000, secured by a general security agreement covering all property of the Company except for accounts receivable from one major customer. This line of credit is to be used to finance any short term operating cash requirements. The Company made no use of its operating line of credit during the three and nine months ended June 30, 2017, and no balance was outstanding as at June 30, 2017 ($Nil as at September 30, 2016).

Commitments

The Company has entered into a lease for a front-end loader with monthly lease payments of $2,494 expiring April 30, 2019.

The Company is committed to monthly payments of $2,000 under a property lease expiring May 31, 2022 for storage of the Company's raw material inventory.

On July 23, 2017, the Company declared a cash dividend of $0.05 per common share payable on August 15, 2017 to shareholders of record as of August 1, 2017.

Business Risks

All production from the Company's Alberta glass plant is sold to two large customers and one smaller one in the fiberglass manufacturing industry in Alberta, which is heavily dependent on housing starts in Western Canada and the Northwest United States.

Inventory is maintained at levels that are dictated largely by available supply and customer demand. The Company is subject to unpredictable variations in demand for its product and in supply of raw glass. The Company is required to manage an appropriate balance between supply and demand while maintaining an appropriate level of inventory of raw glass on hand.

Revenue is dependent upon the quantity of Vitreous product purchased by its customers. Customer demand is in turn driven by demand for fiberglass building insulation that is affected by seasonal variations in the building industry, cyclical variations in the building industry and unexpected events including events of a nature that can cause unexpected increases or decreases in building activity. The Company ships to its customers based on their day-to-day consumption.

On the supply side the Company generally must accept glass as it becomes available from one major supplier, and two other suppliers of modest scale, all three of which involve a different cost, including hauling. The Company makes every effort not to interrupt supply. Interruptions in supply cause operational challenges for the Company's suppliers that have resulted in certain suppliers severing their relationship with the Company in the past.

For the past several quarters, demand for product has been exceeding the available supply of raw glass. Accordingly the Company has limited its sales to levels determined by its supply of raw glass. This limit will remain in effect until demand for product is equal to or exceeded by the available supply of raw glass on an annualized basis. The Company continues to seek additional sources of raw glass.

There are indications in the North American market that there has been a trend of decline in the market share of glass containers versus other beverage containers. As discussed in "Inventory and Supply", the volume of raw glass available to the Company declined in the nine months ended June 30, 2017 compared to the same period of the prior year. There is a risk that the volume of glass beverage containers sold may decline which would result in a decline in the available supply of raw glass. Furthermore, the return of recyclable glass beverage containers to depots is erratic in quantity and timing. The Company is not able to forecast the volumes of raw glass that may be available in the future.

The Company continues to monitor the balance between supply and demand. See comments under "Inventory and Supply".

Liquidity and capital resources

The Company's debt at June 30, 2017 comprised normal trade payables, accrued liabilities and income taxes payable. Assuming that there is continuing market demand for fiberglass insulation, assuming that its customers continue to operate their Alberta plants at a level where sufficient levels of demand for glass are present, and assuming that glass supply and transportation continue to be available on an economically viable basis, management believes that Vitreous will generate sufficient cash flows from operations and has available credit facilities to meet its obligations as they fall due, and anticipates no change in the ability to meet such obligations on an ongoing basis.

Any modest plant capital expenditures are generally financed from ongoing cash flows from operations before payment of dividends. The Company also sets aside funds on a regular basis against the possibility of a major capital replacement or upgrade.

Share Capital

As at September 30, 2016, June 30, 2017 and August 4, 2017, there were 6,283,667 shares outstanding (6,233,667 at September 30, 2015 and 6,283,667 at June 30, 2016).

Options to purchase 100,000 common shares at $1.83 were granted to a director on May 17, 2013, and vested immediately. 50,000 of these options were exercised in March 2014. At September 30, 2015, 50,000 options remained outstanding to expire on May 17, 2018. These 50,000 options were exercised on April 19, 2016. This option agreement has been fully exercised and no options remaining outstanding under this agreement as at September 30, 2016 and thereafter.

As at September 30, 2016, June 30, 2017 and August 4, 2017, there were no options outstanding (50,000 at September 30, 2015 and nil at June 30 2016).

Selected Quarterly Information

The following charts and related comments provide selected information for the eight most recent fiscal quarters.

Quarter ended:	***Jun 17***	***Mar 17***	***Dec 16***	***Sep 16***
Total revenue	$1,898,734	$1,963,973	$1,829,580	$1,729,664
Net income	$489,020	$565,423	$407,212	$466,000
Per share	$0.08	$0.09	$0.06	$0.07
Diluted per share	$0.08	$0.09	$0.06	$0.07

Quarter ended:	***Jun 16***	***Mar 16***	***Dec 15***	***Sep 15***
Total revenue	$1,930,621	$2,072,772	$2,289,234	$2,272,215
Net income	$465,021	$564,101	$597,970	$434,500
Per share	$0.07	$0.09	$0.10	$0.07
Diluted per share	$0.07	$0.09	$0.10	$0.07

Comments on Selected Quarterly Information

Quarterly results vary significantly depending upon demand and supply factors beyond the control of the company as discussed in “Business Risks”.

Sales revenue in the three months ended June 30, 2017 and in the prior five quarters ended March 2017, December 2016, September 2016, June 2016 and March 2016 decreased from the preceding two quarters ending December 2015 and September 2015 due to limitations in supply of raw glass. These limitations in supply are expected to require the Company to limit sales in the foreseeable future. See “Inventory and Supply” and “Business Risks”.

Sales revenue in the quarters ended December 2015 and September 2015 remained strong due to adequate supply of raw glass to meet customer demand.

Net income in the quarter ended June 30, 2017 increased as a percentage of revenue by 1.7 percentage points to 25.8% compared to 24.1% for the same quarter of the prior year primarily due to a reduction in cost of sales as a percentage of sales revenue, as discussed under “Cost of sales”.

Net income in the quarter ended March 2017 increased as a percentage of revenue by 1.6 percentage points to 28.8% compared to 27.2% for the same quarter of the prior year primarily due to a reduction in cost of sales as a percentage of sales revenue.

Net income in the quarter ended December 2016 decreased as a percentage of revenue by 3.9 percentage points to 22.2% compared to 26.1% for the same quarter of the prior year due to (a) cost of sales increasing as percentage of revenue, and (b) higher than usual amortization in the quarter ended December 2016.

Net income in the quarter ended September 2016 increased as a percentage of revenue by 7.8 percentage points to 26.9% compared to 19.1% for the same quarter of the prior year primarily due to the combined positive effect of (a) an increase in product selling price, (b) an increase in gross margin percentage, and (c) recording a non recurring gain on disposal of assets in that quarter compared to recording a non recurring loss on disposal of assets in the same quarter of the prior year.

Net income in the quarter ended March 2016 decreased as a percentage of revenue by 0.9 percentage points to 27.2% compared to 28.1% for the same quarter of the prior year primarily due to a reduction in volume of product sold.

The combined effect of inventory reduction, low cost of sales, high sales levels and price increases effective January 2015 and January 2016 have created higher gross margins and profitability for the company in the fiscal years ended September 2016 and 2015. While the Company strives to achieve the best possible financial result, the financial successes of the past two fiscal years cannot be relied upon to repeat themselves in future years.

Critical Accounting Estimates

IFRS require management to make estimates and assumptions that reported amount of assets, liabilities, revenue and expenses during the reporting periods presented. Significant estimates include the assessment of the recoverability of carrying value of the Company’s inventory, property plant and equipment, and deferred income taxes. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

The Company has no off-balance sheet arrangements.

Related Party Transactions

The Company obtained consulting services from David Birkby, a director of the Company, at a cost of $2,000 in the three months ended June 30, 2017 and $6,000 for the nine months ended June 30, 2017 ($2,000 and $6,000 for the same periods in the prior year). These services are related to plant operations and plant management.

The Company obtained consulting services from Timothy H. Rendell CPA, a director of the Company, at a cost of $10,000 in the three months ended June 30, 2017 and $26,515 for the nine months ended June 30, 2017 ($6,695 and

$19,725 for the same periods in the prior year). These services are related to providing Chief Financial Officer services under a personal services contract.

Future plans

The Company plans to continue to manage its waste glass processing operation cautiously.

Shareholder value and dividends

Having reviewed a variety of alternatives over the years, the Company's Board has concluded that the optimum value for shareholders at this time is obtained by continuing to run the Company's business and to pay dividends as the results of business allow.

Dividend amounts are primarily affected by net cash flow from operations, timing of receipts on accounts receivable, timing of payment of accounts payable, and fluctuations in inventory levels.

Since the beginning of the fiscal year ended September 30, 2015 the Company has paid cash dividends on its common shares as follows:

August 15, 2017	$0.05 (Declared July 12, 2017, payable on August 15, 2017)
May 15, 2017	$0.12
February 15, 2017	$0.10
November 15, 2016	$0.07
August 15, 2016	$0.12
May 16, 2016	$0.06
December 4, 2015	$0.16
November 16, 2015	$0.09
August 13, 2015	$0.09
May 15, 2015	$0.06
February 16, 2015	$0.09
November 15, 2014	$0.08

The Company's ability to pay dividends is contingent on the ongoing results of operation of the business. The Company believes that quarterly dividends, if any, should reflect actual business results of the most recent completed quarter. The Board of Directors made a one-time exception to this practice by paying a dividend of $0.16 per share on December 4, 2015. No dividend was paid in February 2016. In conjunction with the declaration of a dividend of $0.06 payable May 16, 2016, the Board returned to the practice of paying dividends solely on the basis of operating results.

All dividends paid to date are "eligible" dividends when calculating the dividend tax credit for income tax purposes.