

**Vitreous Glass Inc.**  
**Condensed Interim Financial Statements**  
**Three and Nine Months Ended June 30, 2018**  
*(unaudited)*

## **NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited condensed interim financial statements of Vitreous Glass Inc. have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

Calgary, Canada  
August 13, 2018

**Vitreous Glass Inc.**  
**Condensed Interim Statement of Financial Position**

(Prepared in Canadian Dollars)

(unaudited)

	June 30, 2018	September 30, 2017
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,260,883	\$ 1,457,975
Accounts receivable (note 3)	1,151,294	1,025,964
Income taxes recoverable	-	5,986
Inventory (note 4)	376,851	324,066
Prepaid expenses (note 5)	376,538	374,421
Total current assets	3,165,566	3,188,412
Property, plant and equipment (note 6)	2,023,952	2,323,718
	<b>\$ 5,189,518</b>	<b>\$ 5,512,130</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	\$ 705,768	\$ 735,446
Income taxes payable	10,079	-
	715,847	735,446
Deferred income taxes	321,000	387,000
Total liabilities	1,036,847	1,122,446
<b>Shareholders' Equity</b>		
Share capital (note 9)	2,902,082	2,902,082
Contributed surplus	54,099	54,099
Retained earnings	1,196,490	1,433,503
Total shareholders' equity	4,152,671	4,389,684
Total liabilities and shareholders' equity	<b>\$ 5,189,518</b>	<b>\$ 5,512,130</b>

Commitments and subsequent event (note 12)

See accompanying notes.

Approved by the Board:

(signed) "J. Patrick Cashion" \_\_\_\_\_, Director

(signed) "Timothy H. Rendell" \_\_\_\_\_, Director

## Vitreous Glass Inc.

### Condensed Interim Statement of Income and Comprehensive Income

For the three months and nine months ended June 30, 2018 and 2017

(Prepared in Canadian Dollars)

(unaudited)

	Three months ended		Nine months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Sales	\$ 1,960,348	\$ 2,060,873	\$ 6,292,094	\$ 6,170,192
Cost of sales (note 4)	991,699	1,002,533	3,036,245	3,026,342
Gross margin	968,649	1,058,340	3,255,849	3,143,850
Expenses				
General and administrative (note 10)	268,669	285,100	863,752	832,500
Amortization	100,761	100,558	301,950	301,672
	369,430	385,658	1,165,702	1,134,172
Income before income taxes	599,219	672,682	2,090,147	2,009,678
Income taxes - current	185,269	193,662	633,733	579,023
- deferred (recovery)	(22,000)	(10,000)	(66,000)	(31,000)
	163,269	183,662	567,733	548,023
Net income and comprehensive income	\$ 435,950	\$ 489,020	\$ 1,522,414	\$ 1,461,655
Net income per share - basic (note 9(c))	\$ 0.07	\$ 0.08	\$ 0.24	\$ 0.23
Net income per share - diluted (note 9(c))	\$ 0.07	\$ 0.08	\$ 0.24	\$ 0.23

See accompanying notes.

## Vitreous Glass Inc.

### Condensed Interim Statement of Changes in Shareholders' Equity

(Prepared in Canadian Dollars)

(unaudited)

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	Common shares	Stated value	Contributed surplus	Retained earnings	Total shareholders' equity
Balance – September 30, 2016	6,233,667	\$ 2,902,082	\$ 54,099	\$ 1,651,969	\$ 4,608,150
Net income and comprehensive income				1,461,655	1,461,655
Dividends paid	-	-	-	(1,822,263)	(1,822,263)
Balance – June 30, 2017	6,283,667	2,902,082	54,099	1,291,361	4,247,542
Net income and comprehensive income	-	-	-	456,325	456,325
Dividends paid	-	-	-	(314,183)	(314,183)
Balance – September 30, 2017	6,283,667	2,902,082	54,099	1,433,503	4,389,684
Net income and comprehensive income	-	-	-	1,522,414	1,522,414
Dividends paid	-	-	-	(1,759,427)	(1,759,427)
Balance – June 30, 2018	6,283,667	\$ 2,902,082	\$ 54,099	\$ 1,196,490	\$ 4,152,671

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See accompanying notes.

# Vitreous Glass Inc.

## Condensed Interim Statement of Cash Flows

For the three months and nine months ended June 30, 2018 and 2017

(Prepared in Canadian Dollars)

(unaudited)

	Three months ended		Nine months ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Cash and cash equivalents provided by (used in)				
Operating activities				
Net income	\$ 435,950	\$ 489,020	\$ 1,522,414	\$ 1,461,655
Add (deduct) items not affecting cash				
Amortization	100,761	100,558	301,950	301,672
Deferred income taxes	(22,000)	(10,000)	(66,000)	(31,000)
	514,711	579,578	1,758,364	1,732,327
Changes in non-cash working capital (note 11)	115,646	198,971	(193,845)	(346,441)
Net cash provided by operating activities	630,357	778,549	1,564,519	1,385,886
Financing activity				
Dividends paid	(502,694)	(754,040)	(1,759,427)	(1,822,263)
Net cash used in financing activity	(502,694)	(754,040)	(1,759,427)	(1,822,263)
Investing activity				
Acquisition of property, plant and equipment	-	-	(2,184)	(9,439)
Net cash used in investing activity	-	-	(2,184)	(9,439)
Cash inflow	127,663	24,509	(197,092)	(445,816)
Cash and cash equivalents, beginning of period	1,133,220	1,058,630	1,457,975	1,528,955
Cash and cash equivalents, end of period	\$ 1,260,883	\$ 1,083,139	\$ 1,260,883	\$ 1,803,139
Cash and cash equivalents consist of:				
Cash on deposit with banks	\$ 1,260,883	\$ 1,083,139	\$ 1,260,883	\$ 1,083,139
Operating line of credit	-	-	-	-
	\$ 1,260,883	\$ 1,083,139	\$ 1,260,883	\$ 1,083,139
The amounts paid for income taxes are included in cash flows from operating activities in the statement of cash flows.				
Income taxes paid	\$ 179,508	\$ 182,691	\$ 617,668	\$ 567,889

See accompanying notes.

# Vitreous Glass Inc.

## Notes to Condensed Interim Financial Statements

### For the nine months ended June 30, 2018 and 2017

(Prepared in Canadian Dollars)

(unaudited)

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#### 1. General business description

Vitreous Glass Inc. ("Vitreous" or the "Company") cleans, crushes and sells waste glass to the fiberglass manufacturing industry in the province of Alberta. Vitreous' common shares are listed and posted for trading on the TSX Venture Exchange under the symbol VCI.

The head office and principal address of the Company is 212 East Lake Blvd., Airdrie, Alberta, T4A 0H5.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on August 13, 2018.

#### 2. Basis of preparation

##### Statement of compliance

These condensed financial statements were prepared following the same accounting policies and methods of computation as the audited annual financial statements for the year ended September 30, 2017. They were reported in accordance with International Accounting Standard (IAS) 34, "*Interim Financial Reporting*" as issued by the International Accounting Standards Board (IASB). Accordingly, certain financial information and disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS) has been omitted or condensed. The disclosure provided herein is incremental to the disclosure included in the audited annual financial statements

The condensed financial statements should be read in conjunction with Vitreous' annual audited financial statements for the year ended September 30, 2017.

#### 3. Accounts receivable

Accounts receivable for the period ended June 30, 2018 and year ended September 30, 2017 consists solely of trade receivables.

The Company has not incurred any bad debts or set up any allowance for doubtful accounts for the period ended June 30, 2018 and for the year ended September 30, 2017.

## Vitreous Glass Inc.

### Notes to Condensed Interim Financial Statements

#### For the nine months ended June 30, 2018 and 2017

(Prepared in Canadian Dollars)

(unaudited)

#### 4. Inventory and cost of sales

	June 30, 2018	September 30, 2017
Raw material	\$ 356,551	\$ 303,766
Crushed glass	20,300	20,300
	<u>\$ 376,851</u>	<u>\$ 324,066</u>

Cost of sales comprises the following costs:

	Three Months Ended		Nine Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Cost of glass sold	\$ 541,549	\$ 554,187	\$ 1,624,165	\$ 1,684,276
Labour and employee benefits	234,789	224,584	718,504	669,536
Repairs and maintenance	77,453	72,612	224,090	207,726
Other facility operating costs	137,908	151,150	469,486	464,804
Total cost of sales	<u>\$ 991,699</u>	<u>\$ 1,002,533</u>	<u>\$ 3,036,245</u>	<u>\$ 3,026,342</u>

No inventory write-downs or reversals of prior write-downs were recorded during the period.

#### 5. Prepaid expenses

	June 30, 2018	September 30, 2017
Prepaid expenses	\$ 54,504	\$ 52,387
Repairs and maintenance replacement parts	322,034	322,034
	<u>\$ 376,538</u>	<u>\$ 374,421</u>

# Vitreous Glass Inc.

## Notes to Condensed Interim Financial Statements

For the nine months ended June 30, 2018 and 2017

(Prepared in Canadian Dollars)

(unaudited)

### 6. Property, plant and equipment

	Land	Building	Plant and Equipment	Furniture and Fixtures	Computer Equipment and Software	Leasehold Improvements	Total
<b>Cost</b>							
Balance, at September 30, 2017	\$ 420,000	\$ 682,483	\$ 7,244,671	\$ 40,232	\$ 102,930	\$ 37,580	\$ 8,527,896
Additions	-	-	-	1,444	740	-	2,184
<b>Balance, at June 30, 2018</b>	<b>\$ 420,000</b>	<b>\$ 682,483</b>	<b>\$ 7,244,671</b>	<b>\$ 41,676</b>	<b>\$ 103,670</b>	<b>\$ 37,580</b>	<b>\$ 8,530,080</b>
<b>Accumulated amortization</b>							
Balance, at September 30, 2017	\$ -	\$ 304,054	\$ 5,745,559	\$ 37,222	\$ 99,513	\$ 17,830	\$ 6,204,178
Amortization for the period	-	25,593	271,019	560	1,018	3,760	301,950
<b>Balance, at June 30, 2018</b>	<b>\$ -</b>	<b>\$ 329,647</b>	<b>\$ 6,016,578</b>	<b>\$ 37,782</b>	<b>\$ 100,531</b>	<b>\$ 21,590</b>	<b>\$ 6,506,128</b>
<b>Net book value:</b>							
At September 30, 2017	\$ 420,000	\$ 378,429	\$ 1,499,112	\$ 3,010	\$ 3,417	\$ 19,750	\$ 2,323,718
At June 30, 2018	\$ 420,000	\$ 352,836	\$ 1,228,093	\$ 3,894	\$ 3,139	\$ 15,990	\$ 2,023,952

### 7. Operating line of credit

The Company has a revolving demand operating line of credit to a maximum of \$750,000 bearing interest at prime plus 0.9% per annum. The credit facility is limited to 75% of "good" accounts receivable as defined in the facility agreement and is secured by a general security agreement covering all property of the Company except for accounts receivable from one major customer. At June 30, 2018, \$NIL (September 30, 2017 - \$NIL) of the credit facility was drawn upon. Under the terms of the facility, the Company is required to meet a tangible net worth of at least \$1,250,000 covenant, calculated as defined in the facility agreement and has certain reporting requirements. As at June 30, 2018 and September 30, 2017, the Company was in compliance with the financial covenants and reporting requirements.

### 8. Accounts payable and accrued liabilities

	June 30, 2018	September 30, 2017
Trade payables	\$ 266,854	\$ 278,010
Accrued liabilities	151,894	172,733
Salaries, employee benefits and profit sharing, based on net income/operating cash flow	287,020	284,703
	<b>\$ 705,768</b>	<b>\$ 735,446</b>

# Vitreous Glass Inc.

## Notes to Condensed Interim Financial Statements

### For the nine months ended June 30, 2018 and 2017

(Prepared in Canadian Dollars)

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#### 9. Share capital

##### (a) Authorized

Unlimited number of common shares without nominal or par value

##### (b) Stock option plan

The Company has established a stock option plan for the benefit of the directors, officers, employees and consultants of the Company. Options granted under the plan have a five-year term and have vesting periods as determined by the Company's directors at the date of grant. The exercise price of each option equals the market price of the Company's shares at the date of grant.

As at September 30, 2017 and June 30, 2018, there were no outstanding stock options issued.

##### (c) Net income per share

The weighted average number of common shares used in the calculation of net income per share for both basic and diluted as at June 30, 2018 and 2017 was 6,283,667.

#### 10. General and administrative

The major components of general and administrative expenses are comprised of:

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Salaries and employee benefits	\$ 23,802	\$ 24,444	\$ 75,335	\$ 72,965
Profit sharing	174,537	194,519	597,970	581,464
Professional and consulting fees	22,498	24,500	67,332	63,344
Other general expenses	47,832	41,637	123,115	114,727
	<b>\$ 268,669</b>	<b>\$ 285,100</b>	<b>\$ 863,752</b>	<b>\$ 832,500</b>

# Vitreous Glass Inc.

## Notes to Condensed Interim Financial Statements For the nine months ended June 30, 2018 and 2017

(Prepared in Canadian Dollars)

(unaudited)

### 11. Changes in non-cash working capital

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Cash provided by (used in)		
Increase in accounts receivable	\$ (125,330)	\$ (437,801)
Decrease (increase) in inventory	(52,785)	80,597
Decrease (increase) in prepaid expenses	(2,117)	20,994
Decrease in accounts payable and accrued liabilities	(29,678)	(21,365)
Increase in income taxes payable/recoverable, net	16,065	11,134
	<u>\$ (193,845)</u>	<u>\$ (346,441)</u>

### 12. Commitments

- (a) The Company is committed to payments of \$2,494 under an operating lease for a front-loader expiring April 30, 2019.
- (b) The Company is committed to monthly payments of \$2,000 under a property lease for storage of the Company's raw material inventory expiring May 31, 2022.
- (c) On July 13, 2018, the Board of Directors declared a cash dividend of \$0.06 per common share to be paid on August 15, 2018 to the shareholders of record on August 1, 2018.

### 13. Economic dependence

During the periods ended June 30, 2018 and 2017, all sales were to three customers in the fibreglass manufacturing industry of which two customers exceeded 10% of total sales. Sales to these two customers represented \$1,739,729 for the three months ending June 30, 2018 (2017 - \$1,826,351) and \$5,675,988 for the nine months ending June 30, 2018 (2017 - \$5,538,664) of total sales.

### 14. Financial instruments and risk management

- (a) Risk management overview

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these condensed interim financial statements. The Company employs risk management strategies and policies to ensure that any exposure to risk are in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, Vitreous' management has the responsibility to administer and monitor these risks.

# Vitreous Glass Inc.

## Notes to Condensed Interim Financial Statements

### For the nine months ended June 30, 2018 and 2017

*(Prepared in Canadian Dollars)*

*(unaudited)*

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(b) Fair values of financial instruments

The fair value of the Company's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to immediate or short-term maturity of these financial instruments. The fair value of the operating line of credit approximates its carrying value as it bears interest at market rates. Currently, the Company is not involved in any hedging activities.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 - reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The financial instruments in the Company's financial statements, measured at Level 1 fair value, is cash and cash equivalents.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if any counterparty fails to discharge its obligations.

Accounts receivable consists of sales of crushed glass to fiberglass manufacturers and, as such, are subject to normal industry credit risks.

The Company grants unsecured credit but routinely assesses the financial strength of its customers.

At June 30, 2018, 92% (September 30, 2017 - 96%) of accounts receivable are due from two customers.

At each period-end, the Company assesses if there have been any impairments of its accounts receivable. At June 30, 2018 and September 30, 2017, the Company had no accounts receivable past due based on customer credit terms. There was no impairment provision required on accounts receivable based on historical collections.

## **Vitreous Glass Inc.**

### **Notes to Condensed Interim Financial Statements**

#### **For the nine months ended June 30, 2018 and 2017**

*(Prepared in Canadian Dollars)*

*(unaudited)*

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Credit risk also exists in cash and cash equivalents, which is mitigated by the Company holding cash and cash equivalents with major Canadian financial institutions.

The maximum exposure to credit risk is represented by the fair value of cash and cash equivalents and accounts receivable.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities as they become due. The Company manages this risk through continuously monitoring its budgeted and projected operating results and capital expenditure programs. The Company currently expects to pay its financial liabilities in the normal course of operations as they become due over the next year. The Company also has available a credit facility to manage liquidity risk (note 7). The Company is required to meet certain financial commitments as disclosed in note 12.

(e) Market risk

The Company is exposed to market risk with respect to interest rate risk. The Company is exposed to interest rate cash flow risk when the operating line of credit is drawn on. A 1% change in interest rates would have had no impact on net income for the period ended June 30, 2018.

(f) Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over year sustainable and growth in net income and cash flow. The Company defines capital as shareholders' equity plus debt.

The Company is not subject to any externally imposed capital requirements other than the covenant on its credit facility (note 7).

There have been no changes to the Company's capital management during the period.

## **Vitreous Glass Inc.**

### **Notes to Condensed Interim Financial Statements**

#### **For the nine months ended June 30, 2018 and 2017**

*(Prepared in Canadian Dollars)*

*(unaudited)*

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#### 15. Comparative figures

Comparative figures relating to both sales and cost of sales has been reclassified to conform with current's period presentation. The Company has previously accounted for cost recoveries from its customers as a reduction of cost of sales. The Company has determined that these recoveries are sales rather than a reduction of the cost of sales. Sales were reclassified from \$1,898,734 to \$2,060,873 and cost of sales were reclassified from \$840,394 to \$1,002,533 for the three months ended June 30, 2017, which had no effect on the gross margin. For the nine months ended June 30, 2017, sales were reclassified from \$5,692,287 to \$6,170,192 and cost of sales were reclassified from \$2,548,437 to \$3,026,342 which had no effect on the gross margin.