

**Vitreous Glass Inc**  
**Financial Statements**

*For the years ended September 30, 2021 and 2020*  
*Stated in Canadian Dollars*

To the Shareholders of Vitreous Glass Inc.

### Opinion

We have audited the financial statements of Vitreous Glass Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2021 and September 30, 2020, and the statements of income and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2021 and September 30, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

The engagement partner on the audit resulting in this independent auditor's report is Leanne Bjalek.

Calgary, Alberta

December 9, 2021

*MNP LLP*

Chartered Professional Accountants

# Vitreous Glass Inc.

## Statement of Financial Position

Stated in Canadian Dollars

As at September 30, 2021 and 2020

	September 30, 2021		September 30, 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 2,452,871	\$	1,523,319
Accounts receivable	448,377		1,340,159
Inventory (Note 4)	521,330		905,307
Prepaid expenses	42,343		40,806
<b>Total current assets</b>	<b>\$ 3,464,921</b>	\$	<b>3,809,591</b>
<b>Non-current assets</b>			
Property, plant and equipment (Note 5)	\$ 1,583,825	\$	1,582,810
Right of use asset (Note 7)	96,430		113,540
<b>Total assets</b>	<b>\$ 5,145,176</b>	\$	<b>5,505,941</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities (Note 6)	\$ 715,392	\$	967,363
Current portion of lease liability (Note 7)	18,762		12,850
Income taxes payable	-		-
<b>Total current liabilities</b>	<b>\$ 734,154</b>	\$	<b>980,213</b>
<b>Non-current liabilities</b>			
Lease liability (Note 7)	\$ 99,772	\$	123,560
Deferred income taxes (Note 8)	151,752		160,752
<b>Total non-current liabilities</b>	<b>\$ 251,524</b>		<b>284,312</b>
<b>Total liabilities</b>	<b>\$ 985,678</b>	\$	<b>1,264,525</b>
<b>Shareholders' Equity</b>			
Share capital (Note 9)	\$ 2,902,082	\$	2,902,082
Contributed surplus	132,625		132,625
Retained earnings	1,124,791		1,206,709
<b>Total shareholders' equity</b>	<b>\$ 4,159,498</b>	\$	<b>4,241,416</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 5,145,176</b>		<b>5,505,941</b>

### Subsequent events (Note 15)

Approved by the Board of Directors

(signed) "J. Patrick Cashion"  
Director

(signed) "Timothy H. Rendell"  
Director

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

# Vitreous Glass Inc.

## Statements of Income and Comprehensive Income

Stated in Canadian Dollars

For the years ended September 30, 2021 and 2020

	September 30, 2021	\$	September 30, 2020
<b>Sales</b>	<b>\$ 12,118,631</b>	<b>\$</b>	<b>9,361,559</b>
Cost of sales (Note 4)	5,697,993		4,572,963
Depreciation (Note 5)	98,463		189,951
Amortisation of right of use asset (Note 7)	17,110		17,031
<b>Total cost of sales</b>	<b>\$ 5,813,566</b>	<b>\$</b>	<b>4,779,945</b>
<b>Gross Margin</b>	<b>\$ 6,305,065</b>	<b>\$</b>	<b>4,581,614</b>
<b>Expenses</b>			
General and administrative (Note 10)	\$ 1,932,316	\$	1,463,607
Stock based compensation (Note 9)	-		27,103
Depreciation (Note 5)	9,087		9,103
<b>Total expenses</b>	<b>\$ 1,941,403</b>	<b>\$</b>	<b>1,499,813</b>
<b>Income</b>			
Income before income taxes	\$ 4,363,662		3,081,801
<b>Income taxes</b>			
Income taxes – current (Note 8)	\$ 998,562	\$	787,964
Income taxes – deferred (recovery) (Note 8)	(9,000)		(22,425)
<b>Total income taxes</b>	<b>\$ 989,562</b>		<b>765,539</b>
<b>Net income and comprehensive income</b>	<b>\$ 3,374,100</b>	<b>\$</b>	<b>2,316,262</b>
<b>Earnings per share (Note 9)</b>			
Basic	\$ 0.54	\$	0.37
Diluted	\$ 0.52	\$	0.36

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

# Vitreous Glass Inc.

## Statements of Changes in Shareholders' Equity

Stated in Canadian Dollars

For the years ended September 30, 2021 and 2020

---

	<b>Common Shares</b>	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Retained earnings</b>	<b>Total shareholders' equity</b>
Balance – September 30, 2019	6,283,667	\$ 2,902,082	\$ 105,522	\$ 798,414	\$ 3,806,018
Net income and comprehensive income	-	-	-	2,316,262	2,316,262
Stock-based compensation	-	-	27,103	-	27,103
Impact of adoption of IFRS 16 lease				(22,867)	(22,867)
Dividends paid (Note 9)	-	-	-	(1,885,100)	(1,885,100)
Balance – September 30, 2020	6,283,667	\$ 2,902,082	\$ 132,625	\$ 1,206,709	\$ 4,241,416
Net income and comprehensive income	-	-	-	3,374,100	3,374,100
Dividends paid (Note 9)	-	-	-	(3,456,018)	(3,456,018)
<b>Balance – September 30, 2021</b>	<b>6,283,667</b>	<b>\$ 2,902,082</b>	<b>\$ 132,625</b>	<b>\$ 1,124,791</b>	<b>\$ 4,159,498</b>

*The accompanying notes are an integral part of these financial statements.*

# Vitreous Glass Inc.

## Statements of Cash Flows

Stated in Canadian Dollars

For the years ended September 30, 2021 and 2020

	2021	2020
<b>Cash and cash equivalents provided by (used in) the following:</b>		
<b>Operating activities</b>		
Net income for the year	\$ 3,374,100	\$ 2,316,262
Add (deduct) items not affecting cash		
Depreciation (Note 5)	107,550	199,054
Interest expense (Note 7)	6,124	6,171
Amortisation of right of use asset (Note 7)	17,110	17,031
Stock based compensation	-	27,103
Deferred income tax (recovery) (Note 8)	(9,000)	(22,425)
Changes in non-cash working capital (Note 11)	1,022,251	81,471
<b>Net cash provided by operating activities</b>	<b>\$ 4,518,135</b>	<b>\$ 2,618,496</b>
<b>Financing activities</b>		
Lease payments (Note 7)	\$ (24,000)	\$ (24,000)
Dividends paid (Note 9)	(3,456,018)	(1,885,100)
<b>Net cash used in financing activities</b>	<b>\$ (3,480,018)</b>	<b>\$ (1,909,129)</b>
<b>Investing activities</b>		
Additions of property, plant and equipment (Note 5)	\$ (108,565)	\$ (67,351)
<b>Net cash used in investing activities</b>	<b>\$ (108,565)</b>	<b>\$ (67,351)</b>
<b>Increase in cash and cash equivalents</b>	<b>\$ 929,552</b>	<b>\$ 649,016</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,523,319</b>	<b>844,303</b>
<b>Cash and cash equivalents, end of the year</b>	<b>\$ 2,452,871</b>	<b>\$ 1,523,319</b>

The amounts paid for income taxes are included in cash flows from operating activities in the statement of cash flows:

Income taxes paid	1,011,412	805,765
-------------------	-----------	---------

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

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

---

### 1. Description of the Business

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 financial statements were approved and authorized for issuance by the Board of Directors on December 9, 2021.

The World Health Organization declared a pandemic related to the continuing worldwide spread of Coronavirus (COVID-19) virus. The confusion and uncertainty caused by this health threat is expected to seriously impact economies of many of the world's countries, including Canada, and will certainly have a negative impact on businesses worldwide. There has been no discernable impact on the Company's financial results in the current year. It is not possible to reliably estimate the impact of the pandemic on the Company's future financial results.

### 2. Basis of Preparation

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as permitted by IFRS and as otherwise indicated within these notes.

#### 2.3 Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### 2.4 Critical Accounting Estimates and Judgments

In the application of the Company's accounting policies management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

#### Estimates

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Company's financial results where a different estimate or assumption is used.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

---

### 2. Basis of Preparation *(cont.)*

#### 2.4 Critical Accounting Estimates and Judgments *(cont.)*

##### *Valuation of inventory*

Valuation of inventory is based on management's best estimate of the volume of waste glass after consideration is made based on historical experience relating to the percentage of shrinkage of raw material and waste that may occur. Quantity of waste glass inventory on hand is based on the perpetual inventory system derived from amounts of recycled glass weighed in upon receipt from suppliers and finished product weighed out upon shipment to customers. At year end, the amount of raw glass on hand is measured and compared to the perpetual inventory amount. There is estimation uncertainty due to shrinkage noted above. Historically, this amount has not been material and has been accounted for as 1% to 3% of total inventory on hand.

##### *Leases*

Estimation relating to the selection of the appropriate incremental borrowing rate to be applied to lease payments.

##### *Fair value of financial instruments*

The Company measures its financial instruments at fair value or amortized cost. Fair value is determined on the basis of market prices from independent sources, if available. If there is no available market price, then fair value is determined by using valuation models. The inputs to these models, such as expected volatility and liquidity discounts, are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair values. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value, and in estimating fair values generally, when observable data is not available. Changes in assumptions and inputs used in valuing financial instruments could affect the reported fair values.

##### *Impairment of non-financial assets*

The carrying value of the property, plant and equipment is reviewed at least annually to determine if there is an indication of impairment. If the carrying value of an asset exceeds its recoverable amount through future income, the asset is impaired, and an impairment charge would be recorded. The assessment of the recoverable amount required the use of estimates and assumptions for discount rates, future capital requirements, useful lives of the asset and operating performance. Changes in any of the estimates or assumptions could impact the impairment analysis.

##### Judgments

Judgment is used in situations when there is a choice and/or assessment required by management. The following are critical judgments apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognized in the financial statements:

##### *Leases*

Identification of whether a contract contains a lease and determination of extension or termination option within the lease contract.

##### *Income taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

---

### 2. Basis of Preparation *(cont.)*

#### 2.4 Critical Accounting Estimates and Judgments *(cont.)*

##### *Repairs and maintenance replacement parts*

The Company makes significant judgment when assessing whether the classification of repairs and maintenance parts, are future repairs and maintenance expense versus long-lived assets and reported as property, plant and equipment. In addition, the Company also makes significant judgment in assessing parts that have been classified as property, plant and equipment, and whether those parts are critical spare parts subject to depreciation upon purchase or capital spare parts subject to depreciation when placed in use.

### 3. Summary of significant accounting policies

#### 3.1 Cash and cash equivalents

Cash and cash equivalents are comprised of cash on deposit with banks and short-term deposits with initial maturities at date of purchase of three months or less.

#### 3.2 Inventory

Inventory is recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. Cost is determined on a first-in, first-out basis.

Raw material inventory includes the cost of materials plus freight, less an allowance for shrinkage and waste. Crushed glass inventory also includes, where applicable, an allocation of direct labour, direct and indirect overhead costs.

Spare parts inventory is recorded at weighted average cost.

#### 3.3 Property, plant and equipment

##### *Recognition and measurement*

Property, plant and equipment are initially recorded at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company. Such costs include appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property, plant and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in the statement of income and comprehensive income.

##### *Major maintenance and repairs*

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of comprehensive income in the period incurred.

Costs of day-to-day servicing of property, plant and equipment are recognized in the statement of income and comprehensive income as incurred.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

---

### 3. Summary of significant accounting policies (cont.)

#### 3.3 Property, plant and equipment (cont.)

##### *Depreciation*

Depreciation is provided over the estimated useful lives of the assets as follows:

Building	20 years straight-line
Plant and equipment	20 years straight-line
Moving equipment	5 years straight-line
Furniture and fixtures	20% declining balance
Computer equipment and software	30% declining balance

Leasehold improvements are amortized over the term of the lease.

Parts on hand used for capital replacement are depreciated on a straight-line basis over the estimated useful life when placed in use.

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted prospectively, if appropriate.

#### 3.4 Leases

The Company assesses whether a contract contains a lease at the inception of a contract. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. Finance lease payable is recognized with corresponding right-of-use asset for all lease agreements, except for short-term leases with terms of 12 months or less and leases of low value assets, which are expensed on a straight-line basis over the lease term. Consideration in a contract is allocated to lease and non-lease components on a relative stand-alone value basis. Lease components and any associated non-lease components are accounted for as a single lease component.

Finance lease payable is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate, unless the rate implicit in the lease is readily determinable. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics. Lease payments included in the measurement of the Finance lease payable comprise fixed (and in-substance fixed) lease payments, less any lease incentives, variable lease payments that depend on an index or rate, and payments expected under residual value guarantees and payments relating to purchase options and renewal option periods that are reasonably certain to be exercised (or periods subject to termination options that are not reasonably certain to be exercised).

Finance lease payables is subsequently measured at amortized cost using the effective interest method. Finance lease payable is remeasured, with a corresponding adjustment to the related right-of-use assets, when there is a change in variable lease payments arising from a change in an index or rate, or when the Company changes the assessment of whether to exercise renewal or termination options.

Right-of-use assets are measured at cost, comprised of the initial measurement of the corresponding finance lease payable, lease payments made at or before the commencement date and any initial direct costs. They are subsequently depreciated on a straight-line basis and reduced by impairment losses, if any. Right-of-use assets may also be adjusted to reflect the remeasurement of related finance lease payable. The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. If a right-of-use asset is subsequently leased to a third party (a "sublease") and the sublease is classified as a finance lease, the carrying value of the right-of-use asset to the extent of the sublease is derecognized. Any difference between the right-of-use asset and the lease receivable arising from the sublease is recognized in profit or loss.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

---

### 3. Summary of significant accounting policies (cont.)

#### 3.4 Leases (cont.)

At the commencement of a lease, the Company, if acting in capacity as a lessor, will classify the lease as finance lease and recognize a lease receivable at an amount equal to the net investment in the lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset or if the lease is a sublease, by reference to the right-of-use asset arising from the original lease (the "head lease"). A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset or the lease is a short-term lease.

The lease receivable is initially measured at the present value of the lease payments remaining at the lease commencement date, discounting the interest rate implicit in the lease or the Company's incremental borrowing rate if the lease is a sublease. The lease receivable is subsequently measured at amortized cost using the effective interest rate method, and reduced by the amount received and impairment losses, if any.

#### 3.5 Impairment of non-financial assets

At each reporting date, the Company reviews non-financial assets to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statements of comprehensive income.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating unit's). The recoverable amount is based on the higher of an asset or cash generating unit's fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows to be derived from the asset in its current state are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior periods.

#### 3.6 Financial instruments

Financial instruments are measured at fair value on initial recognition, which is typically the transaction price unless a significant financing component is present. Subsequent measurement is dependent on whether the instrument is classified as "amortized cost", "fair value through profit or loss" or "fair value through other comprehensive income". The classification of financial assets is determined by their characteristics and their context in the Company's business model.

The Company classifies financial assets and liabilities as follows:

- *Amortized cost:* Cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are held by the Company to collect or pay contractual cash flows and are measured at amortized cost. Financial instruments measured at amortized cost are recognized initially at fair value, adjusted for any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.
- *Fair value through profit or loss:* The Company has no financial instruments held to both collect contractual cash flows and to sell the asset, and accordingly, no financial instruments are measured at fair value through profit or loss.
- *Fair value through other comprehensive income:* The Company has no financial instruments that do not meet the criteria to be measured at amortized cost or fair value through profit or loss and, accordingly, no financial instruments are measured at fair value through other comprehensive income.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

---

### 3. Summary of significant accounting policies (cont.)

#### 3.6 Financial instruments (Cont.)

##### Impairment of financial assets

For trade receivables, the Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected credit loss provision for all trade receivables. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that the Company expects to receive. The expected cash flows reflect all available information, including the Company's historical experience with its customers. The Company estimated the credit loss to be nominal and consequently no credit provision has been recorded through the statements of comprehensive income. A financial asset is derecognized when the rights to receive cash flows from the assets has transferred its rights to receive cash flows from the asset.

#### 3.7 Provisions and contingent liabilities

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of that obligation. Provisions are stated at the present value of the expenditure expected to settle the obligation. The obligation is not recorded and is disclosed as a contingent liability if it is not probable that an outflow will be required, if the amount cannot be estimated reliably or if the existence of the outflow can only be confirmed by the occurrence of a future event.

#### 3.8 Revenue recognition

The Company's sole source of revenue is to provide crushed glass to its customers. The Company meets its performance obligation and recognizes revenue when the customer loads the crushed glass onto its carrier and leaves the plant and collection is reasonably assured.

In determining the transaction price, the Company sells the crushed glass based upon an agreed price per ton with its customer. The agreed price does not provide its customers any significant financing component, volume discounts or other variable considerations.

#### 3.9 Stock-based compensation

The Company uses the fair value-based method of accounting for stock options issued to employees under which compensation expense is recorded based on the estimated fair value of the options on the grant date using the Black-Scholes option pricing model. The Company measures stock-based compensation to non-employees at the fair value of the goods or services received at the date goods or services are received. If the fair value of goods or services cannot be measured reliably, the value of the options granted is measured using the Black-Scholes option pricing model.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

#### 3.10 Finance income and expenses

Finance income is comprised of interest on cash held at financial institutions and is recognized as it accrues in the statements of comprehensive income using the effective interest method.

Finance expenses are comprised of impairment losses recognized on financial assets.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

---

### 3. Summary of significant accounting policies (cont.)

#### 3.11 Income taxes

Income tax expense comprises current and deferred tax and any adjustments to tax payable in respect of previous periods. Income tax expense is recognized in the statements of comprehensive income except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### 3.12 Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that would occur if in-the-money stock options were exercised. The Company uses the treasury stock method for outstanding stock options which assumes that all outstanding stock options with exercise prices below average Company market prices are exercised and assumes proceeds plus the unamortized portion of stock-based compensation are used to purchase the Company's common shares at the average Company market price during the period.

#### 3.13 Government grants

Government grants are not recognized until there is reasonable assurance the Company will meet all attached conditions and that the grants will be received. Government grants that have conditions requiring the Company to purchase, construct or otherwise acquire non-current assets are recognized as a reduction of the carrying value of the related asset. Government grants intended to compensate for expenses are recognized as income over the periods necessary to match the grants with the expenses they are intended to compensate and are offset against such expenses.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

### 4. Inventory

	<b>September 30, 2021</b>		September 30, 2020
Raw material	\$ 178,428	\$	551,869
Crushed glass	27,313		26,365
Spare parts	315,589		327,073
	<b>\$ 521,330</b>	\$	<b>905,307</b>

<b>Cost of sales</b>	<b>September 30, 2021</b>		September 30, 2020
Cost of raw glass sold	\$ 3,718,082	\$	2,956,245
Salaries and employee benefits	940,597		721,912
Repair and maintenance	394,969		289,503
Other facility operating costs	644,345		605,303
	<b>\$ 5,697,993</b>	\$	<b>4,572,963</b>

There were no inventory write-downs or reversals of prior write-downs recorded during the year ended September 30, 2021 or 2020.

The Company recorded a write-up of the inventory of raw glass on hand in the amount of \$210,070 (2020 - \$51,500) due to a change in estimate and refinement of the shrinkage provision from 2% in 2020 to 1% in 2021.

During the year ended September 30, 2021, \$NIL (2020 - \$85,516) was received from the Canadian Emergency Wage Subsidy. The amounts received in 2020 were netted against salaries and employee benefits included as a cost of sales.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

### 5. Property, plant and equipment

<b>Cost</b>	Land	Building	Plant and equipment	Moving Equipment	Furniture and fixtures	Computer equipment and software	Leasehold improvements	Parts on hand	Total
Balance at September 30, 2019	\$ 420,000	\$ 694,755	\$ 7,281,964	\$ 102,650	\$ 41,677	\$ 106,768	\$ 37,580	\$ 51,893	\$ 8,737,287
Additions	-	53,100	10,500	-	-	-	-	3,751	67,351
Balance at September 30, 2020	\$ 420,000	\$ 747,855	\$ 7,292,464	\$ 102,650	\$ 41,677	\$ 106,768	\$ 37,580	\$ 55,644	\$ 8,804,638
<b>Additions</b>	-	<b>6,880</b>	<b>92,252</b>	-	-	-	-	<b>9,433</b>	<b>108,565</b>
<b>Balance at September 30, 2021</b>	<b>\$ 420,000</b>	<b>\$ 754,735</b>	<b>\$ 7,384,716</b>	<b>\$ 102,650</b>	<b>\$ 41,677</b>	<b>\$ 106,768</b>	<b>\$ 37,580</b>	<b>\$ 65,077</b>	<b>\$ 8,913,203</b>
<b>Accumulated depreciation</b>	Land	Building	Plant and equipment	Moving Equipment	Furniture and fixtures	Computer equipment and software	Leasehold improvements	Parts on hand	Total
Balance at September 30, 2019	\$ -	\$ 373,223	\$ 6,472,217	\$ 8,265	\$ 38,710	\$ 104,654	\$ 25,706	\$ -	\$ 7,022,775
Depreciation	-	36,065	141,127	16,877	583	634	3,758	-	199,054
Balance at September 30, 2020	\$ -	\$ 409,288	\$ 6,613,343	\$ 25,142	\$ 39,293	\$ 105,288	\$ 29,464	\$ -	\$ 7,221,828
<b>Depreciation</b>	-	<b>37,265</b>	<b>52,106</b>	<b>13,502</b>	<b>475</b>	<b>444</b>	<b>3,758</b>	-	<b>107,550</b>
<b>Balance at September 30, 2021</b>	<b>\$ -</b>	<b>\$ 446,553</b>	<b>\$ 6,665,449</b>	<b>\$ 38,644</b>	<b>\$ 39,768</b>	<b>\$ 105,732</b>	<b>\$ 33,222</b>	<b>\$ -</b>	<b>\$ 7,329,378</b>
<b>Net book value:</b>									
As at September 30, 2020	\$ 420,000	\$ 338,567	\$ 679,121	\$ 77,508	\$ 2,374	\$ 1,480	\$ 8,116	\$ 55,644	\$ 1,582,810
<b>As at September 30, 2021</b>	<b>\$ 420,000</b>	<b>\$ 308,182</b>	<b>\$ 719,267</b>	<b>\$ 64,006</b>	<b>\$ 1,899</b>	<b>\$ 1,036</b>	<b>\$ 4,358</b>	<b>\$ 65,077</b>	<b>\$ 1,583,825</b>

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

### 6. Accounts payable and accrued liabilities

	September 30, 2021	September 30, 2020
Trades payable	\$ 269,158	\$ 367,812
Accrued liabilities	93,512	220,778
Salaries, employee benefits and profit sharing based on net income/operating cash flow	352,722	378,773
	\$ 715,392	\$ 967,363

### 7. Leases

#### Right of use asset

The following table illustrates the right-of-use asset balances during the year:

	Total
Balance at October 1, 2019	\$ 130,571
Depreciation	17,031
Balance at September 30, 2020	\$ 113,540
Depreciation	17,110
<b>Balance at September 30, 2021</b>	<b>\$ 96,430</b>

#### Lease liability

The Company incurs lease payments related to its land lease for the storage of inventory. Leases are entered into and exited in coordination with specific business requirements which includes the assessment of the appropriate durations for the related leased assets.

	2021
Balance at October 1, 2019	\$ 153,439
Interest expense	6,171
Payments on lease liability	(24,000)
<b>Balance at September 30, 2020</b>	<b>\$ 136,410</b>
Interest expense	6,124
Payments on lease liability	(24,000)
<b>Balance at September 30, 2020</b>	<b>\$ 118,534</b>

Interest expense is included in cost of sales on the statement of financial position.

	2021	2020
Current portion, lease liability	\$ 18,762	\$ 12,850
Non-current, lease liability	99,772	123,560
<b>Balance at September 30, 2021 and 2020</b>	<b>\$ 118,534</b>	<b>\$ 136,410</b>

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

### 7. Leases (cont.)

The following tables sets out a maturity analysis of the lease liability:

<b>Maturity analysis – contractual undiscounted cash flows</b>	<b>September 30, 2021</b>	<b>October 1, 2020</b>
Less than one year	\$ 24,000	\$ 24,000
One to five years	118,000	120,000
More than five years	-	22,000
Total undiscounted lease liability as at period ended	142,000	166,000
Lease liability included in the statements of financial position at period ended	\$ 118,534	\$ 136,410

### 8. Income Taxes

Deferred income taxes liability consists of the estimated deferred income taxes on the amount by which net book value of property, plant and equipment exceeds its tax values. In addition, the Company has capital losses available of \$52,429 (2020 - \$52,429) for carry forward indefinitely for which no benefit has been recognized.

Income taxes expense differs from the amount obtained by applying the statutory income tax rate of 23% (2020 – 24.75%) to income before income taxes as follows:

	<b>2021</b>	<b>2020</b>
Expected current income tax expense	\$ 1,003,642	\$762,746
Increase (decrease) resulting from:		
Non-deductible expenses	2,897	3,721
Stock-based compensation expense	-	6,708
Others	(16,977)	-
Effect in change in reduction of provincial income tax rate	-	(7,636)
Actual income tax expense	<u>\$ 989,562</u>	<u>\$765,539</u>

The statutory tax rate decreased due to the Alberta provincial tax rate on January 1, 2020.

The Company has the following unrecognized temporary differences and unused losses for with no deferred tax asset has been recognized:

	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Net capital loss	\$ 52,429	\$ 52,429

The deferred tax asset (liability) is comprised of the following:

	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Property, plant and equipment	\$ (151,272)	\$ (166,012)
Right of use asset	(22,179)	(26,114)
Lease liability	27,263	31,374
	<u>\$ (146,188)</u>	<u>\$ (160,752)</u>

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

### 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.

On March 25, 2020, the Company granted 100,000 stock options to the Vice President/Chief Operating Officer which vested immediately and expire in 5 years from the date of grant. The stock options are exercisable into common shares at \$2.75 per stock option granted.

The fair value of stock options granted during the year ended September 30, 2020 of \$27,103 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2020
Share price (\$/share)	\$2.74
Exercise price (\$/share)	\$2.75
Expected life (years)	5
Risk-free interest rate (%)	0.75%
Expected volatility (%)	88%
Expected dividends (\$/share)	\$0.25

A forfeiture rate of NIL% was used when calculating the stock-based compensation expense as the options vested immediately.

A summary of the status of the Company's stock option plan as at September 30, 2021 and 2020 is as follows:

	2021		2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	200,000	\$ 3.15	100,000	3.54
Granted	-	-	100,000	2.75
Outstanding, end of year	200,000	\$ 3.15	200,000	\$ 3.18
Exercisable, end of year	<b>200,000</b>	<b>\$ 3.15</b>	<b>200,000</b>	<b>\$ 3.18</b>

100,000 stock options outstanding and exercisable at September 30, 2021 are exercisable on or before November 12, 2023. An additional 100,000 stock options outstanding and exercisable at September 30, 2021 are exercisable on or before March 25, 2025.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

### 9. Share capital (cont.)

#### c) Earnings per share

The weighted average number of common shares used in the calculation of earnings per share is as follows:

	2021	2020
Basic	<u>6,283,667</u>	<u>6,283,667</u>
Diluted	<u>6,483,667</u>	<u>6,435,667</u>

#### d) Dividends paid

During the year ended September 30, 2021, the Company declared and paid dividends of \$3,456,018 (2020 - \$1,885,100) on its common shares totaling a weighted average of \$0.55 (2020 - \$0.30) per share.

### 10. General and administrative expenses

	2021	2020
Salaries and employee benefits and director fees	\$ 309,614	\$ 202,570
Profit sharing	1,413,319	1,038,507
Professional and consulting fees	8,000	58,425
Other general expenses	201,383	164,105
	<u>\$ 1,932,316</u>	<u>\$ 1,463,107</u>

During the year ended September 30, 2021 \$NIL (2020 - \$29,066) was received from the Canadian Emergency Wage Subsidy. This amount has been netted against salaries and employee benefits and director fees.

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

Funds provided by (used in):	2021	2020
Accounts receivable	\$ 891,782	\$ 8,271
Income taxes recoverable	-	(587)
Inventory	383,977	22,414
Prepaid expenses	(1,537)	(6,313)
Accounts payable and accrued liabilities	(251,971)	74,900
Income taxes payable	-	(17,214)
	<u>\$ 1,022,251</u>	<u>\$ 81,471</u>

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

---

### 12. Economic dependence

During the years ended September 30, 2021 and 2020, 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 55.1% (2020 – 64.7%) and 39.2% (2020 – 28.7%) respectively, of total sales.

### 13. Related party transactions

#### *Compensation to key management personnel*

Key management includes the Board of Directors, the President and Chief Executive Officer, the Vice President and Chief Operating Officer, and the Chief Financial Officer. Aggregate compensation figures for 2021 include compensation for the Vice President and Chief Operating Officer.

The aggregate key management compensation for the year is as follows:

	2021	2020
Salaries and employee benefits, consulting fees and profit sharing	\$ 1,748,668	\$ 1,329,707
Stock-based compensation	-	88,376
Directors fees	65,833	31,262
	<u>\$ 1,814,501</u>	<u>\$ 1,449,345</u>

Of the above key management compensation of \$272,785 (2020 - \$282,583) is included in accounts payable and accrued liabilities at year-end.

### 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 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.

#### 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.

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.

# Vitreous Glass Inc.

## Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2021 and 2020

---

### 14. Financial instruments and risk management (cont.)

b) Fair values of financial instruments (Cont.)

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

All financial instruments are recorded using level 1 valuation with the exception of options which are valued using level 3 inputs. There has been no reclassification of financial instruments between valuation levels during the year ended 2021 or 2020.

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 September 30, 2021, 95.6% (September 30, 2020 – 93.4%) of accounts receivable are due from three (2020 – two) customers.

At each period-end, the Company assesses if there have been any impairments of accounts receivable. At September 30, 2021 and 2020, the Company had no accounts receivable past due based on customer credit terms. There was no impairment provision.

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 does not have any plans for major expenditures and expects to pay its financial liabilities in the normal course of operations as they become due over the next year.

e) Market risk

The Company is exposed to minimal market risk.

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 net income and cash flow to provide dividends to shareholders. The Company defines capital as shareholders' equity.

There have been no changes to the Company's capital management during the year ended September 30, 2021.

### 15. Subsequent event

On October 18, 2021, the Board of Directors declared a cash dividend of \$0.08 per common share which was paid on November 15, 2021 to the shareholders of record on November 1, 2021.