

VITREOUS GLASS INC.
TWELVE MONTHS ENDED SEPTEMBER 30, 2022
MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("MD&A") is dated December 6, 2022.

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 months and for the year ended September 30, 2022. This MD&A should be read in conjunction with the audited financial statements of the Company for the year ended September 30, 2022. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements and additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com. Results are reported in Canadian dollars unless otherwise noted.

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, of which some 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 assumptions that (i) there will be continuing market demand for fiberglass insulation; (ii) the Company's customers will continue to operate their Alberta plants at a level where historical levels of demand for glass are present; and (iii) glass supply and transportation will continue to be available on an economically viable basis. In addition, management has made assumptions about the impacts of the COVID-19 pandemic (and duration thereof) on the operations of the Company. Based on these assumptions, which management believes to be reasonable, management believes that the Company 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.

Particularly in light of the COVID-19 pandemic and resulting economic impacts, the reader is strongly 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.

General risks and uncertainties

Risk is inherent in all business activities and cannot be entirely eliminated. Except for the new risks and uncertainties arising from the COVID-19 pandemic, the risks and uncertainties discussed in “Business Risks” are considered by management to be the most important in the context of the Company’s business. Those risks and uncertainties are not inclusive of all the risks and uncertainties the Company may be subjected to and other risks may apply.

Since its advent in early 2020, the COVID-19 pandemic has introduced new unprecedented risks and uncertainties throughout the world, and unpredictable impacts on economic and social activities throughout the world. The full extent of the potential impacts of this pandemic and other such potential pandemics that may occur in the future are generally unknown and unknowable.

The COVID-19 pandemic has not caused any significant impact on financial results for the year ended September 30, 2022 or the prior fiscal year. The extent of any possible impact on financial results for the coming months and years is not determinable, however management expects that financial performance and financial condition may become less predictable and more volatile including unpredictable variations in earnings and distributable cash arising from operations.

The Company

Vitreous operates a waste glass processing plant at Airdrie, Alberta. The plant gathers post-consumer waste glass from Alberta and elsewhere in western Canada, 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.

Business risks

All production from the Company’s Alberta glass plant is sold to three customers 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. The loss of any of the Company’s current suppliers could have an adverse impact on the operations of the Company.

As discussed above in 'Advisory regarding forward looking statements', the ongoing operations and future business prospects of the Company depend upon a number of assumptions, including an assumption that glass supply and transportation will continue to be available on an economically viable basis.

The volume of glass supply available in any period to the Company varies due to conditions beyond the control of the Company. These variations in volume of supply contribute to significant variation in sales and profitability of the Company as discussed under 'Sales', 'Inventory and supply of raw glass' and 'Comments on selected annual information'.

There are indications in the North American market of a trend of decline in the market share of glass containers versus other beverage containers. 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'.

Sales

Sales for the three months ended September 30, 2022 decreased by 11.6% (\$300,536) from the same three months of the preceding fiscal year due to a 18.7% decrease in volume of product sold offset by a 8.8% increase in the average product selling price.

Sales for the year ended September 30, 2022 decreased by 20.6% (\$2,495,974) from the preceding fiscal year due to the combined impact of 25.9% decrease in volume of product sold and an increase in average product selling price of 7.2%. The significant decrease in volume of product sold and the underlying conditions that gave rise to this significant increase are further discussed below under 'Comments on selected annual information'.

During the three months ended September 30, 2022 and 2021, all sales were to three customers in the fiberglass insulation manufacturing industry, of which two customers exceeded 10% of total sales. Sales to these two customers comprised 56.5% and 38.0% respectively of total sales for the three months ended September 30, 2022 (2021 – 59.1% and 35.9% respectively). Sales to each of these two customers comprised 54.8% and 37.1% respectively of total sales for the year ended September 30, 2022 (2021 – 55.1 and 39.2% respectively). As at September 30, 2022, 89.9% (September 30, 2021 – 93.8%) of accounts receivable are due from those two customers.

Fluctuations in customer demand for the Company's product and the supply of raw glass are discussed above in 'Business risks' and 'Inventory and supply of raw glass'.

Cost of sales not including depreciation

Cost of sales not including depreciation, as a percentage of sales revenue for the three months ended September 30, 2022, increased by 6.5 percentage points to 55.6% for the current three-month period from 49.1% for the same period of the preceding fiscal year. This increase in cost of sales, not including depreciation, as a percentage of sales revenue is due to a higher average cost per unit of raw glass consumed in the three months ended September 30, 2022 compared to the same period of the prior year.

This increase was slightly offset by a 6.3% decrease in total of labour costs, repairs & maintenance costs and other facility costs arising from the 18.7% decrease in total volume of product sold in the current year compared to the prior.

Cost of sales not including depreciation, as a percentage of sales revenue for the year ended September 30, 2022, increased by 6.0 percentage points to 53.0% for the current fiscal year from 47.0% for the preceding fiscal year. This increase in cost of sales, not including depreciation, as a percentage of sales revenue is due to a higher average cost per unit of raw glass consumed in the current year ended September 30, 2022 compared to the prior year. This increase was offset by a 7.9% decrease in total of labour costs, repairs & maintenance costs and other facility costs arising from the 25.9% decrease in total volume of product sold in the current year compared to the prior.

General and administrative expenses

General and administrative expenses for the three months ended September 30, 2022 decreased by 2.1% (\$8,316) from the same period of the preceding fiscal year primarily due to the incentive-based nature of compensation for the Chief Executive Officer which decreased by 27.7% (\$63,733), offset by the increase in expense due to share-based compensation in the net amount of \$45,463 (2021 – Nil) as discussed under 'Share capital'. The incentive-based compensation for the Chief Executive Officer is primarily determined by the gross margin amount before depreciation, which decreased by 22.3% (303,096) in the three months ended September 30, 2022 compared to the same period of the preceding fiscal year.

General and administrative expenses for the year ended September 30, 2022 decreased by 21.2% (\$409,178) from the same period of the preceding fiscal year primarily due to (i) the incentive-based nature of compensation for the Chief Executive Officer which decreased by 32.3% (363,225), and (ii) the incentive base compensation for the Vice President, Chief Operating Officer which decreased by 33.3% (\$96,461), and (iii) offset by the increase in expense due to share-based compensation in the net amount of \$45,463 (2021 – Nil) as discussed under 'Share capital'. The incentive-based compensation for both officers is primarily determined by the gross margin amount before depreciation, which decreased by 29.6% (\$1,901,409) in the year ended September 30, 2022 compared to the preceding fiscal year.

Accounts receivable

Accounts receivable at September 30, 2022 were consistent with sales in the period leading up to the end of the fiscal year. All accounts receivable as at September 30, 2022 are considered collectible.

Inventory and supply of raw glass

Inventory is maintained at levels that are dictated largely by available supply and customer demand as discussed above in 'Business risks'.

Inventory on hand as at September 30, 2022 comprises raw glass on hand, a modest amount of finished crushed glass on hand, and spare parts on hand as required to ensure timely repairs to plant equipment to minimize the risk of interruptions in production due to breakdowns.

The total carrying value of this inventory as at September 30, 2022 increased by \$497,978 to \$1,019,308 as at September 30 2022 from \$521,330 as at the end of the prior year, primarily due to a \$420,778 increase in the carrying value of raw glass inventory. This increase in the carrying value of raw glass

inventory was primarily due to a significant increase (257%) in the quantity of raw glass on hand as at September 30, 2022 compared to the end of the prior year.

As discussed in 'Business Risks', the Company accepts deliveries of raw glass from its major supplier and other suppliers as it becomes available.

The volume of supply in the year ended September 30, 2022 decreased by 6.0% from the amount of supply in the prior year, which, when combined with changes in inventory levels of raw glass, gave rise to a decrease in volume of product sold in the year ended September 30, 2022 compared to the prior year as discussed below in "Sales" and "Comments on selected annual information".

In November 2022, subsequent to the year ended September 30, 2022, a supplier of raw glass located in British Columbia has suspended delivery of raw glass to the Company effective early November 2022 with no scheduled date to recommence delivery. This supplier has provided raw glass to the Company on the basis of mutual convenience, with no commitment to supply, nor any commitment by the Company to purchase. In the year ended September 30, 2022 this supplier provided approximately 15% of the total supply of raw glass for that year.

Purchase of property, plant and equipment

In the three months ended September 30, 2022, the Company spent \$nil on additions to property, plant and equipment compared to \$nil in the same period of the prior fiscal year.

In the year September 30, 2022, additions to property, plant and equipment totaled \$580,420 compared to \$108,565 in the prior fiscal year. Additions in the current year comprise (i) \$563,943 to complete the construction of three new silos that provide additional short term storage capacity for finished product awaiting shipment to customers, plus (ii) \$16,477 on upgrading computer equipment and software. The additions in the prior year of \$108,565 comprised \$6,880 improvements to the building, \$92,252 for the first stage of construction of the new storage silos, and \$9,433 for capital spares.

Liquidity and financial resources

The Company's current liabilities at September 30, 2022 comprised normal trade payables and accrued liabilities, the current portion of a capitalized lease liability, 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 to meet its obligations as they fall due, and anticipates no change in the ability to meet such obligations on an ongoing basis.

The Company follows a practice of maintaining cash reserves from cash generated by operations to meet expected quarterly dividend declarations. In addition, the Company holds cash in the amount of approximately \$450,000 in order to fund possible capital additions or significant maintenance that may arise on short notice. The Company also maintains a cash reserve in the approximate amount of one month's sales to our two major customers to provide the Company with liquidity in the event of any unexpected adverse change in business conditions.

On October 18, 2022 the Directors approved the payment of a dividend on November 15, 2022 in the amount of \$0.06 for a total cash distribution of \$377,020. After payment of this dividend, the total cash on hand as of December 6, 2022 is \$2,357,983. Management estimates that this level of cash reserve provides adequate liquidity to sustain the Company in the event of any possible suspension of operations for up to 12 months.

Commitments

The Company is committed to monthly payments of \$2,000 under a property lease agreement expiring May 31, 2027 for storage of the Company's raw material inventory.

Share capital

As at September 30, 2022 and December 6, 2022, there were 6,283,667 common shares ("Common Shares") outstanding (6,283,667 at September 30, 2021).

Share Based Compensation - Stock Options

Effective November 12, 2018, the Board of Directors granted to Meredith Cashion, a director of the Company, an option to acquire 100,000 Common Shares at an option price of \$3.54 per share expiring on November 11, 2023. This option for 100,000 Common Shares remains outstanding as at September 30, 2022 and as at December 6, 2022.

Effective March 25, 2020, the Board of Directors granted to Darcy Forbes, Chief Operating Officer of the Company, an option to acquire 100,000 Common Shares at an option price of \$2.75 per share expiring on March 24, 2025. This option for 100,000 Common Shares remains outstanding as at September 30, 2022 and as at December 6, 2022.

As at September 30, 2022 and as at December 6, 2022 there were options outstanding for 200,000 Common Shares (200,000 at September 30, 2021).

Share Based Compensation – Deferred Share Unit Plan ("DSU Plan"; "DSU's")

At the March 8, 2022 Annual General Meeting of the Shareholders, the shareholders approved the adoption of a DSU Plan that enables to Company, upon approval by the Directors, to grant DSU's to eligible directors and eligible employees. Upon granting DSU's, the Company records as share-based compensation the amount of units granted multiplied by the closing market value of Company's common shares on the date of the grant. The liability to the holder of the DSU's is recorded as a deferred share unit liability, and is adjusted each year end by recording an unrealized gain (loss) to adjust the liability to the closing market value of the Company's shares as at the year-end date.

When the Company pays dividends on its common shares, the accounts of the DSU holders are credited with additional DSU's in an amount proportional to the dividend per common share relative to the closing market value of the Company's common shares on the dividend date.

DSU's are not convertible into common shares, and do not result in dilution to the common shareholders.

Upon retirement of the DSU holder from office or at the time that is 10 years after the grant date, whichever occurs first, the grant holder is entitled to a cash payment equal to the number of units held as at that date multiplied by the closing market value of the Company's common shares on that date.

During the year ended September 30, 2022 the Directors approved the granting of 10,697 DSU's to Joanne Hruska, a director since March 19, 2021, as compensation in lieu of stock options that were granted to other directors and employees previous to the introduction of a deferred share plan. An amount of \$52,385 was recorded as Share Based Compensation on the date of grant, and a deferred share unit liability of the same amount. This liability was reduced by \$6,923 to \$45,463 as at September 30, 2022 to record the unrealized gain arising from a reduction in the market value per share from the grant date to September 30, 2022.

Selected annual information

The following charts and related comments provide selected annual information for the fiscal years 2022, 2021 and 2020.

Year ended September 30:	2022	2021	2020
Sales	\$9,622,657	\$12,118,631	\$9,361,559
Net income	\$2,171,810	\$3,374,100	\$2,316,262
Net income per share	\$0.35	\$0.54	\$0.37
Diluted net income per share	\$0.33	\$0.52	\$0.36
Total assets	\$5,494,375	\$5,145,176	\$5,505,941
Long-term financial liabilities	\$394,909	\$251,524	\$284,312
Dividends paid, per share	\$0.33	\$0.55	\$0.30

Comments on selected annual information

The volume of product sold is dependent upon the volume of supply of raw glass available for purchase as discussed above in 'Inventory and Supply' and 'Business Risks'.

In the year ended September 30, 2022, the Company earned net income of \$2,171,810 (\$0.35 Net income per share) on sales of \$9,622,657 compared to \$3,374,100 (\$0.54 Net income per share) on sales of \$12,118,631 in the prior year. This decrease in sales and net income was primarily due to a reduction on volume of supply of raw glass in the current year compared to the prior year. The volume of supply of raw glass in the current year was consistent with volumes of supply in the year ended September 30, 2020 and the immediately prior several years. In the year ended September 30, 2021, the Company benefited significantly from unanticipated additional supply of raw glass being available to the Company. This fortuitously combined with an unexpected additional demand by our two main customers driven by higher demand for fiberglass insulation in that year. As discussed above in 'Inventory and Supply' and 'Business Risks', the levels of supply of raw glass and the levels of demand by our customers will continue to fluctuate

beyond the control of the Company. These fluctuations are not susceptible to prediction or forecast by the Company.

Sales for the year ended September 30, 2022 decreased by 20.6% (\$2,495,974) from the preceding fiscal year due to a 25.9% decrease in volume of product sold offset by an increase in average product selling price of 7.2%. The decline in sales volume was primarily due to the reduced volume of raw glass supply in the current year compared to the prior year, combined with an increase in inventory of raw glass as at September 30 2022 compared to the prior year end in order to enhance continuity of delivery capacity to customers in the new fiscal year.

Gross margin before depreciation and amortization in the year ending September 30 2022 decreased by 29.6% (\$1,901,409) compared to the prior year primarily due to the 20.6% decrease in the sales in the current period compared to the prior year, combined with an increase in average cost per unit of glass sold in the current year compared to the prior year.

Net income for the year ending September 30, 2022 decreased by 35.6% (\$1,202,289) compared to the prior year primarily due to the 29.6% (\$1,901,409) decrease in gross margin amount before depreciation and amortization offset by a 21.2% (\$409,178) decrease in General & Administrative expenses. General & Administrative expenses decreased primarily due to a decrease in the incentive-based nature of the compensation of the Chief Executive Officer and the Chief Operating Officer as discussed under 'General and administrative expenses'.

In the year ended September 30, 2021, the Company earned net income of \$3,374,100 (\$0.54 Net income per share) on sales of \$12,118,631 compared to \$2,316,262 (\$0.37 Net income per share) on sales of \$9,361,559 in the prior year. This increase in sales for the year ended September 30, 2021 was primarily due to an unexpected additional supply of raw glass being available to the Company combined with unexpected additional demand by our two main customers driven by higher demand for fiberglass insulation. In the year ended September 30, 2021, the Company benefited significantly from an unexpected surge in demand that fortuitously coincided with an unanticipated and unrelated increase in the supply of raw glass that enabled the Company to meet the increase in demand. As discussed above in 'Inventory and Supply' and 'Business Risks', the levels of supply of raw glass and the levels of demand by our customers will continue to fluctuate beyond the control of the Company. These fluctuations are not susceptible to prediction or forecast by the Company.

Sales for the year ended September 30, 2021 increased by 29.5% (\$2,757,072) from the preceding fiscal year due to the combined impact of 25.2% increase in volume of product sold and an increase in average product selling price of 3.4%.

Gross margin before depreciation and amortization in the year ended September 30 2021 increased by 34.1% (\$1,632,041) compared to the prior year primarily due to the 29.5% increase in the sales in the current period compared to the prior year, while the overall average unit cost of glass sold remained essentially the same in this current compared to the prior year, the average cost of glass purchased in the current year increased by 6.0%, the overall average cost of glass sold did not increase in the current year due to write ups in the inventory of raw glass in the current year.

Net income for the year ended September 30, 2021 increased by 45.7% (\$1,057,838) compared to the prior year primarily due to the 34.1% (\$1,632,041) increase in gross margin amount before depreciation and amortization offset by a 32.0% (\$468,709) increase in General & Administrative expenses. General &

Administrative expenses increased due to an increase in the incentive-based nature of the compensation of the Chief Executive Officer and the Chief Operating Officer as discussed under 'General and administrative expenses'.

For a discussion of dividends paid, see below in 'Shareholder value and dividends'.

Selected quarterly information

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

Quarter ended:	Sep 22	Jun 22	Mar 22	Dec 21
Sales	\$2,289,266	\$2,592,226	\$2,523,204	\$2,217,961
Net income	\$436,622	\$568,471	\$640,869	\$525,848
Per share	\$0.07	\$0.09	\$0.10	\$0.08
Diluted per share	\$0.07	\$0.09	\$0.10	\$0.08

Quarter ended:	Sep 21	Jun 21	Mar 21	Dec 20
Sales	\$2,589,801	\$3,047,689	\$3,065,845	\$3,415,296
Net income	\$683,983	\$773,244	\$880,260	\$1,036,613
Per share	\$0.12	\$0.12	\$0.14	\$0.16
Diluted per share	\$0.10	\$0.12	\$0.14	\$0.16

Comments on selected quarterly information

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

The primary factors that determine Sales and Net income in each quarter are (i) the volume of product sold in each quarter, (ii) the average price per ton of product sold in each quarter and (iii) the cost of glass sold in each quarter. Accordingly, comments in this section will focus on variations in these three primary factors and the reasons for them. As discussed fully under 'Business Risks', the demand for product by the Company's customers and the supply of raw glass are not subject to control by the Company, nor are they susceptible to forecast or prediction in advance by the Company. Fluctuations in customer demand for the Company's product, and fluctuations in supply and per unit cost of raw glass cause concomitant fluctuations in the Company's Sales, Cost of sales and Net income on a monthly, quarterly and annual basis.

Fourth Quarter ending September 30, 2022

Financial results for the three months ended September 30, 2022 compared to the same quarter for the prior year are discussed above in 'Sales', 'Cost of sales not including depreciation' and 'General and administrative expenses'. Net income for the three months ended September 30, 2022 decreased by 36.1% (\$247,361) compared to the same quarter of the prior year primarily due to a 18.7% decrease in volume of product sold.

Third Quarter ending June 30, 2022

In the three months ended June 30, 2022, the Company earned net income of \$568,471 (\$0.09 per share) on sales of \$2,592,226 compared to \$773,244 (\$0.12 per share) on sales of \$3,047,689 in the same three months of the prior year. This decrease in sales and net income was due to a reduction in the supply of raw glass being available to the Company in the three months ending June 30, 2022 compared to the unexpected additional supply of raw glass being available in the same three months of the prior year. In addition, in the same three months of the prior year, the Company experienced unexpected additional demand by its two main customers driven by higher demand for fiberglass insulation. The Company benefited significantly from this unexpected surge in demand that fortuitously coincided with an unanticipated and unrelated increase in the supply of raw glass that enabled the Company to meet the increase in demand. As discussed under 'Risks and Uncertainties' and 'Review of Operations' the levels of supply of raw glass and the levels of demand by our customers will continue to fluctuate beyond the control of the Company. These fluctuations are not susceptible to prediction or forecast by the Company.

The 14.9% (\$455,463) decrease in sales was due to a 22.0% decrease in the volume of product sold slightly offset by a 9.1% increase in the average selling price per unit in the current quarter compared to the same quarter of the prior year.

Gross margin before depreciation in the three months ended June 30, 2022 decreased by 23.5% (\$355,702) compared to the same quarter of the prior year primarily due to the 22.0% decrease in the volume of product sold in the current quarter compared to the same quarter of the prior year, combined with a 20.1% increase in the overall average unit cost of glass sold.

Net income for the three months ended June 30, 2022 decreased by 26.5% (\$204,773) to \$568,471 from \$773,244 in the same quarter of the prior year due to the 23.5% (\$355,702) decrease in gross margin amount before depreciation offset by a 21.3% (\$102,558) decrease in general & administrative expenses and a 26.4% (\$61,489) decrease in current income taxes. General & administrative expenses decreased due to an increase in the incentive-based nature of the compensation of the Chief Executive Officer and the Chief Operating Officer.

Second Quarter ending March 31, 2022

In the three months ended March 31, 2022, the Company earned net income of \$640,869 (\$0.10 per share) on sales of \$2,523,204 compared to \$880,260 (\$0.14 per share) on sales of \$3,065,845 in the same three months of the prior year. This decrease in sales and net income was due to a reduction in the supply of raw glass being available to the Company in the three months ended March 31, 2022 compared to the unexpected additional supply of raw glass being available in the same three months of the prior year. In addition, in the same three months of the prior year, the Company experienced unexpected additional

demand by its two main customers driven by higher demand for fiberglass insulation. The Company benefited significantly from this unexpected surge in demand that fortuitously coincided with an unanticipated and unrelated increase in the supply of raw glass that enabled the Company to meet the increase in demand. As discussed under 'Risks and Uncertainties' and 'Review of Operations' the levels of supply of raw glass and the levels of demand by our customers will continue to fluctuate beyond the control of the Company. These fluctuations are not susceptible to prediction or forecast by the Company.

The 17.8% (\$542,641) decrease in sales was due to a 24.4% decrease in the volume of product sold slightly offset by an 8.9% increase in the average selling price per unit in the current quarter compared to the same quarter of the prior year.

Gross margin amount before depreciation in the three months ended March 31, 2022 decreased by 24.6% (\$412,939) compared to the same quarter of the prior year primarily due to the 17.8% decrease in the volume of product sold in the current quarter compared to the same quarter of the prior year, combined with a 15.5% increase in the overall average unit cost of glass sold.

Net income for the three months ended March 31, 2022 decreased by 27.2% (\$239,391) to \$640,869 from \$880,260 for the same quarter of the prior year due to the 24.6% (\$412,939) decrease in gross margin amount before depreciation offset by a 21.0% (\$105,311) decrease in General & administrative expenses and a 28.1% (\$74,501) decrease in current income taxes. General & administrative expenses decreased due to an increase in the incentive-based nature of the compensation of the Chief Executive Officer and the Chief Operating Officer.

First Quarter ending December 31, 2021

In the three months ended December 31, 2021, the Company earned net income of \$525,848 (\$0.08 per share) on sales of \$2,217,961 compared to \$1,036,613 (\$0.16 per share) on sales of \$3,415,296 in the same three months of the prior year. This significant decrease in sales and net income was due to a significant reduction in the supply of raw glass being available to the Company in the three months ended December 31, 2021 compared to the unexpected additional supply of raw glass being available in the same three months of the prior year. In addition, in the same three months of the prior year, the Company experienced unexpected additional demand by its two main customers driven by higher demand for fiberglass insulation. The Company benefited significantly from this unexpected surge in demand that fortuitously coincided with an unanticipated and unrelated increase in the supply of raw glass that enabled the Company to meet the increase in demand. As discussed under 'Risks and Uncertainties' and 'Review of Operations' the levels of supply of raw glass and the levels of demand by our customers will continue to fluctuate beyond the control of the Company. These fluctuations are not susceptible to prediction or forecast by the Company.

The 35.1% (\$1,197,335) decrease in sales was due to a 36.1% decrease in the volume of product sold slightly offset by a 1.7% increase in the average selling price per unit in the current quarter compared to the same quarter of the prior year.

Gross margin before depreciation in the three months ended December 31, 2021 decreased by 43.4% (\$830,085) compared to the same quarter of the prior year primarily due to the 36.1% decrease in the volume of product sold in the current quarter compared to the same quarter of the prior year, combined with a 10.9% increase in the overall average unit cost of glass sold.

Net income for the three months ended December 31, 2021 decreased by 49.3% (\$510,765) to \$525,848 from \$1,036,613 for the same quarter of the prior year due to the 43.4% (\$830,085) decrease in gross margin amount before depreciation offset by a 35.0% (\$192,948) decrease in General & administrative expenses and a 45.9% (\$135,432) decrease in current income taxes. General & administrative expenses increased due to an increase in the incentive-based nature of the compensation of the Chief Executive Officer and the Chief Operating Officer.

Critical accounting estimates

IFRS requires 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 (and continues to obtain) consulting services from David Birkby, a director of the Company, at a cost of \$2,000 in the three months ended September 30, 2022 and \$8,000 for the year ended September 30, 2022 (\$2,000 and \$8,000 for the same periods in the prior fiscal year). These services are related to plant operations and plant management.

Future plans

The Company plans to continue to manage its waste glass processing operation cautiously, and consistent with past practices.

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 September 30, 2020 the Company has paid cash dividends on its Common Shares as follows:

November 15, 2022	\$0.06
August 15, 2022	\$0.08
May 13, 2022	\$0.08
February 15, 2022	\$0.09
November 15, 2021	\$0.08
August 13, 2021	\$0.09
May 15, 2021	\$0.08
February 15, 2021	\$0.21
November 13, 2020	\$0.17

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.

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