

**VITREOUS GLASS INC.**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2023**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

This Management Discussion and Analysis (“MD&A”) is dated December 7, 2023.

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, 2023. This MD&A should be read in conjunction with the audited financial statements of the Company for the year ended September 30, 2023. 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](http://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. 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 currently anticipates no change in the ability to meet such obligations on an ongoing basis.

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. 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.

## **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, 2023 increased by 2.1% (\$48,244) from the same three months of the preceding fiscal year due to a 9.5% increase in the average product selling price per ton offset by a 6.7% decrease in volume of product sold.

Sales for the year ended September 30, 2023 increased by 5.9% (\$562,270) from the preceding fiscal year due to a 10.0% increase in average product selling price offset by a 3.7% decrease in volume of product sold. The slight decline in sales volume was primarily due to the reduced volume of raw glass supply in the current year compared to the prior year, offset by a drawdown of raw glass inventory on hand as at September 30, 2023 compared to the prior year end in order to enhance continuity of delivery capacity to customers in the new fiscal year. The reduced volume of raw glass available in the current year compared to the prior year was due to lack of supply by one supplier in British Columbia as discussed in 'Inventory and supply of raw glass' and 'Cost of sales not including depreciation'.

During the three months ended September 30, 2023 and 2022, 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 50.3% and 41.6% respectively of total sales for the three months ended September 30, 2023 (2022 – 56.5% and 38.0% respectively). Sales to each of these two customers comprised 51.6% and 39.8% respectively of total sales for the year ended September 30, 2023 (2022 – 54.8 and 37.1% respectively). As at September 30, 2023, 97.6% (September 30, 2022 – 89.9%) 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, 2023, decreased by 3.5 percentage points to 52.1% for the current three-month period from 55.6% for the same period of the preceding fiscal year. This decrease in cost of sales, not including depreciation, as a percentage of sales revenue is due to a 18.7% decrease in the average cost per unit of raw glass consumed in the three months ended September 30, 2023 compared to the same period of the prior year. This decrease is due to a reduction in supply from one supplier in British Columbia whose raw glass was purchased at the highest average cost per unit due to the distance of that supplier from the Company's plant in Airdrie AB, as discussed in 'Inventory and supply of raw glass'. The decrease in average unit cost of raw glass was offset by a 32.5% increase in total of labour costs, repairs & maintenance costs and other facility costs.

Cost of sales not including depreciation, as a percentage of sales revenue for the year ended September 30, 2023, decreased by 4.0 percentage points to 49.0% for the current fiscal year from 53.0% for the preceding fiscal year. This decrease in cost of sales, not including depreciation, as a percentage of sales

revenue is due to a 9.5% decrease in the average cost per unit of raw glass consumed in the current year ended September 30, 2023 compared to the prior year. This decrease is due to a reduction in supply from one supplier in British Columbia whose raw glass was purchased at the highest average cost per unit due to the distance of that supplier from the Company's plant in Airdrie AB, as discussed in 'Inventory and supply of raw glass'. The decrease in average unit cost of raw glass was offset by a 17.0% increase in total of labour costs, repairs & maintenance costs and other facility costs.

### **General and administrative expenses**

General and administrative expenses for the three months ended September 30, 2023 increased by 12.2% (\$47,514) from the same period of the preceding fiscal year primarily due to the incentive-based nature of compensation for the Chief Executive Officer and the Chief Operating Officer which increased in total by 16.0% (\$33,481). The incentive-based compensation for the Chief Executive Officer and for the Chief Operating Officer are primarily determined by the gross margin amount before depreciation, which increased by 10.2% (103,479) in the three months ended September 30, 2023 compared to the same period of the preceding fiscal year.

General and administrative expenses for the year ended September 30, 2023 increased by 15.4% (\$223,920) from the same period of the preceding fiscal year primarily due to the incentive-based nature of compensation for the Chief Executive Officer and the Chief Operating Officer which increased in total by 19.8% (\$189,378). The incentive-based compensation for the Chief Executive Officer and for the Chief Operating Officer are primarily determined by the gross margin amount before depreciation, which increased by 15.1% (\$681,405) in the year ended September 30, 2023 compared to the preceding fiscal year.

### **Accounts receivable**

Accounts receivable at September 30, 2023 were consistent with sales in the period leading up to the end of the fiscal year. All accounts receivable as at September 30, 2023 are considered collectible.

### **Inventory and supply of raw glass**

As discussed above in 'Business risks', Inventory is maintained at levels that are dictated largely by available supply and customer demand, and the Company is required to accept deliveries of raw glass from its major supplier and other suppliers as it becomes available.

Inventory on hand as at September 30, 2023 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, 2023 decreased by \$317,339 (31.1%) to \$701,969 as at September 30 2023 from \$1,019,308 as at the end of the prior year, primarily due to a \$331,992 decrease in the carrying value of raw glass inventory. This decrease in the carrying value of raw glass inventory was due to the combined effect of a decrease (42.1%) in the quantity of raw glass on hand as at September 30, 2023 compared to the end of the prior year, and a 23.0% decline in the carrying cost per ton of raw glass.

The volume of supply in the year ended September 30, 2023 decreased by 18.5% from the amount of supply in the prior year. 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. This supplier was located on the west Coast of BC, the furthest of all suppliers from the Company's plant in Airdrie AB. This increased hauling distance gave rise to the highest average purchase cost per unit of raw glass. Reduction of supply effective November 2022 from this supplier has resulted in a 18.7% reduction in the average cost of glass sold in the year ended September 30, 2023, and a 23.0% decline in the cost of raw glass inventory carried as at September 30 2023 to be carried forward into the next fiscal year.

### **Purchase of property, plant and equipment**

In the three months ended September 30, 2023, 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, 2023, additions to property, plant and equipment totaled \$87,182 compared to \$580,420 in the prior fiscal year. Additions in the current year comprised (i) \$67,338 for upgrades to the building including control over access to the property, and (ii) \$13,586 for additions to the plant equipment, and (iii) \$6,208 for new office equipment including computer equipment. Additions in the prior year comprised (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.

### **Liquidity and financial resources**

The Company's current liabilities at September 30, 2023 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 reserves 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. As at September 30, 2023, the total cash on hand totaled \$2,264,873 (2022 - \$1,743,961)

On October 15, 2023 the Directors approved the payment of a dividend on November 15, 2023 in the amount of \$0.10 for a total cash distribution of \$631,004. Management estimates that, after payment of the November 15, 2023 dividends, the 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, 2023 and December 7, 2023, there were 6,310,042 common shares ("Common Shares") outstanding (6,283,667 at September 30, 2022).

### *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 remained outstanding as at September 30, 2023 and has expired as of November 11, 2023.

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. In June 2023, the Chief Operating Officer exercised options for 50,000 Common Shares by way of cashless exercise that resulted in the issuance of 26,375 Common Shares at an attributed value of \$13,555 and the cancellation by the Company of options for 23,625 shares. The remaining option for 50,000 Common Shares remains outstanding as at September 30, 2023 and as at December 7, 2023.

As at September 30, 2023 there were options outstanding for 150,000 Common Shares (200,000 at September 30, 2022).

As at December 7, 2023 there were options outstanding for 50,000 Common shares.

### *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 period 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, 2023 the Directors approved the granting of 6,088 DSU's (2022 – 10,697) 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 \$31,744 (2022 - \$52,386) was recorded as Share Based Compensation on the dates of granting, and a deferred share unit liability was recorded in the same amount. This liability was increased by \$12,593 to \$89,800 as at September 30, 2023 to record the unrealized additional liability arising from an increase in the market value per share from the grant dates to September 30, 2023. In the year ended September 30, 2022, this liability was decreased by \$6,923 to \$45,463 as at September 30, 2022 to record the unrealized reduction in liability arising from a reduction in the market value per share from the grant dates 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.

<b>Year ended September 30:</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Sales	\$10,190,927	\$9,622,657	\$12,118,631
Net income	\$2,536,721	\$2,171,810	\$3,374,100
Net income per share	\$0.40	\$0.35	\$0.54
Diluted net income per share	\$0.39	\$0.33	\$0.52
Total assets	\$5,412,005	\$5,494,375	\$5,145,176
Long-term financial liabilities	\$400,684	\$394,909	\$251,524
Dividends paid, per share	\$0.43	\$0.33	\$0.55

### **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, 2023, the Company earned net income of \$2,536,721 (\$0.40 Net income per share) on sales of \$10,190,927 compared to \$2,171,810 (\$0.35 Net income per share) on sales of \$9,622,657 in the prior year. This increase in sales and net income was primarily due to an increase in the average selling price per ton in the current year compared to the prior year, combined with a reduction in the overall average cost per ton of glass sold in the current year compared to the prior year.

Sales for the year ended September 30, 2023 increased by 5.9% (\$568,270) from the preceding fiscal year due to a 10.0% increase in average product selling offset by a 3.7% decrease in volume of product sold. The slight decline in sales volume was primarily due to the reduced volume of raw glass supply in the current year compared to the prior year, offset by a drawdown of raw glass inventory on hand as at

September 30, 2023 compared to the prior year end in order to enhance continuity of delivery capacity to customers in the new fiscal year. The reduced volume of raw glass available in the current year compared to the prior year was due to lack of supply by one supplier in British Columbia whose glass was purchased at the highest average cost due to the distance of that supplier from the Company's plant in Airdrie AB.

Gross margin before depreciation and amortization in the year ended September 30 2023 increased by 15.1% (\$681,405) compared to the prior year primarily due to the 5.9% increase in sales revenue in the current period compared to the prior year, combined with a 9.5% decrease in average cost per unit of glass sold in the current year compared to the prior year.

Net income for the year ended September 30, 2023 increased by 16.8% (\$364,911) compared to the prior year primarily due to the 15.1% (\$681,405) increase in gross margin amount before depreciation and amortization offset by a 15.4% (\$233,920) increase in General & Administrative expenses. General & Administrative expenses increased primarily 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'.

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 ended 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 ended 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'.

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.

<b>Quarter ended:</b>	<b>Sep 23</b>	<b>Jun 23</b>	<b>Mar 23</b>	<b>Dec 22</b>
Sales	\$2,338,310	\$2,451,323	\$2,488,615	\$2,912,679
Net income	\$516,038	\$615,008	\$674,839	\$730,836
Per share	\$0.08	\$0.10	\$0.11	\$0.11
Diluted per share	\$0.08	\$0.10	\$0.10	\$0.11

<b>Quarter ended:</b>	<b>Sep 22</b>	<b>Jun 22</b>	<b>Mar 22</b>	<b>Dec 21</b>
Sales	\$2,289,266	\$2,592,226	\$2,523,204	\$2,217,961
Net income	\$436,638	\$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

### **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 ended September 30, 2023*

Financial results for the three months ended September 30, 2023 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, 2023 increased by 18.2% (\$79,400) compared to the same quarter of the prior year primarily due to the 10.2% (\$103,479) increase in gross margin amount before depreciation offset by a 12.2% (\$47,514) increase in General & administrative expenses. General & administrative expenses increased primarily due to an increase in the incentive-based nature of the compensation of the Chief Executive Officer and the Chief Operating Officer.

#### *Third Quarter ended June 30, 2023*

In the three months ended June 30, 2023, the Company earned net income of \$615,008 (\$0.10 per share) on sales of \$2,451,323 compared to \$568,471 (\$0.09 per share) on sales of \$2,592,226 in the same three months of the prior year.

The decrease of 5.4% (\$140,903) in sales is due to the offsetting impact of a 14.9% decline in volume of product sold and a 11.2% increase in 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 June 30, 2023 increased by 12.6% (\$145,970) compared to the same quarter of the prior year primarily due to a 22.7% reduction in the unit cost of glass sold arising from the reduction in raw glass from a supplier in the lower mainland area of British Columbia which has historically been relatively high per unit cost due to high transportation costs.

The supply of raw glass in the three months ended June 30, 2023 decreased by 17.4% compared to the same quarter of the prior year, arising from a reduction in the raw glass from a supplier in the lower mainland area of British Columbia. As discussed under 'Risks and Uncertainties' and 'Overview 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.

Net income for the three months ended June 30, 2023 increased by 8.2% (\$46,537) compared to the same quarter of the prior year primarily due to the 12.6% (\$145,970) increase in gross margin amount before depreciation offset by a 20.1% (\$75,971) increase in General & administrative expenses and a 12.1% (\$20,784) increase in current income taxes. General & administrative expenses increased primarily due to an increase in the incentive-based nature of the compensation of the Chief Executive Officer and the Chief Operating Officer.

#### *Second Quarter ended March 31, 2023*

In the three months ended March 31, 2023, the Company earned net income of \$674,839 (\$0.11 per share) on sales of \$2,488,615 compared to \$640,869 (\$0.10 per share) on sales of \$2,523,204 in the same three months of the prior year.

The slight decrease of 1.4% (\$34,589) in sales is due to the offsetting impact of a 12.8% decline in volume of product sold and a 13.8% increase in 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, 2023 increased by 7.4% (\$93,461) compared to the same quarter of the prior year primarily due to a 16.5% reduction in the unit

cost of glass sold arising from the reduction in raw glass from a supplier in the lower mainland area of British Columbia which has historically been relatively high per unit cost due to high transportation costs.

The supply of raw glass in the three months ended March 31, 2023 decreased by 20.8% compared to the same quarter of the prior year, arising from a reduction in the raw glass from a supplier in the lower mainland area of British Columbia. As discussed under 'Risks and Uncertainties' and 'Overview 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.

Net income for the three months ended March 31, 2023 increased by 5.3% (\$33,970) compared to the same quarter of the prior year primarily due to the 7.4% (\$93,461) increase in gross margin amount before depreciation offset by a 7.1% (\$28,192) increase in General & administrative expenses and a 10.2% (\$19,501) increase 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.

#### *First Quarter ended December 31, 2022*

In the three months ended December 31, 2022, the Company earned net income of \$730,836 (\$0.11 per share) on sales of \$2,912,679 compared to \$525,848 (\$0.08 per share) on sales of \$2,217,961 in the same three months of the prior year. This increase in sales and net income was due to an increase in the supply of raw glass being available to the Company in the three months ended December 31, 2022 combined with a drawdown of the relatively high inventory of raw glass on hand as at September 30, 2022.

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 31.3% (\$694,718) increase in sales was due to a 21.0% increase in the volume of product sold combined with an 8.5% 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 December 31, 2022 increased by 31.3% (\$338,477) compared to the same quarter of the prior year primarily due to the 31.3% increase in the sales revenue in the current quarter compared to the same quarter of the prior year. However, the gross margin percentage before depreciation remained essentially the same.

Net income for the three months ended December 31, 2022 increased by 39.0% (\$204,988) compared to the same quarter of the prior year due to the 31.3% (\$338,447) increase in gross margin amount before depreciation offset by a 22.4% (\$80,179) increase in General & administrative expenses and a 39.2% (\$62,644) increase 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, 2023 and \$8,000 for the year ended September 30, 2023 (\$2,000 and \$8,000 for the same periods in the prior fiscal year). These services are related to plant operations and plant management.

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.

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

	<b>2023</b>	2022
Salaries and employee benefits, consulting fees and profit sharing	<b>\$ 1,506,001</b>	\$ 1,287,582
Stock-based compensation	<b>31,744</b>	52,386
Directors fees	<b>40,000</b>	40,000
	<b>\$ 1,577,745</b>	<b>\$ 1,379,968</b>

Of the above key management compensation of \$250,274 (2022 - \$189,342) is included in accounts payable and accrued liabilities at year-end.

### **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, 2021 the Company has paid cash dividends on its Common Shares as follows:

November 15, 2023	\$0.10
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August 15, 2023	\$0.06
May 15, 2023	\$0.12
February 15, 2023	\$0.19
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

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.