

Vitreous Glass Inc.
Financial Statements
For the years ended September 30, 2023 and 2022
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, 2023 and September 30, 2022, and the statements of income and comprehensive income, changes in shareholders' 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, 2023 and September 30, 2022, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Calgary, Alberta

December 7, 2023

MNP LLP

Chartered Professional Accountants

Vitreous Glass Inc.

Statement of Financial Position

Stated in Canadian Dollars

For the years ended September 30, 2023 and 2022

	September 30, 2023		September 30, 2022	
ASSETS				
Current assets				
Cash and cash equivalents	\$	2,264,872	\$	1,743,961
Accounts receivable		347,327		470,192
Income taxes recoverable (Note 8)		-		91,689
Inventory (Note 4)		701,969		1,019,308
Prepaid expenses		44,382		56,085
Total current assets	\$	3,358,550	\$	3,381,235
Non-current assets				
Property, plant and equipment (Note 5)	\$	1,991,246	\$	2,033,900
Right of use asset (Note 7)		62,209		79,240
Total assets	\$	5,412,005	\$	5,494,375
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 6)	\$	735,405	\$	823,006
Income taxes payable (Note 8)		101,580		-
Current portion of lease liability (Note 7)		20,640		18,762
Total current liabilities	\$	857,625	\$	841,768
Non-current liabilities				
Lease liability (Note 7)	\$	59,448	\$	81,010
Deferred share unit liability (Note 9)		89,800		45,463
Deferred income taxes (Note 8)		251,436		268,436
Total non-current liabilities	\$	400,684		394,909
Total liabilities	\$	1,258,309	\$	1,236,677
Shareholders' Equity				
Share capital (Note 9)	\$	2,915,634	\$	2,902,082
Contributed surplus		119,073		132,625
Retained earnings		1,118,989		1,222,991
Total shareholders' equity	\$	4,153,696	\$	4,257,698
Total liabilities and shareholders' equity	\$	5,412,005		5,494,375

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.

Statement of Income and Comprehensive Income

Stated in Canadian Dollars

For the years ended September 30, 2023 and 2022

	September 30, 2023	\$	September 30, 2022
Sales	\$ 10,190,927	\$	9,622,657
Cost of sales (Note 4)	4,990,293		5,103,428
Depreciation (Note 5)	111,781		120,869
Amortisation of right of use asset (Note 7)	17,031		17,190
Total cost of sales	\$ 5,119,105	\$	5,241,487
Gross Margin	\$ 5,071,822	\$	4,381,170
Expenses			
General and administrative (Note 10)	\$ 1,757,059	\$	1,523,139
Depreciation (Note 5)	18,055		9,476
Total expenses	\$ 1,775,114	\$	1,532,615
Income			
Income before income taxes	\$ 3,296,708		2,848,555
Income taxes			
Income taxes – current (Note 8)	\$ 776,987	\$	560,060
Income taxes – deferred expense (recovery) (Note 8)	(17,000)		116,685
Total income taxes	\$ 759,987		676,745
Net income and comprehensive income	\$ 2,536,721	\$	2,171,810
Earnings per share (Note 9)			
Basic	\$ 0.40	\$	0.35
Diluted	\$ 0.39	\$	0.33

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

Vitreous Glass Inc.

Statement of Changes in Shareholders' Equity

Stated in Canadian Dollars

For the years ended September 30, 2023 and 2022

	Common Shares	Share capital	Contributed surplus	Retained earnings	Total shareholders' equity
Balance – September 30, 2021	6,283,667	\$ 2,902,082	\$ 132,625	\$ 1,124,791	\$ 4,159,498
Net income and comprehensive income	-	-	-	2,171,810	2,171,810
Dividends paid (Note 9)	-	-	-	(2,073,610)	(2,073,610)
Balance – September 30, 2022	6,283,667	\$ 2,902,082	\$ 132,625	\$ 1,222,991	\$ 4,257,698
Options exercised in the year (Note 9)	26,375	13,552	-	-	13,552
Options cancelled in the year (Note 9)	-	-	(13,552)	-	(13,552)
Net income and comprehensive income	-	-	-	2,536,721	2,536,721
Dividends paid (Note 9)	-	-	-	(2,640,723)	(2,640,723)
Balance – September 30, 2023	6,310,042	\$ 2,915,634	\$ 119,073	\$ 1,118,989	\$ 4,153,696

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

Vitreous Glass Inc.

Statements of Changes in Cash Flows

Stated in Canadian Dollars

For the years ended September 30, 2023 and 2022

	2023	2022
Cash and cash equivalents provided by (used in) the following:		
Operating activities		
Net income for the period	\$ 2,536,721	\$ 2,171,810
Add (deduct) items not affecting cash		
Depreciation in Cost of Sales (Note 5)	111,781	120,869
Depreciation in Expenses (Note 5)	18,055	9,476
Amortisation of right of use asset (Note 7)	17,031	17,190
Interest expense (Note 7)	4,316	5,238
Share based compensation – DSUs (Note 9)	31,744	52,386
Unrealized loss (gain) on DSU liability (Note 9)	12,593	(6,923)
Deferred income tax (recovery) (Note 8)	(17,000)	116,685
Changes in non-cash working capital (Note 11)	557,575	(517,609)
Net cash provided by operating activities	\$ 3,272,816	\$ 1,969,122
Financing activities		
Lease payments (Note 7)	\$ (24,000)	\$ (24,000)
Dividends paid (Note 9)	(2,640,723)	(2,073,610)
Net cash used in financing activities	\$ (2,664,723)	\$ (2,097,610)
Investing activities		
Additions of property, plant and equipment (Note 5)	\$ (87,182)	\$ (580,420)
Net cash used in investing activities	\$ (87,182)	\$ (580,420)
Cash inflow (outflow)	\$ 520,911	\$ (708,908)
Cash and cash equivalents, beginning of year	1,743,961	2,452,869
Cash and cash equivalents, end of the year	\$ 2,264,872	\$ 1,743,961
The amounts paid for income taxes are included in cash flows from operating activities in the statement of cash flows:		
Income taxes paid	\$ 675,407	641,254

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, 2023 and 2022

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 7, 2023.

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") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in effect as of October 1, 2022.

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, 2023 and 2022

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 0% to 3% of total inventory on hand.

Leases – Right-of-use assets and lease liability

The Company has applied estimates of the incremental borrowing rate used in lease analysis, which significantly affects the amount of lease liability and right-of-use assets recognized.

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, 2023 and 2022

2. Basis of Preparation (cont.)

2.4 Critical Accounting Estimates and Judgments (cont.)

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 (if any) 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, 2023 and 2022

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, 2023 and 2022

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 records DSU's upon initial recognition and as at each reporting period 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, 2023 and 2022

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 Share-based compensation

Stock Options

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.

Deferred Share Units ("DSUs")

In the year ended September 30, 2022, the Company approved the adoption of a DSU plan. In accordance with IFRS 2 *Share Based Payments*, this plan is a cash-settled share-based compensation program whereby the Company records the fair value of the liability at the date upon which it is incurred, and adjusts the liability to the fair value at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

3. Summary of Significant Accounting Policies (cont.)

3.9 Share-based compensation (cont.)

The DSU Plan 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 stock-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 grant is recorded as a DSU liability, and is adjusted each reporting period by recording an unrealized gain (loss) to adjust the liability to the closing market value of the Company's shares as at the reporting period.

When the Company pays dividends on its common shares, the account of the DSU holder is 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 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.

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.

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.

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

3. Summary of Significant Accounting Policies (cont.)

3.13 Standards issued but not yet effective

The Company has reviewed the annual improvements to IFRS and does not expect these amendments to have a material impact on its financial statements.

4. Inventory

	September 30, 2023	September 30, 2022
Raw material	\$ 267,211	\$ 599,203
Crushed glass	31,724	52,779
Spare parts	403,034	367,326
	\$ 701,969	\$ 1,019,308

Cost of sales	September 30, 2023	September 30, 2022
Cost of raw glass sold	\$ 2,857,589	\$ 3,281,149
Salaries and employee benefits	949,273	875,203
Repair and maintenance	433,085	293,664
Other facility operating costs	750,346	653,412
	\$ 4,990,293	\$ 5,103,428

There were no inventory write-downs or reversals of prior write-downs were recorded during the year ended September 30, 2023 or 2022.

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

5. Property, plant and equipment

Cost	Land	Building	Plant and equipment	Moving Equipment	Furniture and fixtures	Computer equipment and software	Leasehold improvements	Parts on hand	Total
Balance at September 30, 2021	\$ 420,000	\$ 754,735	\$ 7,384,716	\$ 102,650	\$ 41,677	\$ 106,768	\$ 37,580	\$ 65,077	\$ 8,913,203
Additions	-		563,943	-	-	16,477	-		580,420
Balance at September 30, 2022	\$ 420,000	\$ 754,735	\$ 7,948,659	\$ 102,650	\$ 41,677	\$ 123,245	\$ 37,580	\$ 65,077	\$ 9,493,623
Additions	-	67,388	13,586	-	1,946	4,262	-	-	87,182
Balance at September 30, 2023	\$ 420,000	\$ 822,123	\$ 7,962,245	\$ 102,650	\$ 43,623	\$ 127,507	\$ 37,580	\$ 65,077	\$ 9,580,805
Accumulated depreciation	Land	Building	Plant and equipment	Moving Equipment	Furniture and fixtures	Computer equipment and software	Leasehold improvements	Parts on hand	Total
Balance at September 30, 2021	\$ -	\$ 446,553	\$ 6,665,449	\$ 38,644	\$ 39,768	\$ 105,742	\$ 33,222	\$ -	\$ 7,329,378
Depreciation	-	37,737	74,887	10,801	380	2,782	3,758	-	130,345
Balance at September 30, 2022	\$ -	\$ 484,290	\$ 6,740,336	\$ 49,445	\$ 40,148	\$ 108,524	\$ 36,980	\$ -	\$ 7,459,723
Depreciation	-	15,210	86,745	20,530	693	6,058	600	-	129,836
Balance at September 30, 2023	\$ -	\$ 499,500	6,827,081	69,975	40,841	114,583	37,580	-	7,589,559
Net book value:									
As at September 30, 2022	\$ 420,000	\$ 270,445	\$ 1,208,323	\$ 53,205	\$ 1,529	\$ 14,721	\$ 600	\$ 65,077	\$ 2,033,900
As at September 30, 2023	\$ 420,000	\$ 322,623	\$ 1,135,164	\$ 32,675	\$ 2,782	\$ 12,925	\$ -	\$ 65,077	\$ 1,991,246

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

6. Accounts payable and accrued liabilities

	September 30, 2023	September 30, 2022
Trades payable	\$ 326,674	\$ 423,984
Accrued liabilities	59,807	123,030
Salaries, employee benefits and profit sharing based on net income/operating cash flow	348,924	275,992
	\$ 735,405	\$ 823,006

7. Leases

Right of use asset

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

	Total
Cost	
Balance at September 30, 2022	\$ 79,240
Depreciation	17,031
Balance at September 30, 2023	\$ 62,209

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.

Balance at September 30, 2022	\$ 99,772
Add: Interest expense	4,316
Less: Payments on lease liability	(24,000)
Balance at September 30, 2023	\$ 80,088
Current portion, lease liability	\$ 20,640
Non-current, lease liability	59,448
Balance at September 30, 2023	\$ 80,088

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

7. Leases (cont.)

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

Maturity analysis – contractual undiscounted cash flows	September 30, 2023	September 30, 2022
Less than one year	\$ 24,000	\$ 24,000
One to five years	70,000	94,000
More than five years	-	-
Total undiscounted lease liability as at period ended	94,000	118,000
Lease liability included in the statements of financial position at period ended	\$ 80,088	\$ 99,772

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 (2022 - \$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% (2022 – 23%) to income before income taxes as follows:

	2023	2022
Income before taxes	\$ 3,296,708	\$ 2,848,555
Statutory income tax rate (%)	23%	23%
Expected expense at statutory rate	758,243	655,168
Increase (decrease) in taxes resulting from:		
Non-deductible items	4,359	3,828
Share based compensation	10,198	10,457
Other	(12,813)	7,292
Income tax provision	\$ 759,987	\$ 676,745

Details of deferred tax assets (liabilities) are as follows:

	2023	2022
Property, plant and equipment	\$ (245,286)	\$ (273,159)
Right of use asset	(14,308)	(18,225)
Lease liability	8,158	22,948
Net deferred tax liability	(251,436)	(268,436)

Details of unrecognized deductible temporary differences are as follows:

	2023	2022
Net capital loss	\$ 52,429	\$ 52,429

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

9. Share capital

a) Common shares

Authorized: Unlimited number of common shares without nominal or par value.

Common shares issued are as follows:

	2023	2022
Number of Common Shares outstanding at the beginning of the year	6,283,667	6,283,667
Issued during the year as per Note 9(b)	26,375	-
Number of Common Shares outstanding at the end of the year	6,310,042	6,283,667

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.

A summary of the status of the Company's stock option plan as at September 30, 2023 and 2022 is as follows:

	2023		2022	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	200,000	\$ 3.15	200,000	\$3.15
Granted in the year	-	-	-	-
Cashless exercised in the year	(50,000)	\$ 2.75	-	-
Outstanding, end of year	150,000	\$ 3.28	200,000	\$ 3.15
Exercisable, end of year	150,000	\$ 3.28	200,000	\$ 3.15

Effective June 1, 2023, 50,000 options were exercised by a cashless exercise that resulted in the issuance of 26,375 Common Shares at an assigned value of \$13,552 and the cancellation of 23,625 options by the Company.

As at September 30, 2023, 100,000 stock options outstanding and exercisable at September 30, 2022 are exercisable on or before November 12, 2023. An additional 50,000 stock options outstanding and exercisable at September 30, 2022 are exercisable on or before March 25, 2025.

c) Deferred Share Unit Plan

Effective June 2022, the Company approved a Deferred Share Unit Plan ("DSU Plan") ("DSUs") whereby the Directors may approve the granting of DSUs to eligible directors and eligible employees. DSUs granted under the DSU Plan vest not later than the date which is one year following the grant date, and have an expiration date ten years after the grant date. Upon the termination date of a DSU holder or upon the expiry date, whichever occurs first, the DSU holder is entitled to a cash payment equal to the number of DSUs held multiplied by the closing market value per share of the Company at the termination date. During the years ended September 30, 2023 and 2022, DSUs have been granted to one director, as compensation in lieu of stock options that were granted to other directors and employees previous to the introduction of a DSU Plan.

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

9. Share capital (cont.)

c) *Deferred Share Unit Plan (cont.)*

DSUs have been granted as follows:

	2023	2022
Number of DSUs outstanding at the beginning of the fiscal year	10,697	-
Number of DSUs granted in the year	6,088	10,697
Number of DSUs outstanding at the end of the year	16,785	10,697

	2023	2022
Deferred Share Unit Liability at beginning of the fiscal year	\$ 45,463	\$ -
Share based compensation expense for the year	31,744	52,386
Valuational adjustment to record increase (decrease) in market value of DSU's for the year	12,593	(6,923)
Deferred Share Unit Liability at end of the fiscal year	\$ 89,800	\$ 45,463

d) *Earnings per share*

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

	2023	2022
Basic	6,301,250	6,283,667
Diluted	6,467,917	6,483,667

e) *Dividends paid*

During the year ended September 30, 2023, the Company declared and paid dividends of \$2,640,723 (2022 - \$2,073,610) on its common shares totaling a weighted average of \$0.40 (2022 - \$0.33) per share.

10. General and administrative expenses

	2023	2022
Salaries and employee benefits and director fees	\$ 317,828	\$ 286,319
Cash flow sharing and Profit sharing	1,142,821	953,633
Professional and consulting fees	8,000	8,000
Share compensation expense – DSUs (Note 9)	31,744	52,386
Unrealized loss (gain) on DSU liability (Note 9)	12,593	(6,923)
Other general expenses	244,073	229,724
	\$ 1,757,059	\$ 1,523,139

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

11. Changes in non-cash working capital

Funds provided by (used in):	2023	2022
Accounts receivable	\$ 122,865	\$ (21,815)
Income taxes payable (recoverable)	193,269	(91,689)
Inventory	317,339	(497,978)
Prepaid expenses	11,703	(13,741)
Accounts payable and accrued liabilities	(87,601)	107,614
	\$ 557,575	\$ (517,609)

12. Economic dependence

During the years ended September 30, 2023 and 2022, 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 51.6% (2022 – 54.8%) and 39.8% (2022 – 37.1%) 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.

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

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

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

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

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 risks 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.

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 2023 or 2022.

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, 2023, 97.6% (September 30, 2022 – 89.9%) of accounts receivable are due from three customers.

At each period-end, the Company assesses if there have been any impairments of accounts receivable. At September 30, 2023 and 2022, 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.

Vitreous Glass Inc.

Notes to the Financial Statements

Stated in Canadian dollars

For the years ended September 30, 2023 and 2022

14) Financial instruments and risk management

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 considers its capital structure to include the following:

	2023	2022
Lease Liability – (Note 7)	\$ 80,088	99,772
Shareholders' Equity	4,153,696	4,257,698
Total capital	\$ 4,233,784	\$ 4,357,470

15. Subsequent event

On October 15, 2023, the Board of Directors declared a cash dividend of \$0.10 per common share which was paid on November 15, 2023 to the shareholders of record on November 1, 2023.