

Vitreous Glass Inc.
Condensed Interim Financial Statements
For the nine month period ended June 30, 2023 and 2022
Stated in Canadian Dollars
(unaudited)

NOTICE OF NO AUDITOR'S REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

Calgary, Canada

August 28, 2023

Vitreous Glass Inc.

Condensed Interim Statements of Financial Position

Stated in Canadian Dollars
(unaudited)

	June 30, 2023 (unaudited)	September 30, 2022 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,943,597	\$ 1,743,961
Accounts receivable	462,831	470,192
Income taxes recoverable	-	91,689
Inventory (Note 3)	648,993	1,019,308
Prepaid expenses	76,697	56,085
Total current assets	\$ 3,132,118	\$ 3,381,235
Non-current assets		
Property, plant and equipment (Note 4)	\$ 1,971,068	\$ 2,033,900
Right of use asset	68,497	79,240
Total assets	\$ 5,171,683	\$ 5,494,375
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 687,626	\$ 823,006
Current portion of lease liability	18,762	18,762
Income taxes payable	63,595	-
Total current liabilities	\$ 769,983	\$ 841,768
Non-current liabilities		
Lease liability	\$ 66,335	\$ 81,010
Deferred share unit liability (Note 5)	48,168	45,463
Deferred income taxes	270,936	268,436
Total non-current liabilities	\$ 385,439	\$ 394,909
Total liabilities	\$ 1,155,422	\$ 1,144,997
Shareholders' Equity		
Share capital (Note 5)	\$ 2,902,082	\$ 2,902,082
Contributed surplus	132,625	132,625
Retained earnings	981,554	1,222,991
Total shareholders' equity	\$ 4,016,261	\$ 4,257,698
Total liabilities and shareholders' equity	\$ 5,171,683	\$ 5,494,375

Subsequent events (Note10)

Approved by the Board of Directors

(signed) "J. Patrick Cashion"
Director

(signed) "Timothy H. Rendell"
Director

Vitreous Glass Inc.

Condensed Interim Statements of Income and Comprehensive Income

Stated in Canadian Dollars

(unaudited)

	Three months ended June 30		Nine months ended June 30	
	2023	2022	2023	2022
Sales	\$ 2,451,323	\$ 2,592,226	\$ 7,852,617	\$ 7,333,390
Cost of sales (Note 3)	1,145,125	1,431,998	3,770,766	3,829,449
Depreciation	38,370	37,556	96,188	101,303
Amortization of right of use asset	3,213	4,357	10,742	12,912
Total cost of sales	\$ 1,186,708	\$ 1,473,911	\$ 3,877,696	\$ 3,943,664
Gross margin	\$ 1,264,615	\$ 1,118,315	\$ 3,974,921	\$ 3,389,726
Expenses				
General and administrative (Note 6)	\$ 454,342	\$ 378,371	\$ 1,316,371	\$ 1,132,670
Stock-based compensation	-	-	2,705	-
Depreciation	3,222	2,214	8,486	6,643
Total expenses	\$ 457,564	\$ 380,585	\$ 1,327,562	\$ 1,139,313
Income				
Income before income taxes	\$ 807,051	\$ 737,730	\$ 2,647,359	\$ 2,250,413
Income taxes				
Income taxes – current	192,043	171,259	624,176	521,227
Income taxes – deferred (recovery)	-	(2,000)	2,500	(6,000)
Total income taxes	\$ 192,043	\$ 169,259	\$ 626,676	\$ 515,227
Net income and comprehensive income	\$ 615,008	\$ 568,471	\$ 2,020,683	\$ 1,735,186
Earnings per share (Note 5)				
Basic	\$ 0.10	\$ 0.09	\$ 0.32	\$ 0.28
Diluted	\$ 0.10	\$ 0.09	\$ 0.31	\$ 0.27

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

Vitreous Glass Inc.

Condensed Interim Statements of Changes in Shareholders' Equity

Stated in Canadian Dollars

(unaudited)

	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	-	-	-	1,735,186	1,735,186
Dividends paid	-	-	-	(1,570,917)	(1,570,917)
Balance – June 30, 2022	6,283,667	2,902,082	132,625	1,289,060	4,323,767
Net income and comprehensive income	-	-	-	436,624	436,624
Dividends paid	-	-	-	(502,693)	(502,693)
Balance – September 30, 2022	6,283,667	2,902,082	132,625	1,222,991	4,257,698
Net income and comprehensive income	-	-	-	2,020,683	2,020,683
Dividends paid	-	-	-	(2,262,120)	(2,262,120)
Balance – June 30, 2023	6,283,667	\$ 2,902,082	\$ 132,625	\$ 981,554	\$ 4,016,261

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

Vitreous Glass Inc.

Condensed Interim Statements of Cash Flows

(Stated in Canadian Dollars)

(unaudited)

	Three months ended June 30		Nine months ended June 30	
	2023	2022	2023	2022
Cash and cash equivalents provided by (used in) the following:				
Operating activities				
Net income	\$ 615,008	\$ 568,471	\$ 2,020,683	\$ 1,735,186
Add (deduct) items not affecting cash				
Depreciation	41,592	39,770	104,674	107,946
Amortization of right of use asset	3,213	4,357	10,743	12,912
Interest expense on right of use asset	1,050	1,459	3,325	4,202
Share based compensation	-	-	2,705	
Deferred income tax (recovery)	-	(2,000)	2,500	(6,000)
Changes in non-cash working capital (Note 7)	(137,789)	69,578	376,968	(402,995)
Net cash provided by operating activities	\$ 523,074	\$ 681,915	\$ 2,521,598	\$ 1,451,251
Financing activities				
Lease payments	(6,000)	(6,000)	(18,000)	(18,000)
Dividends paid (Note 5)	(691,203)	(502,693)	(2,262,120)	(1,570,917)
Net cash used in financing activities	(697,203)	(508,693)	(2,280,120)	(1,588,917)
Investing activities				
Acquisition of property, plant and equipment (Note 4)	(19,523)	(16,477)	(41,842)	(580,420)
Net cash used in investing activities	(19,523)	(22,727)	(41,842)	(580,420)
Cash inflow (outflow)	(193,652)	156,745	199,636	(718,086)
Cash and cash equivalents, beginning of period	2,137,249	1,578,038	1,743,961	2,452,871
Cash and cash equivalents, end of period	\$ 1,943,597	\$ 1,734,785	\$ 1,943,597	\$ 1,734,785
Cash and cash equivalents consists of:				
Cash on deposit with banks	\$ 1,943,597	\$ 1,734,785	\$ 1,943,597	\$ 1,734,785

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

Vitreous Glass Inc.

Notes to the Condensed Interim Financial Statements

(Stated in Canadian Dollars)

(unaudited)

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.

2. Basis of Preparation

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, and have been prepared following the same accounting policies as those used in preparing the most recent annual financial statements. These condensed interim financial statements have been prepared on the historical cost basis, except for financial instruments which are recognized at fair value. These condensed interim financial statements do not include all the disclosures required for the preparation of annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the 2022 audited financial statements.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on August 28, 2023.

Basis of measurement

These financial statements have been prepared on the historical cost, accrual basis of accounting, except for share-based payments. These financial statements are stated in Canadian dollars which is the Company's functional currency and have been prepared on a going concern basis.

The condensed interim financial statements have been prepared on a going concern basis with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

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 periods 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.

There are no new critical accounting estimates and judgments for the three-month and nine-month period ended June 30, 2023 other than those previously disclosed in the annual financial statements for the year ended September 30, 2022.

Significant accounting policies

These condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as the annual financial statements for the year ended September 30, 2022.

Vitreous Glass Inc.

Notes to the Condensed Interim Financial Statements

(Stated in Canadian Dollars)

(unaudited)

3. Inventory

	June 30, 2023	September 30, 2022
Raw material	\$ 203,251	\$ 599,203
Crushed glass	52,779	52,779
Spare parts	392,963	367,326
	\$ 648,993	\$ 1,019,308

Cost of sales	June 30, 2023	June 30, 2022
Cost of raw glass sold	\$ 2,232,269	\$ 2,455,696
Salaries and employee benefits	704,178	662,512
Repairs and maintenance	261,022	222,978
Other facility operating costs	573,297	488,263
	\$ 3,770,766	\$ 3,829,449

Raw glass inventory on hand was written up by 1,007 Short Tons as at March 31, 2023 (2022 – 2,162 Short Tons). Both write ups were made to adjust the book value of raw glass on hand to the actual amounts on hand according to physical measurement processes as at those dates. The total dollar amount of the write-up in the nine months ended June 30, 2023 was \$37,888 (2022 \$100,165) which amounts served to reduce the cost of raw glass sold in the period.

4. Property, plant and equipment

In the nine months ended June 30 2023, the Company spent \$41,842 on additions to the building, plant equipment and office equipment including computer hardware.

In the nine months ended June 30, 2022, the Company spent \$563,943 on additions to plant and equipment to complete a capital project to increase the capacity of storage silos for finished goods awaiting delivery to customers and replace the computer systems, and \$16,477 on new computer hardware.

5. Share capital

a) Authorized

Unlimited number of common shares without nominal or par value

Issued: Common shares:

	Number of Shares	\$
As at September 30, 2022 and June 30, 2023	6,283,667	2,902,082

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.

Vitreous Glass Inc.

Notes to the Condensed Interim Financial Statements

(Stated in Canadian Dollars)

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5. Share capital (continued)

The following is a summary of the changes in the Company's Stock Option Plan during the period:

	Number of options outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life in Months
As at June 30, 2022	200,000	\$3.15	36.5
As at September 30, 2022	200,000	\$3.15	33.5
As at June 30, 2023	200,000	\$3.15	24.5

c) Deferred share units

The Company approved the establishment of a Deferred Share Unit plan effective March 16, 2022. Subsequent to June 30, 2023, the Directors approved the issuance of 5,928 Deferred Share Units to a Director under the terms of the approved DSU plan (Note 10.)

d) Earnings per share

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

	Three months ended June 30		Nine months ended June 30	
	2023	2022	2023	2022
Basic	6,283,667	6,283,667	6,283,667	6,283,667
Diluted	6,483,667	6,483,667	6,483,667	6,483,667

e) Dividends paid

During the nine months ended June 30, 2023, the Company declared and paid dividends of \$2,262,120 (2022 - \$1,570,917) on its common shares being \$0.36 (2022 - \$0.25) per share. During the three months ended June 30, 2023, the Company declared and paid dividends of \$691,203 (2022 - \$502,693) on its common shares being \$0.0.11 (2022 - \$0.08) per share.

6. General and administrative expenses

General and administrative expenses are comprised of:

	Three months ended June 30		Nine months ended June 30	
	2023	2022	2023	2022
Salaries and employees' benefits and director fees	\$ 77,531	\$ 70,743	\$ 232,646	\$ 213,818
Cash flow sharing and profit sharing	290,265	245,194	899,945	744,248
Professional and consulting fees	2,000	2,000	6,000	6,000
Other general expenses	84,546	60,434	177,780	169,604
	\$ 454,342	\$ 378,371	\$ 1,316,371	\$ 1,132,670

Vitreous Glass Inc.

Notes to the Condensed Interim Financial Statements

(Stated in Canadian Dollars)

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7. Changes in non-cash working capital

	Nine months ended June 30	
Funds provided by (used in):	2023	2022
Accounts receivable	\$ 7,361	\$ (298,634)
Inventory	370,315	(255,917)
Prepaid expenses	(20,612)	(34,689)
Accounts payable and accrued liabilities	(135,380)	190,438
Income taxes payable	155,284	(4,193)
	\$ 376,968	\$ (402,995)

8. Economic dependence

During the three and nine months ended June 30, 2023 and 2022, all sales were to three customers in the fiberglass manufacturing industry of which two customers exceeded 10% of total sales. In the three months ended June 30, 2023, sales to each of these two customers represented 52.8% (2022 – 54.1%) and 39.9% (2022 – 36.3%) of total sales. In the nine months ended June 30, 2023, sales to each of these two customers represented 51.8% (2022 – 54.1%) and 39.4 (2022 – 36.3%) of total sales.

9. Financial instruments and risk management

a) Risk management overview

The Company's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Company employs risk management strategies and policies to ensure that any exposure to risk is 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 three and nine month period ended June 30, 2023 or 2022.

Vitreous Glass Inc.

Notes to the Condensed Interim Financial Statements

(Stated in Canadian Dollars)

(unaudited)

9. Financial instruments and risk management (continued)

c) Credit risk

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

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

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

At June 30, 2023, 65.6% (September 30, 2022 – 89.9%; June 30, 2022 – 75.0%) of accounts receivable are due from two customers.

At each period-end, the Company assesses if there have been any impairments of accounts receivable. At June 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.

e) Capital risk management

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

There have been no changes to the Company's capital management during the three and nine-month periods ended June 30, 2023.

10. Subsequent events

On July 14, 2023, the Board of Directors declared a cash dividend of \$0.06 per common share which was paid on August 15, 2023 to the shareholders of record on August 1, 2023.

On August 17, 2023, the Board of Directors approved the granting of 5,928 Deferred Share Units to a Director under the terms of the Deferred Share Unit plan approved by the Board on March 16, 2022.