

**VITREOUS GLASS INC. (“Company”)
INTERIM MANAGEMENT DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2023**

This *Management Discussion and Analysis – Quarterly Highlights* (“Quarterly Highlights”) is dated August 28, 2023.

This Quarterly Highlights has been prepared to provide material updates regarding the business operations, liquidity and capital resources of the Company to its most recent Annual Management Discussion & Analysis (“Annual MD&A”) for the year ended September 30, 2022. This Quarterly Highlights does not provide a general update to the Annual MD&A or reflect any non-material events since December 6, 2022, the date of the Annual MD&A.

This Quarterly Highlights has been prepared in compliance with the requirements of section 2.1.1 of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. This Quarterly Highlights should be read in conjunction with the Annual MD&A, the unaudited condensed interim financial statements of the Company for the three and nine months ended June 30, 2023 and the audited financial statements for the year ended September 30, 2022. The unaudited condensed interim financial statements of the Company for the three and nine months ended June 30, 2023 have been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB). Additional information relevant to the Company’s activities can be found on SEDAR at www.sedar.com.

Advisory Regarding Forward Looking Statements

This Quarterly Highlights contains forward looking statements. Forward looking statements are based upon current expectations and assumptions that involve a number of risks and uncertainties, certain of which are beyond the Company’s control and could cause actual events or results to differ materially from those reflected in the Quarterly Highlights. Forward looking statements are based upon the estimates and opinions of the Company’s management at the time the statements were made.

Readers of this Quarterly Highlights are strongly cautioned that any statements relating to the future business prospects of the Company (and therefore its ability to meet its financial obligations, and potentially continue to pay dividends) are entirely subject to the continuation of satisfactory business conditions. These include, but are not limited to, availability of waste glass for processing, demand for fiberglass building insulation by the consumer, willingness and ability of the Company’s customers to continue to use waste glass as part of their raw material, availability of hauling product to and from the Company’s plant, adequate margins to cover the Company’s costs, and the financial health of the Company’s customers.

In particular, forward looking statements and information include assumptions that (i) there will be continuing market demand for fiberglass insulation; (ii) the Company’s customers will continue to operate their Alberta plants at a level where historical levels of demand for glass are present; and (iii) glass supply and transportation will continue to be available on an economically viable basis. In addition, management has made assumptions about the impacts of the COVID-19 pandemic (and duration thereof) on the operations of the Company. Based on these assumptions, which management believes to be reasonable, management believes that the Company has sufficient cash and available credit facilities to meet its obligations as they fall due, and anticipates no change in the ability to meet such obligations on an ongoing basis.

Particularly in light of the COVID-19 pandemic and resulting economic impacts, the reader is strongly cautioned that historical results are not necessarily indicative of future performance. The forward-looking statements are made as of the date of this Quarterly Highlights 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.

Risk and Uncertainties

Risk is inherent in all business activities and cannot be entirely eliminated. Except for the new risks and uncertainties arising from the COVID-19 pandemic as further discussed below, the risks and uncertainties described in the Annual MD&A for the year ended September 30, 2022 and the unaudited condensed interim financial statements of the Company for the three and nine months ended June 30, 2023 are considered by management to be the most important in the context of the Company's business and are substantially unchanged as of the date of this Quarterly Highlights. Those risks and uncertainties are not inclusive of all the risks and uncertainties the Company may be subjected to and other risks may apply.

Since March 1, 2020 the COVID-19 pandemic has introduced new unprecedented risks and uncertainties throughout the world, and has introduced unpredictable impacts on economic and social activities throughout the world. The full extent of the potential impacts of this pandemic are generally unknown and unknowable.

In the Annual MD&A for the year ended September 30, 2022, the Company noted that the COVID-19 pandemic has not caused any significant impact on financial results for the year ended September 30, 2022 or the prior fiscal year. Likewise, the COVID-19 pandemic has not caused any significant impact on financial results for the three and nine months ended June 30, 2023. The extent of any possible impact on financial results for the coming months and years is not determinable, however management expects that financial performance and financial condition may become less predictable and more volatile including unpredictable variations in earnings and distributable cash arising from operations.

Overview of operations

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.

All production from the Company's Alberta glass plant is sold to two large customers and one smaller one 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. Interruptions in acceptance by the Company of ongoing supply cause operational challenges for the Company's suppliers.

At times the Company's available supply is inadequate to meet customer demand; at other times supply is in excess of customer demand. The Company has limited control over available supplies and makes every effort to take advantage of customer demand to the extent possible. The Company continues to seek additional sources of raw glass.

There are indications in the North American market that there has been 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.

Financial performance and financial condition

In the three months ending 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 ending 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.

In the nine months ending June 30, 2023, the Company earned net income of \$2,020,683 (\$0.32 per share) on sales of \$7,852,617 compared to \$1,735,186 (\$0.28 per share) on sales of \$7,333,390 in the same nine months of the prior year.

The increase of 7.1% (\$519,227) in sales is due to a 10.2% increase in overall average selling price per unit offset by a 2.8% decrease in volume of product sold in the current nine months to June 30, 2023 compared to the same period quarter of the prior year.

Gross margin amount before depreciation in the nine months ending June 30, 2023 increased by 16.5% (\$577,910) compared to the same nine months of the prior year primarily due to a 6.5% decrease in the overall average unit cost of glass sold offset by a 2.8% decrease in the volume of product sold in the current nine months compared to the same nine months of the prior year.

The supply of raw glass in the nine months ended June 30, 2023 decreased by 18.3% compared to the same period 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 nine months ended June 30, 2023 increased by 16.5% (\$285,497) compared to the same nine months of the prior year primarily due to the 16.5% (\$577,910) increase in gross margin amount before depreciation offset by a 16.2% (\$183,701) increase in General & administrative expenses and a 19.8% (\$102,949) 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.

During the nine months ended June 2023, all sales were to three customers in the fiberglass insulation manufacturing industry, of which two customers exceeded 10% of total sales. Sales to those two customers comprised 51.8% and 39.4% respectively of total sales for the nine months ended June 30, 2023 (2022– 54.1% and 36.3% respectively).

As at June 30, 2023, 65.6% (June 30, 2022 – 75.0%) of accounts receivable are due from those two customers.

Liquidity and capital resources

The Company's debt at June 30, 2023 comprised normal trade payables, accrued liabilities, income taxes payable (current and deferred), a long-term lease liability and a deferred share unit liability. 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.

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 equipment (same period of prior year - \$580,420 on

upgrading storage capacity for finished goods). Currently there are no other planned major capital replacements or upgrades.

Any modest plant capital expenditures are generally financed from ongoing cash flows from operations before payment of dividends. The Company also sets aside funds against the possibility of a major capital replacement or upgrade.

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 the business allow after consideration of the additional liquidity risks arising from the COVID-19 pandemic as discussed in the Annual MD&A for the year ended September 30, 2022.

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.

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 June 30, 2023 (\$2,000 for the same period of the prior year) and \$6,000 for the nine months ended June 30, 2023 (\$6,000 for the same period of the prior year). These services are related to plant operations and plant management.