

**VITREOUS GLASS INC.**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2024**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

**Introduction**

This Management Discussion and Analysis (“MD&A”) explains the material changes in Vitreous Glass Inc.’s (“Vitreous” or the “Company”) financial position and financial performance for the fiscal year ended September 30, 2024 (or “FY 2024”) and compares the FY 2024 financial results to the previous year ended September 30, 2023 (or “FY 2023”). This MD&A should be read in conjunction with the audited financial statements of the Company for the year ended September 30, 2024. 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.sedarplus.ca](http://www.sedarplus.ca). Financial results are presented in Canadian dollars unless otherwise noted.

The Board of Directors, on the recommendation of the Audit Committee, approved this MD&A on December 6, 2024.

Vitreous operates a waste glass processing plant located in 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 fiberglass insulation production facilities, all of which are located in Alberta.

**Forward-Looking Statements and Information**

This MD&A contains forward-looking statements and information which are based upon current expectations and assumptions that involve several 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 reported.

Readers of this MD&A are cautioned that any statement relating to the future business prospects of the Company (and therefore its ability to meet its financial obligations and continue to pay dividends to shareholders) are dependent upon the continuation of satisfactory business conditions. These include, but are not limited to, the availability of waste glass for processing, demand for fiberglass building insulation, willingness and ability of the Company's customers to continue to use waste glass as part of their raw material used in their manufacturing process, availability of hauling and transportation of 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 the following key assumptions: (i) there will be continuing market demand for fiberglass insulation which utilizes all of the waste glass processed by the Company; (ii) the Company's customers continue to operate their Alberta plants at a level consistent with historical levels of demand for glass; and (iii) glass supply and transportation will continue to be available on an economically viable basis. Based on these assumptions management believes that the Company has sufficient cash, will continue to generate revenues in excess of costs, has access to securing 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 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 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.

### **Overall Performance**

The Company maintains a dominant position in the glass recycling industry in western Canada having established long-term business relationships with key suppliers and customers. During the second quarter of FY 2024 the Company announced the successful renegotiation and extension of a long-term supply contract with its largest raw material supplier in Alberta. The securing of the rights to all the waste glass available from its largest supplier provides a level of certainty of the Company's ability to meet future demand for its processed waste glass. The Company maintains strong business relationships with its three customers and during FY 2024 demand for our processed glass far exceeded the Company's production output resulting in customers continuing to source additional processed glass from across Canada and the United States of America.

The Company's production facility operated in FY 2024 with minimal interruptions and effectively adjusted production output to align with customer demand schedules. Inventory on hand ranged between one and two months of supply during FY 2024 which is consistent with FY 2023, allowing the Company to minimize storage and handling expenditures.

The Company's current objective is to distribute excess cash to shareholders in the form of special quarterly dividend payments. During FY 2024 the Company generated sufficient cash to allow for payment of dividends totaling \$0.40 per share which is relatively consistent with cumulative dividend payments of \$0.42 made in FY 2023. The Company remains debt free and maintains a level of cash on hand in the event unanticipated or unplanned expenditures arise.

### **Selected Annual Information**

<b>Fiscal year ended September 30</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Total sales	9,656,786	10,190,927	9,622,657
Net income	2,397,741	2,536,721	2,171,810
Net income per share	0.38	0.40	0.35
Diluted net income per share	0.38	0.39	0.33
Total assets	5,123,249	5,412,005	5,494,375
Total non-current financial liabilities	390,821	400,684	394,909
Dividends paid per share	0.40	0.42	0.33

### **Discussion of Operations – FY 2024**

The level of business activity and revenue generated on an annual basis is highly dependent on the availability of raw glass for purchase. During fiscal year 2024, the Company earned net income of \$2,397,741 (\$0.38 per share) on sales of \$9,656,786 compared to \$2,536,721 (\$0.40 per share) on sales of \$10,190,927 in the prior year. The 5.5% decline in net income resulted from a combination of lower sale volumes of processed recycled glass and marginally higher general administrative expenses which was

partially offset by an increase in the average selling price of processed recycled glass. Annual sales decreased by 5.2% (\$534,141) from the preceding fiscal year due to an 8.9% decrease in volume of product sold which was offset by a 4.0% increase in the average product sale price. Lower sales volumes resulted from lower levels of raw materials supply and lower inventory available to process and convert into sales during the year. During FY 2024, inventory was drawn down by 18.0%, while during FY 2023 inventory was drawn down by 42.1% on higher beginning of year inventory level. Reduced volumes of available raw glass in FY 2024 compared to FY 2023 was partly due to the cessation of the supply of raw materials from one supplier in British Columbia during the first quarter of FY 2023.

The Company generated a gross margin of \$4,960,088 (51.4% of revenue) during FY 2024 compared to \$5,071,822 (49.8% of revenue) generated during the prior year. The year over year decrease of \$111,734 (2.2%) of gross margin resulted from marginally higher fixed cost labor and facilities operating costs offset by lower cost of acquiring glass as a higher proportion of glass volumes purchased and sold during FY 2024 were sourced from our lowest cost supplier. As a result, the Company succeeded in maintaining consistent year over year cost of sales per ton sold while benefiting from the 4.0% increase in the average product sale price resulting in a higher gross margin as a percentage of sales.

The Company achieved net income of \$2,397,741 during FY 2024 which is 5.5% (\$138,980) lower compared to FY 2023. FY 2024 results were primarily impacted by lower sales volumes, cost savings resulting in improved gross margins and higher year over year general and administrative expenses.

Lower net income in FY 2024 compared to FY 2023 lead to a slightly lower tax burden (1.6% decrease) for the Company.

### ***Sales***

The Company sells processed glass to three customers all having operational plants in Alberta. Given that customer demand exceeds available supply in the regional market, the Company manages its product sales to best meet the needs of each of the three customers in a fair and equitable manner. The Company adjusts its production output schedule to align the availability of processed glass to the customer's raw materials demand while ensuring a minimum level of unprocessed glass is on hand to address the fluctuations in the movement of product throughout the cycle. Throughout FY 2024 and FY 2023, on average, approximately one month of unprocessed glass inventory was maintained on hand to support the Company's operations.

Sales are highly concentrated with two main fiberglass insulation manufacturing customers, both of which have been conducting operations for many years and have well-established businesses. The Company's two largest customers represented 92.0% of sales during FY 2024 (FY 2023 – 91.4%). As at September 30, 2024, 69.7% (2023 – 55.3%) of accounts receivable are due from those two customers.

### ***Cost of sales***

Cost of sales includes the purchase cost of recycled glass plus shipping, labor to process recycled glass, repairs and maintenance associated with the production operations process and ongoing facility costs. During FY 2024, cost of sales was 46.8% of revenue compared to 49.0% of revenue in FY 2023. The improvement in cost resulted from a lower average purchase cost of recycled glass as the Company sourced a higher proportion of raw product from suppliers with less shipping distance and the corresponding lower cost. In FY 2023, a proportion of recycled glass Vitreous sourced from a supplier in British Columbia which has a significantly higher purchase price given the significant shipping/hauling cost

embedded in the acquisition cost. A 6.5% decrease in average unit cost of raw glass was offset by a 7.3% increase in total of labour costs, repairs & maintenance costs and other facility costs.

### ***Total cost of goods sold***

Total cost of goods sold includes cost of sales, depreciation of capital assets associated with the production operations and amortization expenses associated with the Company leased land where an amount of raw glass inventory is maintained. During FY 2024, cost of goods sold was 48.6% of revenue compared to 50.2% of revenue in FY 2023. A higher depreciation estimate relating to capital spare parts on hand which are critical to ensuring consistent ongoing production operations impacted the margin realized in FY 2024.

### ***General and administrative expenses (“G&A”)***

G&A for the fiscal year ended September 30, 2024 increased by 4.9% (\$84,958) from the preceding fiscal year. As a percentage of revenue, G&A represents 18.7% during FY 2024 compared to 16.9% during FY 2023. As a portion of administrative costs are fixed, including staff salaries which incorporates a cost-of-living adjustment implemented during FY 2024, a 5.2% decrease in top-line revenue corresponded with an increase in costs as a percentage of revenue. In addition, the incentive-based compensation for the Chief Executive Officer (“CEO”) and for the Chief Operating Officer (“COO”) are primarily determined by the gross margin amount before depreciation. A decrease in gross margin during FY 2024 compared to FY 2023 resulted in the incentive-based nature of compensation for the CEO and the COO declining, in total, by 1.0% (\$11,225). Included in G&A is a \$75,000 compensation accrual associated with the retirement of the Chief Financial Officer (“CFO”) during Q4 2024.

### ***Share based compensation***

During FY 2024, share based compensation was \$6,910 compared to \$31,744 expensed during FY 2023. Coinciding with the quarterly dividend payments, an equivalent value of deferred share units was granted in respect to previously issued deferred share units. During FY 2024 and FY 2023, only one participant of the deferred share until plan, an independent director of the Company, had been granted deferred share units.

### ***Income taxes***

As the Company has been highly profitable in the past, the Company is cash taxable and makes routine tax installment payments through the fiscal year.

### ***Cash and Cash equivalents***

On an ongoing basis, the Company accumulates cash on hand and considers an amount which is expected to be paid as dividends to shareholders on a quarterly basis. A certain amount of excess funds are routinely invested in short-term, low risk, guaranteed investment certificates earning interest at approximately 3-5% per annum.

### ***Accounts receivable***

Accounts receivable at September 30, 2024 were consistent with sales in the period leading up to the end of the fiscal year and are all current for aging purposes. All accounts receivable as at September 30, 2024 have been fully collected subsequent to year end.

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

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, 2024 comprises raw glass on hand, a modest amount of finished, processed crushed glass, and spare parts which are necessary to ensure timely repairs to equipment thereby minimizing the risk of interruptions in production due to breakdowns.

The total carrying value of inventory as at September 30, 2024 decreased by \$33,032 (4.7%) to \$668,937 from \$701,969 as at the end of the prior year, primarily due to a \$47,492 decrease in the carrying value of raw glass inventory as the Company had 18.0% less volume in stock. The cost per ton of raw glass in inventory at September 30, 2024 was consistent (a slight decrease of 0.3%) with inventory that existed on hand at September 30, 2023.

The value of finished product on hand at September 30, 2024 increased by \$8,420 compared to September 30, 2023. The volume of crushed glass on hand is minimal as customers can use this glass immediately when it becomes available.

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

During FY 2024, additions to property, plant and equipment totaled \$164,852 compared to \$87,182 spent during FY 2023. Additions during FY2024 comprised (i) \$96,364 relating to the existing building adding a new fabrication shop, upgrading roofing and upgrading cladding, (2) \$5,888 for computer hardware to support operations and administration, and (3) \$62,600 for a forklift which replaced an aging forklift.

Additions in the prior 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.

### **Outlook**

The Company plans to continue to manage its waste glass processing operation cautiously, and consistent with past practices. As customer demand for processed crushed glass far exceeds the current sources of glass supply available to the Company, management continuously explores opportunities to source additional quantities of recycled glass from various locations throughout Western Canada and northwest United States. The Company plans to maintain a strong balance sheet, continue to accumulate cash and determine an appropriate dividend, if any, to pay to shareholders on a quarterly basis and focus on ensuring operations and administration are operating safely and cost effectively.

## **Summary of Quarterly Results**

<b>Quarter ended - FY 2024</b>	<b>30-Sep</b>	<b>30-Jun</b>	<b>31-Mar</b>	<b>31-Dec</b>
Total sales	2,385,745	2,488,563	2,440,540	2,341,938
Net income	524,806	658,515	647,127	567,293
Net income per share	0.09	0.10	0.10	0.09
Diluted per share	0.09	0.10	0.10	0.09

<b>Quarter ended - FY 2023</b>	<b>30-Sep</b>	<b>30-Jun</b>	<b>31-Mar</b>	<b>31-Dec</b>
Total sales	2,338,310	2,451,323	2,488,615	2,912,679
Net income	516,038	615,008	674,839	730,836
Net income per share	0.08	0.10	0.11	0.11
Diluted per share	0.08	0.10	0.10	0.11

## **Discussion of Operations – Q4 2024**

Quarterly results vary depending upon a number of demand and supply factors which are beyond the control of the Company including fluctuations in timing and quantity of customer weekly and monthly crushed glass requirements. Suppliers of recycled glass and customers who purchase processed crushed glass remained relatively consistent during Q4 2024 when compared to Q4 2023.

Sales for the three months ended September 30, 2024 were 2.0% (\$47,435) higher compared to the same three months of the preceding fiscal year due to a 2.9% increase in the average product selling price per ton offset by a 0.8% decrease in volume of product sold.

During Q4 2024 and Q4 2023, all sales were to three customers in the fiberglass insulation manufacturing industry, of which two customers exceeded 40% of total sales. Sales to these two customers comprised 92.2% of total sales during Q4 2024 and 91.9% during Q4 2023.

Cost of sales as a percentage of sales revenue during Q4 2024 decreased by 9.2% to 46.0% from 52.2% achieved during Q4 2023. During Q4 2024 the cost of glass raw material purchased was 4.1% lower as a greater proportion of less expensive glass was able to be purchased from our main recycled glass supplier. In addition, less repair and maintenance work were undertaken at our facility in Airdrie during Q4 2024 compared to Q4 2023. As a result, the Company achieved a gross margin during Q4 2024 of \$1,287,848 or 54.0% of revenue compared to \$1,118,784 or 47.8% during Q4 2023.

General and administrative expenses for the three months ended September 30, 2024 increased by 24.6% (\$100,439) from the same period of the preceding fiscal year. The increase is primarily due to the higher gross margins achieved during Q4 2024 which led to a 7.7% (18,600) increase incentive-based nature of compensation for the CEO and COO and a one-time retirement expense for the CFO who departed during the quarter.

In the three months ended September 30, 2024, the Company spent \$12,581 on additions to property, plant and equipment compared to \$45,340 in the same period of the prior fiscal year.

## **Liquidity and Capital Resources**

The Company has developed a history of profitable operations, generates sufficient cash flow to meet all existing obligations, had a working capital ratio of 4.3:1 at September 30, 2024 (2023 – 3.9:1) and had no outstanding long-term debt at year end. During FY 2024, the Company increased the certainty of accessing raw material recycled glass with the execution of a long-term supply agreement with its main supplier. The supply agreement covers all recycled glass collected in Alberta and is a source of low-cost raw materials. The Company's current liabilities at September 30, 2024 totaled \$712,821 (2023 – \$857,625) comprised normal trade payables and accrued liabilities, the current portion of a capitalized lease liability, and current income taxes payable.

The Company follows a practice of accumulating excess cash generated by operations in order to pay, if deemed appropriate by the Board of Directors, a dividend on a quarterly basis, although these are considered special dividends. In addition, the Company has established a cash reserve in the amount of approximately \$450,000 to fund capital additions or significant maintenance that may arise on short notice. In addition, the Company also maintains a cash reserve equivalent to approximately one month's sales of the two major customers in order to provide liquidity in the event of any unexpected adverse change in business conditions. As at September 30, 2024, the cash and cash equivalents totaled \$1,884,450 (2023 - \$2,264,872).

On October 15, 2024 the Directors approved the payment of a dividend on November 15, 2024 in the amount of \$0.03 for a total cash distribution of \$190,083. Management estimates that, after payment of the November 15, 2024 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.

### ***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.

The Company has paid cash dividends on its Common Shares as follows:

#### **Summary of Quarterly Dividend Payments**

<b>Dividend per share</b>	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2022</b>
Q1	0.10	0.06	0.08
Q2	0.10	0.19	0.09
Q3	0.10	0.11	0.08
Q4	0.10	0.06	0.08
	<b>0.40</b>	<b>0.42</b>	<b>0.33</b>

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.

### ***Financial instruments***

At September 30, 2024 the Company held no forward exchange contracts.

### ***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.

### ***Off-Balance Sheet Arrangements***

As a general practice, the Company does not enter into off-balance sheet financing arrangements. Except for operating leases and letters of credit, all commitments are reflected on the balance sheet.

### ***Share capital***

There have been no material changes to the Company’s outstanding shares from September 30, 2024 to the date of this MD&A. As at September 30, 2024 and the date of this MD&A, there were 6,336,087 common shares outstanding (6,310,042 at September 30, 2023).

#### *Outstanding share data*

	<b>2024</b>	2023
Number of Common Shares outstanding, beginning of the year	<b>6,310,042</b>	6,283,667
Issued during the year	<b>26,045</b>	26,375
Number of Common Shares outstanding, end of the year	<b>6,336,087</b>	6,310,042

#### *Share Based Compensation - Stock Options*

Effective November 12, 2018, the Board of Directors granted a director of the Company options 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 expired as of November 11, 2023.

Effective March 25, 2020, the Board of Directors granted an executive officer of the Company options to acquire 100,000 Common Shares at an option price of \$2.75 per share expiring on March 24, 2025. In June 2023, the executive officer exercised options for 50,000 Common Shares by way of cashless exercise that resulted in the issuance of 26,375 Common Shares at a value of \$13,555 and the cancellation by the Company of options for 23,625 shares. In January 2024, the executive officer exercised the remaining outstanding options for 50,000 Common Shares by way of cashless exercise that resulted in the issuance of 26,045 Common Shares at a value of \$13,552 and the cancellation by the Company of options for 23,955 shares.

As at September 30, 2024 and the date of this MD&A there were no stock options issued and outstanding (150,000 at September 30, 2023).

*Issued and outstanding stock option data*

	2024		2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the year	150,000	\$ 3.28	200,000	\$3.15
Expired	(100,000)	\$3.54	-	-
Cashless exercised	(50,000)	\$ 2.75	(50,000)	\$2.75
Outstanding, end of the year	-	-	150,000	\$ 3.28
Exercisable, end of the year	-	-	150,000	\$ 3.28

*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 the Company, upon approval by the Directors, to grant DSU’s to eligible directors and employees of the Company. Upon granting DSU’s, the Company records as share-based compensation expense the number of units granted multiplied by the 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 3-day weighted average closing market value of Company’s common shares prior to the date dividends are paid.

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.

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

During the year ended September 30, 2024 the Directors approved the granting of 1,304 DSU’s (2023 – 6,088). An amount of \$6,910 (2023 - \$31,744) was recorded as Share Based Compensation on the dates of granting, and a deferred share unit liability was recorded in the same amount. This total deferred share unit liability was increased to \$94,605 at September 30, 2024 (2023 - \$89,800) which includes the value of the grants issued in during FY 2024 and the market value of the grant as determined at the end of the reporting period.

Subsequent to September 30, 2024, the Directors approved a grant of 15,000 DSUs to a Director of the Company in consideration for the provision of advisory services.

*Issued deferred share unit (“DSU”) data*

	<b>2024</b>	2023
Number of DSUs outstanding, beginning of the year	<b>16,785</b>	10,697
Number of DSUs granted	<b>1,304</b>	6,088
Number of DSUs outstanding, end of the year	<b>18,089</b>	16,785

**Related Party Transactions**

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 have been determined to be related parties to the Company during FY 2024 and FY 2023. All transactions with related parties are made at prevailing market rates.

During FY 2024 the Company obtained plant operations and plant management consulting services from a director of the Company in an amount totaling \$8,000 (2023 - \$8,000). These amounts are included in the table compensation table that follows.

*Compensation to key management personnel*

	<b>2024</b>	2023
Salaries, consulting fees and profit sharing	<b>1,612,766</b>	1,506,001
Share based compensation	<b>6,910</b>	31,744
Director fees	<b>40,000</b>	40,000
	<b>1,659,676</b>	1,577,745

**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.

**General risks and uncertainties**

Risk is inherent in all business activities and cannot be eliminated. The risks and uncertainties discussed in “Business Risks” below 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 to which the Company may be subjected, and other risks may apply.

## **Business risks**

All production from the Company's Alberta waste glass processing plant is sold to three customers in the fiberglass insulation manufacturing industry in Alberta, an industry which is heavily dependent on housing starts in Western Canada and the Northwest United States.

Waste glass inventory is maintained at levels that are dictated by available supply and customer demand. The Company operations are subject to unpredictable variations in demand for its processed waste glass product and 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 waste glass processed 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 needs.

On the supply side, the Company generally is obligated to accept raw glass as it becomes available from one major supplier and two other suppliers of modest scale, all three of which involve a different costing methodology, 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 'Forward looking statements and information' section, 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 raw glass supply available to the Company in any period 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.

The North American market has experienced a trend of decline in the market share of glass containers versus non-glass (e.g. plastic (PET (polyethylene terephthalate) and aluminum) beverage containers. There is a risk that the volume of glass beverage containers sold may decline in the future which would result in a decline in the available supply of raw glass. Furthermore, the return of recyclable glass beverage containers to recycling 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.