

Vitreous Glass Inc.
Condensed Interim Financial Statements
For the three and nine months ended June 30, 2024 and 2023
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 26, 2024

Vitreous Glass Inc.

Condensed Interim Statements of Financial Position

Stated in Canadian Dollars
(unaudited)

	As at June 30, 2024 (unaudited)	As at September 30, 2023 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	1,973,158	2,264,872
Accounts receivable	482,584	347,327
Inventory (Note 3)	623,830	701,969
Prepaid expenses	77,896	44,382
Total current assets	3,157,468	3,358,550
Non-current assets		
Property, plant and equipment	2,047,063	1,991,246
Right of use asset	49,436	62,209
Total assets	5,253,967	5,412,005
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	654,074	735,405
Current portion of lease liability	20,640	20,640
Income taxes payable	60,414	101,580
Total current liabilities	735,128	857,625
Non-current liabilities		
Lease liability	44,060	59,448
Deferred share unit liability (Note 4)	94,934	89,800
Deferred income taxes	251,436	251,436
Total non-current liabilities	390,430	400,684
Total liabilities	1,125,558	1,258,309
Shareholders' equity		
Share capital (Note 4)	2,929,186	2,915,634
Contributed surplus	105,521	119,073
Retained earnings	1,093,702	1,118,989
Total shareholders' equity	4,128,409	4,153,696
Total liabilities and shareholders' equity	5,253,967	5,412,005

Subsequent events (Note 9)

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	
	2024	2023	2024	2023
Sales	2,488,563	2,451,323	7,271,041	7,852,617
Cost of sales (Note 3)	1,134,734	1,145,125	3,422,985	3,770,766
Depreciation	30,071	38,370	90,214	96,188
Amortization of right of use asset	4,258	3,213	12,773	10,742
Total cost of sales	1,169,063	1,186,708	3,525,972	3,877,696
Gross margin	1,319,500	1,264,615	3,745,069	3,974,921
Expenses				
General and administrative (Note 5)	454,044	454,342	1,300,891	1,316,371
Stock-based compensation	1,743	-	5,134	2,705
Depreciation	2,080	3,222	6,239	8,486
Total expenses	457,867	457,564	1,312,264	1,327,562
Income from operations	861,633	807,051	2,432,805	2,647,359
Gain on disposal of property, plant and equipment	-	-	12,500	-
Income before income taxes	861,633	807,051	2,445,305	2,647,359
Income taxes				
Income taxes – current	203,118	192,043	572,370	624,176
Income taxes – deferred (recovery)	-	-	-	2,500
Total income taxes	203,118	192,043	572,370	626,676
Net income and comprehensive income	658,515	615,008	1,872,935	2,020,683
Earnings per share (Note 4)				
Basic	0.10	0.10	0.30	0.32
Diluted	0.10	0.10	0.30	0.31

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)

(Canadian Dollars, except number of common shares)	Number of Common Shares	Share capital	Contributed surplus	Retained earnings	Total shareholders' equity
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 during period	-	-	-	(2,262,120)	(2,262,120)
Balance – June 30, 2023	6,283,667	2,902,082	132,625	981,554	4,016,261
Balance – September 30, 2023	6,310,042	2,915,634	119,073	1,118,989	4,153,696
Net income and comprehensive income	-	-	-	1,872,935	1,872,935
Options exercised in the period	26,045	13,552	-	-	13,552
Options cancelled in the period	-	-	(13,552)	-	(13,552)
Dividends paid during period	-	-	-	(1,898,222)	(1,898,222)
Balance – June 30, 2024	6,336,087	2,929,186	105,521	(1,093,702)	4,128,409

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	
	2024	2023	2024	2023
Cash flows from operating activities				
Net income	658,515	615,008	1,872,935	2,020,683
Adjustments for:				
Depreciation	32,151	41,592	96,453	104,674
Amortization of right of use asset	4,258	3,213	12,773	10,743
Interest expense on right of use asset	810	1,050	2,612	3,325
Share based compensation	1,743	-	5,134	2,705
Deferred income tax expense	-	-	-	2,500
Gain on disposal of property, plant and equipment	-	-	(12,500)	-
Changes in non-cash working capital (Note 6)	119,200	(137,789)	(213,129)	376,968
Net cash provided by operating activities	816,677	523,074	1,764,278	2,521,598
Cash flows from financing activities				
Lease payments	(6,000)	(6,000)	(18,000)	(18,000)
Dividends paid (Note 4)	(633,609)	(691,203)	(1,898,222)	(2,262,120)
Net cash used in financing activities	(639,609)	(697,203)	(1,916,222)	(2,280,120)
Cash flows from investing activities				
Property, plant and equipment	-	(19,523)	(139,770)	(41,842)
Net cash used in investing activities	-	(19,523)	(139,770)	(41,842)
Change in cash and cash equivalents	177,068	(193,652)	(291,714)	199,636
Cash and cash equivalents, beginning of period	1,796,090	2,137,249	2,264,872	1,743,961
Cash and cash equivalents, end of period	1,973,158	1,943,597	1,973,158	1,943,597
Cash and cash equivalents consists of:				
Cash on deposit with banks	1,973,158	1,943,597	1,973,158	1,943,597

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 2023 audited financial statements.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on August 26, 2024.

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.

These 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 and nine months ended June 30, 2024 other than those previously disclosed in the annual financial statements for the year ended September 30, 2023.

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, 2023.

Vitreous Glass Inc.

Notes to the Condensed Interim Financial Statements

(Stated in Canadian Dollars)

(unaudited)

3. Inventory

	As at June 30, 2024	As at September 30, 2023
Raw material	148,215	267,211
Crushed glass	31,725	31,724
Spare parts	443,890	403,034
	623,830	701,969

	Three months ended June 30,		Nine months ended June 30	
	2024	2023	2024	2023
Cost of sales				
Cost of raw glass sold	625,382	631,144	1,841,238	2,232,269
Salaries and employee benefits	251,751	228,727	766,185	704,178
Repairs and maintenance	97,136	92,690	296,256	261,022
Other facility operating costs	160,465	192,564	519,306	573,297
	1,134,734	1,145,125	3,422,985	3,770,766

Raw glass inventory on hand was not adjusted as at June 30, 2024 (June 30, 2023 – written up by 1,007 Short Tons). The write up in 2023 was made to adjust the book value of raw glass on hand to the actual amount on hand according to physical measurement processes as the reporting dates. The total dollar amount of the write-up in 2023 was \$37,888 which served to reduce the cost of raw glass sold during the period.

4. Share capital

a) Authorized

Unlimited number of common shares without nominal or par value

Issued: Common shares:

	Number of Shares	\$
As at September 30, 2023	6,310,042	2,915,634
Issued upon exercise of share options during the period	26,045	13,552
As at June 30, 2024	6,336,087	2,929,186

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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4. 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 September 30, 2023	50,000	2.75	18.0
Exercised/cancelled during the period	(50,000)	(2.75)	-
As at June 30, 2024	-	-	-

Effective January 19, 2024, 50,000 options were exercised by a cashless exercise that resulted in the issuance of 26,045 Common Shares at an assigned value of \$13,552 and the cancellation of 23,955 options by the Company.

c) Deferred share units

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.

<i>(number of units)</i>	For the nine months ended June 30, 2024	For the twelve months ended September 30, 2023
Number of DSUs outstanding, beginning of period	16,785	10,697
Number of DSUs granted during the period	970	6,088
Number of DSUs outstanding, end of period	17,755	16,785

d) Earnings per share

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

<i>(number of shares)</i>	Three months ended June 30		Nine months ended June 30	
	2024	2023	2024	2023
Basic	6,336,087	6,283,667	6,319,757	6,283,667
Diluted	6,336,087	6,483,667	6,319,757	6,483,667

e) Dividends paid

During the three months ended June 30, 2024, the Company declared and paid dividends of \$633,609 (2023 - \$691,203) on its common shares being \$0.10 (2023 - \$0.11) per share. During the nine months ended June 30, 2024, the Company declared and paid dividends of \$1,898,222 (2023 - \$2,262,120) on its common shares being \$0.30 (2023 - \$0.36) per share.

Vitreous Glass Inc.

Notes to the Condensed Interim Financial Statements

(Stated in Canadian Dollars)

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5. General and administrative expenses

General and administrative expenses are comprised of:

	Three months ended June 30		Nine months ended June 30	
	2024	2023	2024	2023
Salaries and employees' benefits and director fees	73,884	77,531	224,991	232,646
Cash flow sharing and profit sharing	308,218	290,265	870,121	899,945
Professional and consulting fees	2,000	2,000	6,000	6,000
Other general expenses	69,942	84,546	199,778	177,780
	454,044	454,342	1,300,890	1,316,371

6. Changes in non-cash working capital

	Three months ended June 30		Nine months ended June 30	
	2024	2023	2024	2023
Funds provided by (used in):				
Accounts receivable	26,585	(77,131)	(135,257)	7,361
Inventory	(48,447)	(34,856)	78,139	370,315
Prepaid expenses	5,992	4,395	(33,514)	(20,612)
Accounts payable and accrued liabilities	133,418	8,652	(81,331)	(135,380)
Income taxes payable	1,652	(38,849)	(41,166)	155,284
	119,200	(137,789)	(213,129)	376,968

7. Economic dependence

During the three and nine months ended June 30, 2024 and 2023, 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, 2024, sales to each of these two customers represented 52.9% (2023 – 52.6%) and 38.6% (2023 – 40.2%) of total sales, respectively.

In the nine months ended June 30, 2024, sales to each of these two customers represented 52.3% (2023 – 51.6%) and 39.6% (2022 – 39.8%) of total sales.

Vitreous Glass Inc.

Notes to the Condensed Interim Financial Statements

(Stated in Canadian Dollars)

(unaudited)

8. 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 months ended June 30, 2024 or 2023.

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, 2024, 64.0 % (September 30, 2023 – 97.6%; June 30, 2023 – 65.6%) of accounts receivable are due from two customers.

At each reporting date, the Company assesses if there have been any impairments of accounts receivable. At June 30, 2024 and 2023, 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.

Vitreous Glass Inc.

Notes to the Condensed Interim Financial Statements

(Stated in Canadian Dollars)

(unaudited)

8. Financial instruments and risk management (continued)

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 months ended June 30, 2024.

9. Subsequent events

On July 16, 2024, the Board of Directors declared a cash dividend of \$0.10 per common share which was paid on August 15, 2024 to the shareholders of record on August 1, 2024.

On August 19, 2024, the Board of Directors approved the granting of 334 Deferred Share Units to a Director under the terms of the Deferred Share Unit plan approved by the Board on March 16, 2022.