

VITREOUS GLASS INC.
TWELVE MONTHS ENDED SEPTEMBER 30, 2025
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, 2025 (or “FY 2025”) and compares the FY 2025 financial results to the previous year ended September 30, 2024 (or “FY 2024”). This MD&A should be read in conjunction with the audited financial statements of the Company for the year ended September 30, 2025. 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. 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 9, 2025.

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 strong position in the glass recycling industry in western Canada having established long-term business relationships with key suppliers and customers. The extension of a long-term supply contract with its largest raw material supplier in Alberta during fiscal year 2024 provides a level of certainty of the Company's ability to meet future demand for its processed waste glass beyond fiscal year 2025. 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 2025 demand for our processed glass 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 2025 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 2025 which is consistent with FY 2024, 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 2025, the Company generated sufficient cash to allow for payment of dividends totaling \$0.35 per share which compares to cumulative dividend payments of \$0.40 made in FY 2024. Subsequent to September 30, 2025, the Board of Directors declared a cash dividend of \$0.13 per common share which was paid on November 14, 2025 to the shareholders of record on October 31, 2025. The Company remains debt free and maintains a level of cash on hand in the event unanticipated or unplanned expenditures arise.

Selected Annual Information

Fiscal year ended September 30	2025	2024	2023
Total sales	14,073,011	9,656,786	10,190,927
Net income	3,143,990	2,397,741	2,536,721
<i>Net income per share</i>	0.50	0.38	0.40
<i>Diluted net income per share</i>	0.50	0.38	0.39
Dividends paid	2,217,630	2,531,830	2,640,723
<i>Dividends paid per share</i>	0.35	0.40	0.42
Capital expenditures	234,964	152,353	87,182

Financial position at September 30	2025	2024	2023
Cash and cash equivalents	2,887,705	1,884,450	2,264,872
<i>Invested in short-term GIC's</i>	1,850,000	750,000	1,025,496
Total assets	6,664,707	5,123,249	5,412,005
Shareholders' equity	4,998,982	4,019,607	4,153,696
Number of common shares outstanding	6,336,087	6,336,087	6,310,042

Discussion of Operations – FY 2025

The level of business activity and revenue generated on an annual basis is highly dependent on the availability of raw glass for purchase and subsequent use in the Company's Alberta based processing operation. During fiscal year 2025, the Company earned net income of \$3,143,990 (\$0.50 per share) on sales of \$14,073,011 compared to \$2,397,741 (\$0.38 per share) on sales of \$9,656,786 in the prior year. The 31.1% increase in net income is directly related to the Company securing a tolling arrangement during the first quarter of fiscal year 2025. Commencing in December 2024, one of the Company's major customers requested Vitreous toll process glass not normally available to it at both a cost and a sales price per ton higher than all other Company processed waste glass. This temporary, uncommitted arrangement with the customer has revenue and raw materials input costing which are both higher than Vitreous' historical revenue and cost structure. Approximately 22.6% of 2025 annual sales volumes, including 23.0% of Q4 2025 sales volumes, were generated utilizing these higher priced materials inputs. These additional volumes were not available during fiscal year 2024. The Company was able to adjust operations to meet the significant amount of additional tolling volumes while incurring only marginal increases in plant operating costs and overhead expenditures.

The Company generated a gross margin of \$6,344,370 (45.1% of revenue) during FY 2025 compared to \$4,960,088 (51.4% of revenue) generated during the prior year. The year over year increase of \$1,384,283 (27.9%) resulted primarily from the additional glass supply and related sales of toll processed glass. While leading to increased revenue and profits, the higher priced glass volumes purchased on an uncommitted, toll process basis contributes lower margins compared to the non-tolling activities. 2025 sales and gross margins were marginally impacted by the temporary shut down of one of our customer's production facilities for several weeks to allow for routine plant maintenance and other planned short-duration downtimes that occurred throughout the year.

Sales

Weekly and monthly sales vary depending upon several demand and supply factors which are beyond the control of the Company including fluctuations in timing and quantity of our customer's weekly and monthly crushed glass requirements. 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 2025 and FY 2024, on average, approximately one to two months of unprocessed glass inventory was maintained on hand to support the Company's operations.

On a limited-duration basis, access to additional customer sourced glass, which commenced in December 2024, has altered crushed glass sales distribution among the Company customers in 2025. This temporary

short-term customer sourced supply is expected to approximately double the sales volumes to that customer during calendar year 2025.

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 92.6% of sales during FY 2025 (FY 2024 – 92.0%). As at September 30, 2025, 73.3% (2024 – 69.7%) of accounts receivable are due from those two customers.

Cost of sales

Cost of sales includes the purchase cost of waste glass plus shipping, labor to process waste glass, repairs and maintenance associated with the production operations process and ongoing waste glass processing plant operating costs including insurance, utilities and waste disposal. During FY 2025, cost of sales increased to 53.9% of revenue compared to 46.8% of revenue in FY 2024. The temporary, short-term additional supply of glass sourced by a customer under a tolling arrangement commencing Q1 2025 has a higher average purchase cost of recycled glass associated with longer delivery distances and the correspondingly higher transportation and shipping cost.

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 varying levels of raw glass inventory was maintained prior to the end of the second quarter of fiscal year 2025 when the land lease was terminated. During FY 2025, cost of goods sold was 54.9% of revenue compared to 48.6% of revenue in FY 2024. While the cost of sales was higher in 2025 compared to 2024, depreciation and amortization were generally consistent during these comparative periods.

General and administrative expenses (“G&A”)

G&A for the fiscal year ended September 30, 2025 increased by 17.8% (\$322,058) from the preceding fiscal year. As a percentage of revenue, G&A decreased to 15.2% during FY 2025 compared to 18.7% during FY 2024. The Company was able to minimize additional fixed administrative expenses to support the increased business activity stemming from tolling activities that commenced during Q1 2025. As a portion of administrative costs are fixed, including staff salaries which incorporates a cost-of-living adjustment implemented during FY 2025. In addition, the incentive-based compensation for the Chief Executive Officer (“CEO”) and the Chief Operating Officer (“COO”) are primarily determined by gross margin before depreciation which increased in FY 2025 compared to FY 2024.

Share-based compensation

During FY 2025, 17,140 Deferred Share Units (“DSUs”) (FY 2024 – 1,304 DSUs) were granted to a director in consideration for the provision of advisory services (15,000 DSUs) and, coinciding with the quarterly dividend payments, an equivalent value of deferred share units (2,140 DSUs) in respect to previously issued DSUs. Share-based compensation expense of \$88,354 (2024 - \$6,910) was recorded during FY 2025.

During Q1 2025, the Board of Directors approved the granting of 99,999 share options with an estimated fair value of \$89,304 and vesting over a two-year period. During FY 2025, \$53,015 (FY 2024- \$nil) was recorded as share-based compensation associated with this option grant.

Income taxes

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

Gain on disposal of property, plant and equipment

During Q2 2025, the Company terminated a land lease which had been used to store excess raw glass materials at a site located near the Company's Airdrie based waste glass processing plant. The Company and the landlord mutually agreed to cancel the lease prior to the originally agreed contract term end date. Upon termination, the right of use asset and lease liability were extinguished, with the difference of \$8,285 being recognized as a gain on disposal in the income statement. Prior to the termination date, all raw glass was relocated to storage site located at the Airdrie processing plant.

Cash and cash equivalents

On a continual basis, the Company generates positive cash flow, accumulates cash on hand and, on a quarterly basis, considers an amount, if any, which can be paid as dividends to shareholders. A certain amount of excess funds is routinely invested in short-term, low risk, guaranteed investment certificates ("GIC") earning interest at approximately 2.75%-2.95% per annum. At September 30, 2025, \$1,850,000 was invested in GIC's earning interest income, an increase of \$1,100,000 compared to September 30, 2024. The increase in GIC's investment supports the additional working capital requirements associated with the temporary supply of raw glass in 2025.

Accounts receivable

Accounts receivable at September 30, 2025 are all current for aging purposes. All accounts receivable as at September 30, 2025 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. 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, 2025 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, 2025 increase by \$61,677 (9.2%) to \$730,614 from \$668,937 as at the end of the prior year, primarily due to a 17.6% increase in the carrying value of spare parts inventory, slightly offset by a 5.3% decline in the value of raw glass on hand. The cost per ton of raw glass in inventory at September 30, 2025 was consistent (a slight increase of 0.5%) with inventory that existed on hand at September 30, 2024. The volume of raw glass on hand is minimal, averaging approximately three to six weeks of expected sales volumes. Customers regularly consume crushed glass immediately when it becomes available.

Property, plant and equipment

During FY 2025, additions to property, plant and equipment totaled \$234,964 compared to \$164,852 spent during FY 2024. Additions during FY2025 comprised (i) \$184,000 relating to the purchase of raw land to store raw glass, (ii) \$40,245 for building refurbishments and (iii) \$10,719 for a streamer (pressure washer) replacement.

During Q2 2025, the Company entered into an agreement to purchase 2 acres of land located approximately 35km distance from the Company's Airdrie facility. The purchase and sale agreement is expected to close prior to December 31, 2025. Improvements to the new glass storage location will take place in FY 2026 and will be used to store excess raw glass that is unable to be stored at its facility in Airdrie.

Additions during FY2024 comprised (i) \$96,364 relating to the existing building adding a new fabrication shop, upgrading roofing and upgrading cladding, (ii) \$5,888 for computer hardware to support operations and administration, and (iii) \$62,600 for a forklift which replaced an aging forklift.

Outlook

The Company plans to continue to manage its waste glass processing operation cautiously, and in line with historical business practices. For the remainder of calendar year 2025 and for all calendar year 2026, the Company anticipates sales and associated cost of sales to be higher than normal as a main customer has secured access to a source of raw glass supply which is being delivered to our facility for processing. There is no certainty of a guaranteed term of this new limited supply as there is no contractual arrangement in place but the Company does not foresee any change to the supply prior to the end of calendar year 2026. The Company plans to maintain a strong balance sheet, continue to generate positive cash flow 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

Quarter ended - FY 2025	30-Sep	30-Jun	31-Mar	31-Dec
Total sales	3,953,954	3,727,895	3,932,091	2,459,071
Net income	1,025,563	842,282	870,772	405,373
Net income per share	0.17	0.13	0.14	0.06
Diluted per share	0.17	0.13	0.14	0.06

Quarter ended - FY 2024	30-Sep	30-Jun	31-Mar	31-Dec
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

Discussion of Operations – Q4 2025

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 2025 when compared to Q4 2024.

Sales for the three months ended September 30, 2025 were 65.7% (\$1,560,209) higher compared to the same three months of the preceding fiscal year due to a tolling activity that was ongoing. Excluding tolling, sale volumes increased by 8.1% and the average product selling price per ton increased by a 5.9%.

During Q4 2025 and Q4 2024, all sales were to three customers in the fiberglass insulation manufacturing industry, of which two customers each exceeded 35% of total sales. Sales to these two customers comprised 91.7% of total sales during Q4 2025 and 92.2% during Q4 2024.

Cost of sales as a percentage of sales revenue during Q4 2025 increased to 51.7% from 46.0% achieved during Q4 2024. During Q4 2024, the cost of glass raw material purchased for tolling activities remains higher than the non-tolling glass cost thus increasing the average costs of sales. As a result, the Company achieved a gross margin during Q4 2025 of \$1,876,233 or 47.5% of revenue compared to \$1,287,848 or 54.0% during Q4 2024.

General and administrative expenses for the three months ended September 30, 2025 increased by 14.6% (\$74,656) from the same period of the preceding fiscal year. The increase is primarily due to the higher gross margins achieved during Q4 2025 which led to a 69.8% (\$182,428) increase incentive-based nature of compensation for the CEO and COO during the fourth quarter of 2025.

In the three months ended September 30, 2025, the Company spent \$184,000 on additions to property, plant and equipment compared to \$12,583 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 3.6:1 at September 30, 2025 (2024 – 4.3:1) 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, 2025 totaled \$1,286,000 (2024 – \$712,821) comprised normal trade payables and accrued liabilities, and current income taxes payable.

The Company follows a practice of accumulating excess cash generated by operations 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 maintains a cash reserve of \$450,000 to fund capital additions or significant maintenance that may arise on short notice and possible future working capital requirements. The Company also maintains a cash reserve equivalent to approximately one month’s sales of the two major customers to provide liquidity in the event of any unexpected adverse change in business conditions. As at September 30, 2025, the cash and cash equivalents totaled \$2,887,705 (September 30, 2024 - \$1,884,450) of which \$1,850,000 (September 30, 2024 - \$750,000) is invested in short-term GICs.

On October 15, 2025, the Directors approved the payment of a dividend on November 14, 2025 in the amount of \$0.13 for a total cash distribution of \$823,691. Management estimates that, after payment of the November 14, 2025 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

Dividend per share	FY 2025	FY 2024	FY 2023
Q1	0.03	0.10	0.06
Q2	0.13	0.10	0.19
Q3	0.12	0.10	0.11
Q4	0.07	0.10	0.06
	0.35	0.40	0.42

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, 2025 the Company held no forward exchange contracts.

Commitments

The Company does not have any commitments as at September 30, 2025.

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, 2025 to the date of this MD&A. As at September 30, 2025 and the date of this MD&A, there were 6,336,087 common shares outstanding.

Outstanding share data

	2025	2024
Number of Common Shares outstanding, beginning of the year	6,336,087	6,310,042
Issued during the year	-	26,045
Number of Common Shares outstanding, end of the year	6,336,087	6,336,087

Share-Based Compensation - Stock Options

2025

On December 20, 2024, the Company granted 99,999 stock options to an executive officer of the Company. One third of the options granted vest immediately, one third vest one year from the grant date and the final third vest two years from the grant date. The stock options expire in 5 years from the date of grant and each stock option is exercisable into one common share at \$5.10.

2024

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, 2025 and the date of this MD&A there were 99,999 stock options issued and outstanding (nil at September 30, 2024).

Issued and outstanding stock option data

	2025		2024	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the year	-	-	150,000	\$3.28
Granted	99,999	\$5.10	-	-
Expired	-	-	(100,000)	\$3.55
Exercised	-	-	(50,000)	\$2.75
Outstanding, end of the year	99,999	\$5.10	-	-
Exercisable, end of the year	33,333	\$5.10	-	-

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, 2025, the Directors approved the granting of 17,140 DSU’s (2024 – 1,304). An amount of \$88,354 (2024 - \$6,910) 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 \$214,897 at September 30, 2025 (2024 - \$94,506) which includes the value of the grants issued in during FY 2025 and the market value of the grant as determined at the end of the reporting period.

Issued deferred share unit (“DSU”) data

	2025	2024
Number of DSUs outstanding, beginning of the year	18,089	16,785
Number of DSUs granted	17,140	1,304
Number of DSUs outstanding, end of the year	35,229	18,089

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 2025 and FY 2024. All transactions with related parties are made at prevailing market rates.

During FY 2025, the Company obtained plant operations and plant management consulting services from a director of the Company in an amount totaling \$8,000 (2024 - \$8,000). These amounts are included in the compensation table that follows.

Compensation to key management personnel

	2025	2024
Salaries, consulting fees and profit sharing	1,885,978	1,612,766
Share based compensation	141,369	6,910
Director fees	108,000	40,000
	2,135,347	1,659,676

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.