

**VITREOUS GLASS INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED DECEMBER 31, 2025**

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 three months ended December 31, 2025 (or “Q1 2026”). This MD&A provides material updates regarding the business operations, liquidity and capital resources of the Company to its most recent Annual Management Discussion & Analysis for the year ended September 30, 2025 (“2025 Annual MD&A”).

This MD&A 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 and is based on information available to February 5, 2026. This MD&A should be read in conjunction with the 2025 Annual MD&A, the unaudited condensed interim financial statements of the Company for the three months ended December 31, 2025, and the audited financial statements for the year ended September 30, 2025.

The unaudited condensed interim financial statements of the Company for the three months ended December 31, 2025, have been prepared in accordance with International Accounting Standard (IAS) 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (IASB). These 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 February 5, 2026.

Vitreous operates a waste-glass processing plant in Airdrie, Alberta. The facility sources post-consumer waste glass from Alberta and other regions of western Canada, processes it by crushing and removing contaminants, and supplies the finished product to three Alberta-based manufacturers of fiberglass building insulation for use as a raw material in their production facilities.

**Fiscal Year 2026 - First Quarter Highlights**

**Selected Quarterly Comparative Financial Information**

<b>Operations</b>	<b>Three months ended Dec 31,</b>	
<i>Canadian Dollars</i>	<b>2026</b>	<b>2025</b>
Total sales	3,636,241	2,459,071
Net income	892,228	405,373
Net income per share	0.14	0.06
Diluted net income per share	0.14	0.06
Dividends paid	823,691	190,083
Dividends paid per share	0.13	0.03
Capital expenditures	295,487	21,280

<b>Financial position</b>	<b>As at</b>	<b>As at</b>
<i>Canadian Dollars expect share data</i>	<b>Dec 31, 2025</b>	<b>Sept 30, 2025</b>
Cash and cash equivalents	2,606,392	2,887,705
<i>Invested in short-term GICs</i>	<i>1,850,000</i>	<i>1,850,000</i>
Total assets	6,383,737	6,664,707
Shareholders' equity	5,074,961	4,998,982
Common shares outstanding (number)	6,356,050	6,336,087

The Company maintains a strong position in the glass-recycling industry in western Canada, supported by long-standing relationships with key suppliers and customers. The extension of a long-term supply contract with its largest raw-material supplier in Alberta during fiscal 2024 provides added certainty regarding the Company's ability to meet future demand for processed waste glass in fiscal 2026 and beyond. The Company also continues to maintain strong relationships with its three customers, working collaboratively to ensure that deliveries of processed waste glass align with their ongoing production requirements.

### **Discussion of Operations – Q1 2026**

The level of business activity and annual revenue is highly dependent on the availability of raw glass for purchase. During Q1 2026, the Company earned net income of \$892,228 (\$0.14 per share) on sales of \$3,636,241, compared to net income of \$405,373 (\$0.06 per share) on sales of \$2,459,071 in Q1 2025. The 120% increase in net income was primarily driven by the Company benefiting from a full quarter of tolling-related revenue in Q1 2026, compared to less than one month of such activity in Q1 2025.

Beginning in December 2024, one of the Company's major customers requested that Vitreous toll-process glass not normally available to it, at both a higher cost and a higher sales price per ton than other Company-processed waste glass. This temporary, non-committed arrangement—which may extend into the second half of 2026—carries revenue and cost characteristics above Vitreous' historical structure.

Additionally, Q1 2025 sales volumes were below normal operating levels due to an extended maintenance shutdown at a customer facility, whereas no such downtime occurred in Q1 2026. Quarterly sales increased by 47.9% (\$1,117,170) from Q1 2025, driven by a 7.9% increase in the average product sale price combined with a 37.1% increase in product volume sold.

The Company generated gross margin of \$1,793,976 (49.3% of revenue) during Q1 2026, compared to \$1,094,541 (44.5% of revenue) in Q1 2025. The Company's operations were able to accommodate the additional production volumes associated with tolling activities without a material increase in fixed or variable operating costs, contributing to the higher gross margin percentage. While operations remained steady throughout Q1 2026, sales and gross margins in Q1 2025 were affected by a temporary shutdown at one customer's production facility for several weeks to complete routine maintenance.

## **Sales**

Quarterly sales vary based on several demand and supply factors outside the Company's control, including fluctuations in the timing and quantity of customers' weekly and monthly crushed-glass requirements.

The Company supplies processed glass to three customers, each operating manufacturing facilities in Alberta, and manages product allocation to meet their needs in a fair and balanced manner. Production schedules are adjusted on an ongoing basis to align processed-glass availability with customers' raw-material demand. The tolling arrangement for additional raw glass, which commenced in December 2024 on a non-committal basis, has resulted in an effective increase of approximately 20% in crushed-glass sales compared with our normal baseline levels.

The Company's two largest customers represented 92.2% of sales during Q1 2026 (Q1 2025 – 92.1%). As at December 31, 2025, 69.0% (September 30, 2025 – 73.3%) of accounts receivable are due from those two customers.

## **Cost of sales**

Cost of sales includes the purchase cost of waste glass and related shipping, labor required to process waste glass, repairs and maintenance associated with production operations, and ongoing processing plant operating costs such as insurance, utilities, and waste disposal. During Q1 2026, cost of sales was 49.7% of revenue, an improvement from 53.9% in Q1 2025. Although glass supplied under tolling arrangements carries a higher average purchase cost due to longer delivery distances and correspondingly higher transportation expenses, the 4.2% improvement reflects increased utilization of our production facility with only a negligible increase in actual facility operating costs.

## **Total cost of goods sold**

Total cost of goods sold includes cost of sales, depreciation of capital assets associated with production operations, and amortization expenses related to the leased land where varying levels of raw glass inventory were maintained prior to the end of the second quarter of fiscal 2025 when the lease was terminated. During Q1 2026, cost of goods sold was 50.7% of revenue, an improvement from 55.5% in Q1 2025. While cost of sales declined year over year, depreciation and amortization remained generally consistent between the periods.

## **General and administrative expenses ("G&A")**

G&A expenses for the three months ended December 31, 2025 totalled \$572,198, an increase of \$150,601 from the same quarter in the prior year, primarily due to performance-based employee compensation aligned with the Company's improved profitability. Despite the additional variable cost, G&A improved as a percentage of revenue, representing 15.7% in Q1 2026 compared to 17.1% in Q1 2025, reflecting continued operating leverage and disciplined cost management.

## **Share-based compensation**

During Q1 2026, the Company recorded share-based compensation expense of \$7,443 (Q1 2025 – \$29,768) related to 99,999 share options granted in Q1 2025. A total of 66,666 vested share options were exercised on a non-cash basis during Q1 2026, resulting in the issuance of 19,963 common shares with an assigned value of \$59,536. The remaining 47,703 share options were cancelled.

Coinciding with the quarterly dividend payments, an equivalent value of deferred share units (DSUs) totaling 745 DSUs was granted during Q1 2026 (Q1 2025 – 192 DSUs) to a director in respect of previously issued DSUs. The related share-based compensation expense was \$4,580 (Q1 2025 – \$993).

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

On an ongoing basis, the Company accumulates cash on hand and sets aside an amount expected to be paid as quarterly dividends to shareholders. Excess funds are routinely invested in short-term, low-risk guaranteed investment certificates (“GICs”) earning interest of approximately 2–3% per annum. As at December 31, 2025, \$1,850,000 was invested in GICs, consistent with the amount invested at September 30, 2025.

### ***Inventory***

The total carrying value of raw glass, finished goods, and spare-parts inventory on hand as at December 31, 2025 decreased by \$99,235 (12.8%) to \$677,278 from \$776,514 at September 30, 2025. The decrease was primarily due to lower raw-glass inventory levels at the end of Q1 2026, as adverse weather and flooding affecting a supplier in British Columbia delayed certain deliveries in December 2025. The cost per ton of raw glass in inventory at December 31, 2025 was consistent with, and slightly lower (4.3%), than the cost of inventory on hand at September 30, 2025. The volume of crushed glass on hand remains minimal, as customers typically consume this material immediately upon availability.

### **Property, plant and equipment**

During Q1 2026, the Company finalized the purchase of land that will be used to store excess raw glass that cannot be accommodated at the Company’s production facility in Airdrie. The Company commenced site improvements during the quarter, including surveying, grading, and fencing, and also acquired a loader that will be stored on-site to support operations. The Company expects to begin storing excess raw glass at this location in Q3 2026.

### **Outlook**

The Company intends to continue managing its waste-glass processing operations prudently and in accordance with established business practices. For the remainder of fiscal 2026, sales and related cost of sales are expected to remain elevated as a major customer has secured access to an additional source of raw glass that is being delivered to our facility for processing. While this supplemental supply is not supported by a contractual commitment, the Company does not anticipate any change to its availability before the end of calendar 2026. The Company remains focused on maintaining a strong balance sheet, generating positive cash flow, determining an appropriate quarterly dividend, if any, and ensuring that operations and administration continue to run safely and cost-effectively.

## **Summary of Quarterly Results**

The following is a summary of selected financial information of the Company for the last eight quarters:

<b>Quarter ended</b>	<b>31-Dec 25</b>	<b>30-Sep 25</b>	<b>30-Jun 25</b>	<b>31-Mar 25</b>
Total sales	3,636,241	3,953,954	3,727,895	3,932,091
Net income	892,228	1,025,563	842,282	870,772
Net income per share	0.14	0.17	0.13	0.14
Diluted per share	0.14	0.17	0.13	0.14

<b>Quarter ended</b>	<b>31-Dec 24</b>	<b>30-Sep 24</b>	<b>30-Jun 24</b>	<b>31-Mar 24</b>
Total sales	2,459,071	2,385,745	2,488,563	2,440,540
Net income	405,373	524,806	658,515	647,127
Net income per share	0.06	0.09	0.10	0.10
Diluted per share	0.06	0.09	0.10	0.10

## **Liquidity and Capital Resources**

The Company has established a consistent record of profitable operations and generates sufficient cash flow to meet all existing obligations. As at December 31, 2025, the Company reported working capital of \$3,151,832, a working capital ratio of 4.5:1, and no outstanding debt. During fiscal 2025, the Company enhanced the certainty of its raw-material supply by executing a long-term agreement with its primary supplier. This agreement covers all deposit-system beverage-container glass collected in Alberta and provides access to a stable, low-cost source of recycled glass. Current liabilities at December 31, 2025 totaled \$894,791, consisting of normal trade payables, accrued liabilities, and current income taxes payable.

The Company continues its practice of accumulating excess cash generated from operations to fund quarterly dividends, if approved by the Board of Directors, which are considered special dividends. In addition, the Company maintains a \$450,000 reserve to support capital additions, significant maintenance requirements, and potential working-capital needs. A further reserve equivalent to approximately one month of sales to its two major customers is maintained to ensure liquidity in the event of unexpected adverse business conditions. As at December 31, 2025, cash and cash equivalents totaled \$2,606,392 (September 30, 2025 – \$2,877,705), of which \$1,850,000 was invested in short-term GICs (September 30, 2025 – \$1,850,000).

On January 15, 2026, the Directors approved a dividend of \$0.10 per share, payable on February 13, 2026, for a total cash distribution of \$635,605. Management estimates that, following this dividend payment, the Company's cash reserves will continue to provide sufficient liquidity to sustain operations for up to 12 months in the event of an unforeseen suspension of activity.

## ***Shareholder Value and Dividends***

The Company's current objective is to distribute excess cash to shareholders in the form of special quarterly dividend payments. 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.

### ***Quarterly Dividend Payments***

<b>Dividend per share</b>	<b>FY 2026</b>	<b>FY 2025</b>	<b>FY 2024</b>
Q1	<b>0.10</b>	0.03	0.10
Q2	-	0.13	0.10
Q3	-	0.12	0.10
Q4	-	0.07	0.10
	<b>0.10</b>	<b>0.35</b>	<b>0.40</b>

## ***Share Capital***

### ***Common shares***

As at December 31, 2025, and the date of this MD&A, there were 6,356,050 common shares outstanding (6,336,807 at September 30, 2025).

### ***Share-based compensation - stock options***

On December 30, 2025, 66,666 stock options were exercised through a cashless exercise, resulting in the issuance of 19,963 common shares with an assigned value of \$59,536 and the cancellation of 46,703 options.

On December 20, 2024, the Company granted 99,999 stock options to an executive officer. One-third of the options vested immediately, one-third vest one year from the grant date, and the remaining one-third vest two years from the grant date. The options expire five years from the date of grant and are exercisable into one common share at a price of \$5.10 per share.

As at December 31, 2025, and the date of this MD&A, 33,333 stock options remained outstanding (compared to 99,999 at September 30, 2025). Share-based compensation expense related to outstanding options totaled \$7,443 during Q1 2026 (Q1 2025 – \$29,768).

### ***Share-based compensation – Deferred Share Unit Plan ("DSU Plan" or "DSU's")***

The DSU Plan that enables the Company to grant DSU's to eligible directors and employees of the Company. DSU's are not convertible into common shares, and do not result in dilution to the common shareholders. 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.

During Q1 2026, the Directors approved the grant of 745 deferred share units (DSUs) to a director in lieu of dividends (Q1 2025 – 15,192 DSUs). The related share-based compensation expense totaled \$4,580 (Q1 2025 – \$77,493).

As at December 31, 2025, and the date of this MD&A, 35,794 DSUs were outstanding (September 30, 2025 – 33,281 DSUs), with a corresponding DSU liability of \$264,409 recorded on the statement of financial position (September 30, 2025 – \$172,098).

#### **Related Party Transactions**

During Q1 2026 the Company obtained strategic management consulting services from a director of the Company in an amount totaling \$2,000 (Q1 2025 - \$2,000).

### **Critical Accounting Estimates**

Information on the Company's critical accounting estimates and judgements can be found in Note 2 Basis of Preparation – 2.4 Critical Accounting Estimates and Judgements in the audited annual financial statements for the year ended September 30, 2025. Although estimates and assumptions must be made during the financial statement preparation process, it is management's opinion that none of the estimates or assumptions were highly uncertain at the time they were made.

### **General Risk and Uncertainties**

Risk is inherent in all business activities and cannot be entirely eliminated. The general risks and uncertainties described in the Annual MD&A for the year ended September 30, 2025, 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 MD&A. Those risks and uncertainties are not inclusive of all the risks and uncertainties the Company may be subjected to, and other risks may apply.

### **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.