GLG LIFE TECH CORPORATION

MANAGEMENT DISCUSSION & ANALYSIS

For the Three and Twelve Months Ended December 31, 2016

Dated: March 31, 2017

Management’s Discussion and Analysis

This Management’s Discussion and Analysis (“MD&A”), as amended, of GLG Life Tech Corporation is dated March 31, 2017. It provides a review of the financial results for the three and twelve months ended December 31, 2016, compared to the same periods in the prior year.

This MD&A relates to the consolidated financial condition and results of operations of GLG Life Tech Corporation (“we,” “us,” “our,” “GLG” or the “Company”) together with GLG’s subsidiaries in the People’s Republic of China (“China”) and other jurisdictions. As used herein, the word “Company” means, as the context requires, GLG and its subsidiaries. The common shares of GLG are listed on the Toronto Stock Exchange (the “Exchange”) under the symbol “GLG”. Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars and determined on the basis of International Financial Reporting Standards (“IFRS”). This MD&A should be read in conjunction with the annual consolidated financial statements and notes thereto. Additional information relating to GLG Life Tech Corporation including GLG’s Annual Information Form can be found on GLG’s web site at www.glglifetech.com or on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, which could result in a material adjustment to the carrying amounts of assets and liabilities and disclosure of contingent assets or liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following: determining the accrued liabilities; assessing the fair value of property, plants and equipment, biological assets, intangible assets and goodwill; the valuation of future tax assets; revenue recognition; estimate of inventory net realizable value; going concern assumption; expected useful lives of assets subject to amortization and the assumptions used in determining the fair value of stock-based compensation. While management believes the estimates used are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

GLG has issued reports on certain non-IFRS measures that are used by management to evaluate the Company’s performance. Because non-IFRS measures do not have a standardized meaning, securities regulations require that non-IFRS measures be clearly defined and qualified, and reconciled with their nearest IFRS measure. Where non-IFRS measures are reported, GLG has provided the definition and reconciliation to their nearest IFRS measure in section “NON-IFRS Financial Measures”.

Forward-Looking Statements

Certain statements in this MD&A constitute “forward-looking statements” and “forward looking information” (collectively, “forward-looking statements”) within the meaning of applicable securities laws. Such forward-looking statements include, without limitation, statements evaluating the market, statements regarding potential demand for stevia, monk fruit, and other products and discussions regarding general economic conditions and future-oriented costs and expenditures. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes” or variations of such words and phrases or words and phrases that state or indicate that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

While the Company has based these forward-looking statements on its current expectations about future events, the statements are not guarantees of the Company’s future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors include amongst others the effects of general

economic conditions, consumer demand for our products and new orders from our customers and distributors, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations, industry supply levels, competitive pricing pressures and misjudgments in the course of preparing forward-looking statements. Specific reference is made to the risks described herein under the heading “Risks Related to the Company’s Business” and “Risks Associated with Doing Business in the People’s Republic of China” for a discussion of these and other sources of factors underlying forward-looking statements and to those additional risks set forth under the heading “Risk Factors” in the Company’s Annual Information Form for the financial year ended December 31, 2016. In light of these factors, the forward-looking events discussed in this MD&A might not occur.

Further, although the Company has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

As there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements, readers should not place undue reliance on forward-looking statements.

Financial outlook information contained in this MD&A about prospective results of operations, capital expenditures or financial positions is based on assumptions about future events, including economic conditions and proposed courses of action, based on management’s assessment of the relevant information as of the date hereof. Such financial outlook information should not be used for purposes other than those for which it is disclosed herein.

Overview

We are a leading producer of high-quality stevia extract and high-quality monk fruit extract. While stevia has long been the foundation of our company, over the last two years we have been producing and selling monk fruit extracts to the international market. Stevia extracts, such as Rebaudioside A (or Reb A), and monk fruit extracts are used as all-natural, zero-calorie sweeteners in food and beverages. Our revenue presently derives primarily from the sale of high-grade stevia extract to the food and beverage industry; the expansion into monk fruit extracts represents an additional significant source of actual and potential revenues. Furthermore, we have expanded our product offerings and market opportunities through the supply of ingredients complementary to the natural high-intensity sweetener market under our Naturals+ product line.

We conduct our stevia and monk fruit development, refining, processing and manufacturing operations through two wholly-owned subsidiaries in China. Our stevia operations in China include four processing factories, stevia growing areas across 10 growing regions, and four research and development centers engaged in the development of high-yielding stevia seeds and seedlings. Our processing facilities have a combined annual throughput of 41,000 metric tons of stevia leaf, over 1,500 metric tons of high-purity stevia extract, and 130 metric tons of high-purity monk fruit extract.

Changes in Accounting Policies

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards with a date of initial application of January 1, 2016:

IAS 16, Property Plant and Equipment ("PPE") and IAS 41, Agriculture

IAS 16 and IAS 41 are amended to distinguish bearer plants from other biological assets and to require bearer plants to be classified as PPE and accounted for under IAS 16. This change in accounting policy has applied retrospectively.

Consolidated Balance Sheets as at January 1, 2015

	As previously reported $	Effect of change in accounting policy $	As restated under new policy $
Property, Plant, and Equipment	50,480,025	242,107	50,722,132
Biological asset	242,107	(242,107)	-
Total assets	71,902,577	-	71,902,577
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Deficit	(278,189,073)	-	(278,189,073)
Total Liabilities and Shareholders' Deficiency	71,902,577	-	71,902,577

Consolidated Balance Sheets as at December 31, 2015

	As previously reported $	Effect of change in accounting policy $	As restated under new policy $
Property, Plant, and Equipment	56,173,834	220,840	56,394,674
Biological asset	210,149	(210,149)	-
Total assets	76,027,466	10,691	76,038,157
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Deficit	(303,898,173)	10,691	(303,887,482)
Total Liabilities and Shareholders' Deficiency	76,027,466	10,691	76,038,157

Consolidated Statements of Operations and Comprehensive Loss for the year ended December 31, 2015

	As previously reported $	Effect of change in accounting policy $	As restated under new policy $
COST OF SALES	(28,806,464)	10,691	(28,795,773)
NET LOSS	(25,709,100)	10,691	(25,698,409)

Consolidated Statements of Cash Flows for the year ended December 31, 2015

	As previously reported $	Effect of change in accounting policy $	As restated under new policy $
Cash Flows From Operating Activities	(25,709,100)	10,691	(25,698,409)
Net loss			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	6,332,518	(10,691)	6,321,827
Net cash from (used in) operating activities	5,591,359	-	5,591,359

New standards, amendments and interpretations not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the "IASB" or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective as of December 31, 2016, and have not been applied in preparing these financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

- IAS 12 Income Taxes: Amendments to clarify the recognition of a deferred tax asset for unrealized losses, effective for annual periods beginning on or after January 1, 2017.

- IFRS 9 Financial Instruments: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 15 Revenue from contracts with customers: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 Leases: New standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model, effective for annual periods beginning on or after January 1, 2019.

The Company does not expect the impact of such changes on the financial statements to be material.

Significant Accounting Estimates and Judgements

The Company makes certain estimates and judgments regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgments

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 3 in the Financial Statements.

Functional currency determination

The preparation of the consolidated financial statements requires management to make judgments regarding the functional currencies of the Company and its subsidiaries. As discussed in Note 4(b) in the Financial Statements, the functional currency of the Company has been determined to be the CAD, while the functional currencies of its subsidiaries are as listed in Note 4(c).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Determination of Stevia Cash Generating Unit

The stevia operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain. The stevia operations include: an agricultural unit, primary processing plants and secondary processing plants.

Centralized production planning takes place across the entire supply chain. It starts with the worldwide sales forecast of the stevia products for secondary processing plants, which then translates into production forecasts for secondary processing plants. The production forecasts for secondary processing plants then define how much products will be required from the primary processing plants.

The design of the integrated supply chain makes the cash flows for each component of the supply not sufficiently independent of all the components in order to break down the cash flows any lower than the stevia business level. Therefore, management has treated the four stevia processing plants, the agricultural unit as well as the North American offices as included in a single CGU ("Stevia CGU").

Determination of Monk Fruit Unit

The Monk Fruit operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain. The Monk Fruit operations include an agricultural unit and processing plants in China.

Centralized production planning takes place across the entire supply chain. It starts with the worldwide sales forecast of the Monk Fruit products for processing plants.

The management has treated the Monk Fruit processing plants, as included in a single CGU ("Monk Fruit CGU").

Impairment of long-lived assets

The Company performs impairment testing annually for long-lived assets as well as when circumstances indicate that there may be impairment for these assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying Cash Generating Units ("CGUs") for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves management judgement and estimation. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on the long-lived assets. See Note 12 in the Financial Statements for further details.

Uncertainty estimation

Inventories

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Depreciation and Amortization

The Company's property, plant and equipment are depreciated and amortized on a straight-line basis, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings, and comprehensive income (loss) in future periods.

Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions such as the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Income Tax Estimates

The Company provides for income taxes based on currently available information in each of the jurisdictions in which we operate. The calculation of income taxes in many cases, however, requires significant judgment in interpreting tax rules and regulations. Our tax filings are subject to audits, which could materially change the amount of current and deferred income tax assets and liabilities, and could, in certain circumstances, result in the assessment of interest and penalties.

Sales Tax Recoverable

The Company makes allowances for sales tax recoverable based on its expected future profits and its best estimate of the realization of the sales tax recoverable.

Allowance for Doubtful Accounts

The Company makes allowances for doubtful accounts based on its best estimate of the amount of probable credit losses in existing accounts receivable. These are determined based on historical write-off experiences and customer economic data.

Share-based Compensation

Estimating fair value for granted stock options and restricted shares requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation expense for the period along with the assumptions and model used for estimating fair value for stock-based compensation transactions are disclosed in Note 16 of the Financial Statements.

Corporate and Sales Developments

ADM, GLG Partner to Bring Low-Calorie Stevia, Monk Fruit Sweeteners to Customers Worldwide

On June 6, 2016, Archer Daniels Midland Company (NYSE: ADM) and GLG Life Tech Corporation announced a new partnership to manufacture, market, sell and distribute low-calorie stevia and monk fruit sweeteners to customers around the globe.

Under the terms of the agreement, GLG will produce an extensive array of low-calorie sweeteners made from stevia and monk fruit, while ADM will be the exclusive global marketer and distributor of those ingredients to food and beverage companies worldwide.

Representatives of the companies had the following to say:

"More and more consumers are looking for healthier foods that are made with natural ingredients and taste great," said Rodney Schanefelt, Director, sugar and high intensity sweeteners, for ADM. "ADM is already helping customers meet that growing demand with our comprehensive portfolio of ingredients and flavors. Now, we're expanding that portfolio even further by offering customers around the world a wide array of great stevia and monk fruit sweeteners. We are pleased to partner with GLG, which has a demonstrated advantage in developing non-GMO stevia varietals and a pipeline of future innovative products."

"This partnership—combining GLG's capabilities and reputation as one of the largest, most trusted manufacturers of low-calorie sweeteners with ADM's global distribution capabilities and existing ingredient portfolio—offers tremendous opportunities for both companies and their customers," said Brian Meadows, GLG President and CFO. "Consumers are demanding healthy, delicious foods and drinks with clean labels, natural ingredients, and reduced added sugar—together, ADM and GLG will be the go-to source for food and beverage companies looking to meet that demand."

Major Advances in High-Purity Leaf for Reb M

On February 29, 2016, GLG announced a major agricultural breakthrough in its agricultural R&D program. Through this program, GLG aims to revolutionize the global food and beverage industry by providing companies with the ability to replace sugars and artificial sweeteners with naturally-sourced Rebaudioside M ("Reb M"). The program's latest accomplishment is a stevia leaf strain with Reb M levels more than ten times higher than conventional stevia leaf.

Reb M, one of several steviol glycosides found in the stevia plant, is highly desired in the industry as a natural, zero-calorie sugar and sweetener replacement, one that very closely resembles sugar. To date, the impediment to utilizing Reb M has been its scarce presence in the stevia leaf, making commercial use cost-prohibitive. Bringing a naturally-sourced Reb M extract to the market on a commercial scale requires a dramatic increase in the presence of Reb M glycosides in the leaf.

A dramatic increase in Reb M is just what GLG achieved. Through development of its Reb M seedling using its non-GMO patented breeding methodology, GLG has now produced more than a 1000% increase in Reb M levels in stevia leaf. Conventional stevia leaf has Reb M concentrations at less than 0.1% of dry leaf weight, and less than 1% of total steviol glycosides ("TSG"). In GLG's seedling, Reb M constitutes over 1% of dry leaf weight, and over 8% of the TSG's. Further, TSGs constitute about 13% of dry leaf weight in GLG's new seedling, which is above the industry average of 10-12% of dry leaf weight.

The 1000% increase in Reb M glycosides in its new variety is the result of two key factors: (1) an expanded Reb M seedling development program that GLG undertook in 2015 and (2) the 25 years' experience of its chief agronomist. The 2015 program involved evaluating thousands of different stevia strains, requiring an extensive

program to identify and promote the most promising strains. GLG's 2014 breakthrough with its high Rebaudioside C ("Reb C") seedlings clearly demonstrated the promise of its patented Non-GMO seedling hybridization technology to significantly increase scarce glycosides. And in 2015, GLG announced a stevia leaf strain with significantly enhanced levels of both Rebaudioside D ("Reb D") and Reb M. This latest achievement, focused specifically on Reb M, further demonstrates GLG's agricultural prowess.

GLG is in the process of filing for patent protection for its Reb D and Reb M seedlings. And GLG has filed two GRAS applications with the FDA for high-purity Reb D (GRN 548) and Reb M (GRN 512), with purity levels ranging from 80% to 95% to be used as a sweetener.

New Reb C Gold Leaf Varietal Approaches 80% Reb C Content

On October 5, 2016, GLG announced another significant update from its agricultural breeding program. Through its continued development of its Reb C Gold varietal, GLG has produced a Reb C varietal with unprecedented levels of Reb C – over 79% – relative to total steviol glycosides. The TSG content on a dry weight basis is an impressive 13% of leaf weight.

This success builds on GLG's prior achievement, announced in late 2014, of the first strain of Reb C Gold with Reb C levels at 53%. Reb C (short for Rebaudioside C) has historically been a scarce glycoside, typically found in leaf at levels of only 5 to 10%. GLG's 2014 announcement demonstrated its ability to achieve multiple factor increases in the levels of relatively scarce glycosides. That GLG has been able to up the levels by another 50% reflects well on GLG's agricultural prowess. It also bolsters GLG's ability to efficiently produce commercial quantities of high-purity Reb C extracts.

GLG's agricultural program is an ambitious endeavor to produce – all through non-GMO breeding – a number of specialized stevia varietals especially rich in one or more of Reb A, Reb C, Reb D, or Reb M. Last year, this program worked with over 5,000 samples and varieties of leaf. In the 2016 program, the GLG agriculture R&D team is expecting to have over 10,000 samples and varieties to analyze for plants with high amounts of Reb A, C, D, or M.

Given the size and scope of GLG's program, its many years of specialized experience in breeding stevia, and its past successes, GLG expects to announce further achievements from this program later this year. Whether Reb A, Reb C, Reb D, or Reb M – or all of the above – the development of GLG's specialized varietals could be transformative for the stevia industry.

The Reb C Gold varietal has proven a great success. GLG has demonstrated its ability to go from discovery to initial planting in approximately two years. GLG has also confirmed its ability through lab trials with recently harvested Reb C Gold leaf to use simplified production processes that produce high-purity Reb C extracts at greatly reduced costs. These results underscore the promise made by GLG in 2014 – that Reb C Gold would enable it to achieve economically viable commercial production of high-purity Reb C extracts.

In 2017, GLG expects to plant commercial scale quantities of the Reb C Gold seedling. Dr. Luke Zhang, CEO and Chairman of GLG, commented: "We are excited to begin producing high-purity Reb C in commercial quantities this coming year. Today's announcement of even greater Reb C levels highlights GLG's unique strengths in stevia agronomics. Given the increasing pace in the development of specialized varieties, I expect that we will continue to see a number of exciting new varieties coming from GLG's research team. These future varieties, with particular focus on Reb D and Reb M, are expected to make a big splash in the stevia industry."

In February 2015, GLG received its FDA Letter of No Objection regarding its high-purity Reb C extracts as GRAS (Generally Recognized as Safe) for use as a sweetener. (GRN 536.)

GLG Achieves Major Milestone in Debt Restructuring Plan

On July 26, 2016, GLG announced an important milestone in the Company's plan to restructure its China-based bank loans. Additionally, the Company successfully renewed a RMB 7 million bank loan with the Huishang Bank on July 1, 2016.

As of July 20th, 2016, four of five of the Company's 100% owned Chinese Wholly-Owned Foreign Enterprises ("WOFEs") were consolidated into a single entity (Chuzhou Runhai Stevia High Tech Company Limited or "Runhai") under Chinese law – and, significantly, Runhai is approved to become a Joint Stock Company ("JSC"). This form of corporation, under Chinese law, provides it considerable opportunities to raise capital. For example, Runhai will now be able to add Chinese investors, raise equity capital in China, and convert China-based debt into equity in the JSC. Post consolidation of the four China subsidiaries, the Company retains its 100% ownership of Runhai and all of the consolidated assets of the previous four China subsidiaries.

The three subsidiaries consolidated into Runhai are:

Anhui Bengbu HN Stevia High Tech Development Company Limited
Qingdao Runhao Stevia High Tech Company Limited
Dongtai Runyang Stevia High Tech Company Limited

One of the key outcomes of the conversion of Runhai into a JSC was the underlying agreed valuation of the consolidated Runhai entity. Runhai's total investment approval by the China Government is USD 120 million and its net assets are valued at USD 42 million. The difference between the asset valuation and net assets value provides Runhai USD 78 million available for debt conversion, additional working capital or equity raises.

GLG's subsidiary Qingdao Runde Biotechnology Co., Ltd. remains a 100% owned WOFE of GLG.

One particular benefit of reforming the Company's Chinese holdings into a JSC is that the limitations previously foreclosing the Company from access to Chinese debt and capital markets are gone. As a JSC, Runhai will be eligible to have its Chinese-held debt converted into equity shares at the subsidiary level, such that a major portion of that debt could be removed from the Company's balance sheet. GLG, with the PRC government's support, is in active discussions with Runhai's Chinese debt-holders to negotiate terms for a debt-equity swap, and is exploring multiple options for access to valuable working capital. The Company expects to retain a majority controlling interest in Runhai after any expected debt conversion into equity in Runhai. Further, Runhai will have the ability to solicit Chinese capital markets and investors for working and other capital, bolstered by a more attractive balance sheet and a strong appetite in China for growth opportunities.

The process to convert the four WOFEs into a single consolidated Joint Stock Company was unusually complex. To give perspective on this major accomplishment, GLG management had to work through ten different government agencies across three provinces and four cities in order to obtain the relevant approvals necessary to accomplish this important milestone.

With this foundational milestone completed, GLG's plan is to restructure its China debt by availing itself of one or more options now open to the Company. The Company also expects to gain access to new sources of working capital to facilitate its plans for substantial growth in its stevia, monk fruit, and GLG Naturals+ businesses.

Partnership with MycoTechnology Corporation for Improved Taste of Stevia

On January 7, 2016, GLG, in conjunction with MycoTechnology Corporation ("MycoTech"), together announced a commercial partnership agreement to incorporate MycoTech's ClearTaste™ product to improve the taste of stevia and monk fruit. The partnership combines GLG's strengths in the natural sweetener space with the

benefits of MycoTech's innovative ClearTaste product, a certified USDA organic bitter blocking technology, in order to improve the taste of stevia and monk fruit.

There is a major trend underway in which mass produced, low nutritional quality foods, loaded with added sugar, salt and fat are being replaced with healthy, natural, low and zero-calorie alternatives. The changing consumer landscape has food manufacturers looking for natural high-intensity sweetener alternatives such as stevia and monk fruit. However, food manufacturers have also struggled with stevia's aftertaste and astringent flavor profile.

MycoTech developed ClearTaste, derived from mushrooms, which as to stevia has the effect of removing its less desirable aftertaste. ClearTaste is a natural, GMO-free and chemical-free ingredient solution that works by harnessing the natural extracts found in gourmet mushrooms. The compounds are unique to fungi and are highly effective at improving the flavor profiles of stevia and monk fruit.

The initial term of the agreement is five years during which GLG will be MycoTech's preferred vendor of stevia and monk fruit products. GLG further enjoys certain exclusivities in the commercial agreement with MycoTech products and the agreement also allows GLG to work directly with MycoTech to produce new products using both companies' technology in return for purchase commitments with MycoTech.

GRAS Status for GLG's Enzymatically Modified Stevia

On October 6, 2016, GLG announced that the United States Food and Drug Administration ("FDA") had issued a Letter of No Objection for GLG's enzymatically modified stevia ("EMS") product – specifically "EMS95". (Filing No. GRN 656).

The FDA's Letter of No Objection provides that the FDA has no questions regarding GLG's conclusion – supported by extensive studies, research, and in-depth consultation with GRAS Associates, LLC – that its EMS95 product is Generally Recognized As Safe ("GRAS") as a general purpose sweetener.

EMS95 is part of GLG's TasteBoost™ product line, which consists of a series of enzymatically modified stevia products. GLG's EMS – a natural low-calorie sweetener – is produced through the enzymatic addition of glucose moieties to the original steviol glycoside structure, resulting in a mix of glucosylated steviol glycosides and steviol glycosides. The presence of glucoyslated steviol glycosides benefits products using EMS by providing enhanced taste quality and sweetness.

This enhancement in taste and flavor provides a well-rounded, sugar-like low-calorie solution appropriate for a wide variety of food applications, such as dairy, snacks, baked goods, cereals, sports nutrition products, and many more. Furthermore, GLG's EMS products can be used synergistically with other caloric and non-caloric sweeteners for enhanced sweetness and taste. GLG's EMS products provide an array of choices for food manufacturers targeting consumers of all ages who are looking for healthier, tastier options.

To date, GLG has received ten GRAS Letters of No Objection covering its broad array of high-purity stevia products. No other stevia company can claim such a mark.

Launch of P-Pro Plus

On March 9, 2016, GLG announced, in partnership with MycoTech, the launch of P-Pro Plus, a revolutionary product that complements the many benefits of pea protein with MycoTech's groundbreaking 100% natural and USDA Organic certified bitter blocker, ClearTaste™, to offer a pea protein without any of the taste profile issues many food, beverage, and dietary supplement manufacturers experience with pea protein by itself.

Pea protein has recently drawn a lot of attention for being highly sustainable, vegan, vegetarian-friendly, hypoallergenic, a good source of amino acids, easy to digest and a good alternative to soy protein products. Pea protein promotes not only its protein content, but also fiber, vitamins and minerals. As a legume, peas return nitrogen to the soil and are considered a highly sustainable food source. Increased demand for more sustainable protein globally and more vegan and allergen-free options is driving development of more plant-based protein sources. Pea protein products can replace a significant percentage of other proteins in many applications and can offer cost savings. Furthermore, pea protein isolate can replace soy isolate on a weight-for-weight basis without a negative organoleptic impact.

Adding plant protein sources to food and beverage applications presents some challenges, however, such as change in flavor profile of the finished product. The number one challenge faced by food and beverage formulators introducing or transitioning their products to include plant-based proteins, such as pea protein, remains balancing the benefits of these natural ingredients with a taste profile that appeals to the mainstream palate. The partnership between GLG and MycoTech overcomes this challenge, providing food, beverage and sport supplement companies the ability to produce natural healthful products without the bitter taste profile and off-notes that are traditionally associated with pea protein.

P-Pro Plus offers not only the many benefits of regular pea protein, but also a taste profile that formulators and consumers alike will appreciate. We expect that this improved taste profile will broaden market appeal, reach new product segments and result in deeper market penetration of pea protein. P-Pro Plus is available in both conventional and organic varieties and in various mesh sizes and protein purity levels and can be tailored to your individual product needs.

Launch of GoZero™ Solutions

On February 1, 2016, GLG announced the launch of GoZero™ Solutions. This innovative portfolio provides GLG's customers with unparalleled natural and Non-GMO zero-calorie sweetener options and proprietary formulations tailored to our customers' specific calorie reduction needs.

The challenges to global food and beverage companies are well documented with respect to the need for reduced amounts of sugar in formulations. The global per capita sugar consumption peaked in the late 1990's; however, it has been declining ever since due to an increase in health awareness and prevalence of diet-related health conditions, such as diabetes. Moreover, government regulations and guidelines, such as sugar taxes in the US and Mexico, and new dietary guidelines limiting the amount of added sugar in foods have made it challenging for food and beverage manufacturers to continue to use the same amounts of sugar in their formulations as they have used in the past. Added to this challenge, consumers' willingness to consume artificial sweeteners has been declining due to a general mistrust in synthetic chemical compounds.

In fact, consumers are increasingly looking to incorporate natural, plant-based ingredients in their diets. The movement of the market toward zero-calorie, natural sweeteners has placed immense pressure on marketing, R&D and procurement teams to reformulate to reduce sugar and artificial sweeteners in their products.

However, the transition to stevia as a natural zero calorie sweetener has proved challenging due to its known aftertaste issues such as astringency and bitterness. But things are changing for the better, as GLG introduced its newest product line to global food and beverage companies – GoZero™ Solutions – to address all these challenges with going zero.

GLG's GoZero™ Solutions offer:

1. Largest portfolio containing the most complete set of zero-calorie, natural sweeteners including stevia, enzymatically modified stevia, monk fruit and bitter blockers

2. Better tasting stevia and monk fruit with ClearTaste™ natural bitter blocker
3. Custom formulations for customers
4. Fast prototyping of reduced or zero calorie formulations for R&D groups
5. Superior taste and flavor profile tailored to specific food matrices
6. Fast response and support from our experienced support team
7. Cost effective solutions
8. Clean labels
9. Reduction in use of sugar while maintaining taste
10. Removal of artificial sweeteners from the formulation
11. Halal, Kosher, Non-GMO, and natural solutions
12. Organic and conventional format

GoZero™ Solutions is the result of over 15 years' hard work of more than 60 agricultural scientists, product innovation and food application specialists, and food engineers. This concerted effort enabled GLG to formulate a diverse product portfolio applicable to a wide range of food, beverage, and dietary supplement products that are cost-effective and superior in taste, flavor, and quality.

Annual General Meeting

The Company held its Annual General Meeting on June 28, 2016, in Vancouver, B.C. The shareholders voted in all nominated directors, with favorable votes for each exceeding 99%. Dr. Luke Zhang continues as Chairman of the Board and Chief Executive Officer and Brian Palmieri continues as Vice Chairman of the Board.

Results from Operations

The following results from operations have been derived from and should be read in conjunction with the Company's annual consolidated financial statements for 2016 and 2015.

In thousands Canadian $, except per share amounts	3 Months Ended December 31 2016	2015	% Change	Year Ended December 31 2016	2015	% Change
Revenue	$4,928	$7,357	(33%)	$18,953	$30,365	(38%)
Cost of Sales	($5,293)	($7,110)	(26%)	($19,342)	($28,796)	(33%)
% of Revenue	(107%)	(97%)	(11%)	(102%)	(95%)	(7%)
Gross Profit (Loss)	($365)	$247	(248%)	($389)	$1,569	(125%)
% of Revenue	(7%)	3%	(11%)	(2%)	5%	(7%)
Expenses	($3,157)	($3,921)	(19%)	($11,759)	($11,691)	1%
% of Revenue	(64%)	(53%)	(11%)	(62%)	(38%)	(24%)
(Loss) from Operations	($3,521)	($3,674)	(4%)	($12,148)	($10,121)	20%
% of Revenue	(71%)	(50%)	(22%)	(64%)	(33%)	(31%)
Other Expenses	($6,627)	($7,895)	(16%)	($11,657)	($15,577)	(25%)
% of Revenue	(134%)	(107%)	(27%)	(62%)	(51%)	(10%)
Net (Loss) before Income Taxes	($10,148)	($11,570)	(12%)	($23,805)	($25,698)	(7%)
% of Revenue	(206%)	(157%)	(49%)	(126%)	(85%)	(41%)
Net (Loss)	($10,148)	($11,570)	(12%)	($23,805)	($25,698)	(7%)
% of Revenue	(206%)	(157%)	(49%)	(126%)	(85%)	(41%)
Loss per share (LPS, Basic & Diluted)	($0.27)	($0.31)	(12%)	($0.63)	($0.68)	(7%)
Other Comprehensive Income (Loss)	$831	($351)	(337%)	$1,641	$5	34209%
% of Revenue	17%	(5%)	22%	9%	0%	9%
Total Comprehensive (Loss)	($9,317)	($11,920)	(22%)	($22,164)	($25,694)	(14%)
% of Revenue	(189%)	(162%)	(27%)	(117%)	(85%)	(32%)

Revenue

Revenue for the three months ended December 31, 2016, was $4.9 million, a decrease of 33% compared to $7.4 million in revenue for the same period last year. International sales contributed 96% of fourth quarter 2016 revenues, which is up 29 percentage points compared to the same period in 2015 (67%). The 33% decrease in sales, comparing the fourth quarter of 2016 to the same period in 2015, was driven by a number of factors including significant increases in monk fruit sales (increase of $2.3 million over previous year monk fruit sales) to international customers offset by declines in stevia sales (78% of sales decrease) and sales of other natural ingredients (22% of sales decrease). International sales contributed 96% of fourth quarter 2016 revenues, which is up 29 percentage points from the amount for the same period in 2015 (67%) reflecting the Company's continuing strategy of moving away from sales of lower-purity stevia extract sales to other China-based stevia providers, instead pursuing international customers that generate monthly recurring revenues from higher-purity stevia and monk fruit extracts.

Revenue for the year 2016 was $18.9 million, a decrease of 38% compared to $30.0 million in revenue for the prior year. This 38% decrease in sales, comparing 2016 to 2015, was driven by a number of factors including increases in stevia sales to international customers, offset by cumulative declines in monk fruit sales (37% of decline), sales of other natural ingredients (35% of decline), and China low purity stevia extract sales (28% of decline). International sales contributed 91% of full year 2016 revenues, which is up 8 percentage points from the amount for the same period in 2015 (83%). The increase in the percentage of sales coming from international

sales reflects the Company's continuing strategy of focusing on increasing its sales of high purity stevia extracts to international customers.

Cost of Sales

For the quarter ended December 31, 2016, the cost of sales was $5.3 million compared to $7.1 million in cost of sales for the same period last year ($1.8 million or 26% decrease). Cost of sales as a percentage of revenues was 107% for the fourth quarter 2016, compared to 97% for the comparable period. Cost of sales as a percentage of revenues was 10 percentage points higher in the fourth quarter compared to the previous year. The main factor contributing to the increase in cost of sales as a percentage of revenues was the increase of monk fruit cost of sales as a percentage of revenues in the fourth quarter of 2016 driven by lower monk fruit pricing in the market in late 2016 compared to earlier in the year.

Cost of sales for the twelve months ended 2016 was $19.3 million compared to $28.8 million for 2015 or a decrease of $9.5 million or 33%. Cost of sales as a percentage of revenues was 102% in 2016 compared to 95% in 2015, an increase of 7 percentage points. Idle capacity charges ($2.5 million) contributed to 13% of cost of sales for the full year 2016 compared to 8% of prior year cost of sales, accounting for the majority of the increase in cost of sales as a percentage of sales.

Capacity charges charged to the cost of goods sold ordinarily would flow to inventory and is the largest factor on reported gross margin. Only two of GLG's manufacturing facilities were operating during 2016.

The key factors that impact stevia and monk fruit cost of sales and gross profit percentages in each period include:

1. Capacity utilization of stevia and monk fruit manufacturing plants.
2. The price paid for stevia leaf and monk fruit, and their respective quality which is impacted by crop quality for a particular year/period, and the price per kilogram for which the stevia and monk fruit extracts are sold. These are the most important factors that will impact the gross profit of GLG's stevia and monk fruit business.
3. Other factors which also impact stevia cost of sales to a lesser degree include:
    - water and power consumption;
    - manufacturing overhead used in the production of stevia and monk fruit extract, including supplies, power and water;
    - net VAT paid on export sales;
    - exchange rate changes; and
    - depreciation and capacity utilization of the extract processing plants.

GLG's stevia and monk fruit businesses are affected by seasonality. The harvest of the stevia leaves typically occurs starting at the end of July and continues through the fall of each year. The monk fruit harvest takes place typically from October to December each year. GLG's operations in China are also impacted by Chinese New Year celebrations, which occur approximately late-January to mid-February each year, and during which many businesses close down operations for approximately two weeks. GLG's production year runs October 1 through September 30 each year.

Gross Profit (Loss)

Gross loss for the three months ended December 31, 2016, was $0.4 million, compared to a $0.2 million gross profit for the comparable period in 2015 or a decrease of $0.6 million. The gross profit margin for the three

month period ended December 31, 2016, was negative 7% compared to positive 3% for the prior period, or a decrease of 10 percentage points from the previous year. The major contributors to the fourth quarter gross profit decrease were the lower monk fruit pricing reflected in the fourth quarter and a reduction in gross margin from other natural ingredients, which was partly offset by an increase in margin from international stevia sales.

Gross loss for 2016 was $0.4 million, a decrease of $2.0 million from a $1.6 million gross profit for the comparable period in 2015. The gross profit margin for the year ended December 31, 2016, was negative 2% compared to positive 5% for the year ended December 31, 2015, or a decrease of 7 percentage points from the previous year. Gross margin was reduced due to lower margin from monk fruit and lower gross margin from other natural ingredient sales, which was partly offset by an increase in margin from international stevia sales.

Selling, General, and Administration Expenses

Selling, General and Administration ("SG&A") expenses include sales, marketing, general and administration costs ("G&A"), stock-based compensation, and depreciation and amortization expenses on G&A fixed assets. A breakdown of SG&A expenses into these components is presented below:

In thousands Canadian $	3 Months Ended	December 31	% Change	Year Ended	December 31	% Change
	2016	2015		2016	2015	
G&A Exp	($1,982)	($2,671)	(26%)	($8,635)	($8,725)	(1%)
Stock Based Compensation Exp	($186)	($277)	(33%)	($947)	($1,257)	(25%)
Amortization Exp	($989)	($973)	2%	($2,177)	($1,709)	27%
Total	($3,157)	($3,921)	(19%)	($11,759)	($11,691)	1%

G&A expenses for the three months ended December 31, 2016, was $2.0 million compared to $2.7 million in the same period in 2015 or a decrease of 26% or $0.7 million. The majority of the decrease was due to a reduction in office related expenses and professional services of $0.6 million.

G&A for the year ended December 31, 2016, was $8.6 million compared to $8.7 million in the same period in 2015 or a decrease of 1% or $0.1 million.

Stock-based compensation was $0.2 million for the three months ended December 31, 2016, compared with $0.3 million in the same quarter of 2015. The number of common shares available for issue under the stock compensation plan is 10% of the issued and outstanding common shares. During the quarter, compensation from vesting stock-based compensation awards was recognized, due to previously granted options and restricted shares.

Stock-based compensation was $0.9 million for 2016 compared with $1.3 million in 2015.

G&A-related depreciation and amortization expenses for the three months ended December 31, 2016, were $1.0 million compared with $1.0 million for the same quarter of 2015.

G&A-related depreciation and amortization expenses for the year ended December 31, 2016, were $2.2 million compared with $1.7 million for the prior year.

Other Expenses

In thousands Canadian $	3 Months Ended December 31 2016	2015	% Change	Year Ended December 31 2016	2015	% Change
Other (Expenses)	($6,627)	($7,895)	(16%)	($11,657)	($15,577)	(25%)
% of Revenue	(134%)	(107%)	(27%)	(62%)	(51%)	(11%)

Other expenses for the three months ended December 31, 2016, was $6.6 million, a $1.3 million decrease compared to $7.9 million for the same period in 2015. The decrease in other expenses for the fourth quarter of 2016 of $1.3 million is attributable to (1) an increase in foreign exchange gains of $1.3 million, (2) a decrease in inventory obsolescence of $0.6 million, (3) a reduction in bad debt recovery of $1.0 million, and (4) a gain on debt forgiveness of $0.2 million, which were offset by (5) an increase in impairment of PP&E of $0.4 million, (6) a decrease in recoverable sales taxes in China of $1.1 million, (7) an increase in impairment of prepaid expense impairment of $0.2 million and (8) an increase of $0.1 million in interest expenses and other expenses.

Other expenses for the year ended December 31, 2016, decreased from $15.6 million in 2015 to $11.7 million for the current year or a decrease of $3.9 million. The decrease in other expenses for the full year 2016 of $3.9 million is attributable to (1) an increase in foreign exchange gains of $4.1 million, (2) a decrease in inventory obsolescence of $0.7 million, (3) a reduction in bad debt recovery of $1.2 million, (4) a gain on debt forgiveness of $0.2 million and (5) an increase in other income of $1.4 million, which were offset by (5) an increase in impairment of PP&E of $0.4 million, (6) a decrease in recoverable sales taxes in China of $2.7 million, (7) an increase in interest expenses of $0.4 million and (8) an increase in prepaid expense impairment of $0.2 million.

Foreign Exchange Gains (Losses)

Exchange rates Noon rate (as compared to the Canadian $)	2016 31-Dec	2016 30-Sep	2016 30-Jun	2016 31-Mar	2015 31-Dec	2015 30-Sep	2015 30-Jun	2015 31-Mar
U.S. Dollars	0.7448	0.7624	0.7687	0.7710	0.7225	0.7466	0.8017	0.7885
Chinese RMB	5.1813	5.0839	5.1099	4.9727	4.6926	4.7461	4.9702	4.8876

Exchange rates Noon rate (as compared to the US $)	2016 31-Dec	2016 30-Sep	2016 30-Jun	2016 31-Mar	2015 31-Dec	2015 30-Sep	2015 30-Jun	2015 31-Mar
Chinese RMB	6.9437	6.6687	6.6443	6.44935	6.4952	6.3569	6.1998	6.1989

GLG reports in Canadian dollars but earns revenues in US dollars and Chinese renminbi (“RMB”) and incurs most of its expenses in RMB. Impacts of the appreciation or depreciation of the RMB against the Canadian dollar are shown separately in Accumulated Other Comprehensive Income (“AOCI”) on the Balance Sheet. As at December 31, 2016, the exchange rate for RMB per Canadian dollar was 5.1813 compared to the exchange rate of 4.6926 as at December 31, 2015, reflecting a depreciation of the RMB against the Canadian dollar. As at December 31, 2016, the exchange rate for USD per Canadian dollar was 0.7448 compared to the exchange rate of 0.7225 as at December 31, 2015, reflecting a depreciation of the USD against the Canadian dollar. The balance of the AOCI was $13.2 million on December 31, 2016, compared to a balance of $11.5 million as at December 31, 2015.

The foreign exchange gain or loss is made up of realized and unrealized gains or losses due to the depreciation or appreciation of the foreign currency against the Canadian dollar. Foreign exchange gains were $0.7 million for the fourth quarter of 2016 compared to the foreign exchange loss of $0.6 million for the comparable period in 2015. Foreign exchange gains for the twelve months ended December 31, 2016, were $1.8 million compared

to the foreign exchange losses of $2.2 million for the comparable period in 2015. The majority of the foreign exchange losses were due to the USD-denominated debt held by the Company. The table above shows the change in the Canadian dollar relative to the US dollar from December 31, 2015, to December 31, 2016, and the exchange rate movement for the Canadian dollar relative to the US dollar and RMB as shown above.

Net Loss Attributable to the Company

In thousands Canadian $	3 Months Ended	December 31	% Change	Year Ended	December 31	% Change
	2016	2015		2016	2015	
Net Loss	($10,148)	($11,580)	(12%)	($23,805)	($25,698)	(7%)
% of Revenue	(206%)	(157%)	(49%)	(126%)	(85%)	(41%)

For the three months ended December 31, 2016, the Company had a net loss attributable to the Company of $10.1 million, a decrease of $1.4 million or a 12% improvement over the comparable period in 2015 ($11.6 million loss). The decrease in net loss was driven by (1) a decrease in other expenses of $1.3 million and (2) a decrease in SG&A expenses of $0.7 million, which were offset by (3) a decrease in gross profit of $0.6 million.

For the year ended December 31, 2016, the Company had a net loss attributable to the Company of $23.8 million, a decrease of $1.9 million or an improvement of 7% over the comparable period in 2015 ($25.7 million loss). The decrease in net loss was driven by a decrease in other expenses of $3.9 million, which was offset by a decrease in gross profit of $2.0 million.

Comprehensive Loss

In thousands Canadian $	3 Months Ended	December 31	% Change	Year Ended	December 31	% Change
	2016	2015		2016	2015	
Net Loss	($10,148)	($11,570)	(12%)	($23,805)	($25,698)	(7%)
Other Comprehensive Income (Loss)	$831	($351)	(337%)	$1,641	$5	34209%
% of Revenue	17%	(5%)	22%	9%	0%	9%
Total Comprehensive Loss	($9,317)	($11,920)	0%	($22,164)	($25,694)	(14%)

The Company recorded total comprehensive loss of $9.3 million for the three months ended December 31, 2016, comprising $10.1 million of net loss attributable to the Company and $0.8 million of other comprehensive income. The Company recorded total comprehensive loss of $11.9 million for the three months ended December 31, 2015, comprising $11.6 million of net loss attributable to the Company and $0.4 million of other comprehensive loss.

The Company recorded a total comprehensive loss of $22.2 million for the year ended December 31, 2016, comprising $23.8 million of net loss attributable to the Company and $1.6 million of other comprehensive income. The Company recorded a total comprehensive loss of $25.7 million for the year ended December 31, 2015, comprising $25.7 million of net loss attributable to the Company and $0.0 million of other comprehensive income.

Summary of Quarterly Results

The selected consolidated information below has been gathered from GLG's quarterly condensed interim consolidated financial statements for the previous eight quarterly periods:

Quarterly Net Loss

In thousands Canadian $, except per share amounts	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Revenue	$4,928	$4,155	$4,329	$5,541	$7,357	$8,808	$8,033	$6,168
Gross Profit $	($365)	($127)	$3	$99	$236	$109	$892	$322
Gross Profit %	(7%)	(3%)	0%	2%	3%	1%	11%	5%
Net Loss	($10,148)	($5,291)	($4,021)	($4,345)	($11,580)	($5,850)	($3,514)	($4,790)
Basic Income (Loss) Per Share	($0.27)	($0.14)	($0.11)	(0.11)	($0.31)	($0.15)	($0.09)	($0.13)

For the three months ended December 31, 2016, the Company had a net loss attributable to the Company of $10.1 million, a decrease of $1.4 million or a 12% improvement over the comparable period in 2015 ($11.6 million loss). The decrease in net loss was driven by (1) a decrease in other expenses of $1.3 million and (2) a decrease in SG&A expenses of $0.7 million, which were offset by (3) a decrease in gross profit $0.6 million.

For the three months ended September 30, 2016, the Company had a net loss of $5.3 million, a decrease of $0.6 million or 10% over the comparable period in 2015 ($5.9 million loss). The $0.6 million decrease in net loss was driven by (1) a decrease in other expenses ($0.8 million), which was offset by (2) a decrease in gross profit ($0.2 million) and (3) an increase in G&A expenses ($0.1 million).

For the three months ended June 30, 2016, the Company had a net loss of $4.0 million, an increase of $0.5 million or 14% over the comparable period in 2015 ($3.5 million loss). The increase in net loss was driven by (1) a decrease in gross profit ($0.9 million) and (2) an increase in G&A expenses ($0.2 million), which were offset by a decrease in other expenses ($0.6 million).

For the three months ended March 31, 2016, the Company had a net loss attributable to the Company of $4.3 million, a decrease of $0.5 million or a 9% improvement over the comparable period in 2015 ($4.8 million loss). The decrease in net loss was driven by (1) a decrease in other expenses ($1.3 million), which was offset by (2) an increase in SG&A expenses ($0.6 million) and (3) a decrease in gross profit ($0.2 million).

For the three months ended December 31, 2015, the Company had a net loss attributable to the Company of $11.6 million, a decrease of $8.8 million or a 43% improvement over the comparable period in 2014 ($20.4 million loss). The decrease in net loss was driven by (1) a decrease in other expenses ($10.1 million), which was offset by (2) an increase in SG&A expenses ($1.2 million) and (3) a decrease in income tax recovery ($0.1 million).

For the three months ended September 30, 2015, the Company had a net loss attributable to the Company of $5.9 million, a decrease of $0.9 million or a 14% improvement over the comparable period in 2014 ($6.8 million loss). The decrease in net loss was driven by (1) an increase in gross profit ($2.2 million), which was offset by (2) increased G&A expenses ($0.3 million) and (3) an increase in other expenses ($0.9 million).

For the three months ended June 30, 2015, the Company had a net loss attributable to the Company of $3.5 million, an increase of $0.7 million over the control comparable period in 2014 ($2.8 million loss). The increase in net loss was driven by (1) increased G&A expenses ($0.3 million) and (2) an increase in other expenses ($0.9 million), which was offset by (3) increased gross profit ($0.5 million).

For the three months ended March 31, 2015, the Company had a net loss attributable to the Company of $4.8 million, a decrease of $0.2 million or a 4% improvement over the comparable period in 2014 ($5.0 million loss). The decrease in net loss was driven by (1) increased gross profit ($0.9 million), which was offset by (2) an increase in G&A expenses ($0.6 million) and (3) an increase in other expenses ($0.1 million).

Quarterly Basic and Diluted Loss per Share

The basic loss and diluted loss per share from operations was $0.27 for the three months ended December 31, 2016, compared with a basic and diluted net loss from both continuing and discontinued operations of $0.31 for the same period in 2015. For the three months ended December 31, 2016, the Company had a net loss attributable to the Company of $10.1 million, a decrease of $1.4 million or a 12% improvement over the comparable period in 2015 ($11.6 million loss). The decrease in net loss was driven by (1) a decrease in other expenses of $1.3 million and (2) a decrease in SG&A expenses of $0.7 million, which were offset by (3) a decrease in gross profit $0.6 million.

The basic loss and diluted loss per share from operations was $0.14 for the three months ended September 30, 2016, compared with a basic and diluted net loss of $0.15 for the same period in 2015. For the three months ended September 30, 2016, the Company had a net loss of $5.3 million, a decrease of $0.5 million or 10% over the comparable period in 2015 ($5.8 million loss). The $0.5 million decrease in net loss was driven by (1) a decrease in other expenses ($0.8 million), which was offset by (2) a decrease in gross profit ($0.2 million) and (3) an increase in G&A expenses ($0.1 million).

The basic loss and diluted loss per share from operations was $0.11 for the three months ended June 30, 2016, compared with a basic and diluted net loss of $0.09 for the same period in 2015. For the three months ended June 30, 2016, the Company had a net loss of $4.0 million, an increase of $0.5 million or 14% over the comparable period in 2015 ($3.5 million loss). The increase in net loss was driven by (1) a decrease in gross profit ($0.9 million) and (2) an increase in G&A expenses ($0.2 million), which were offset by a decrease in other expenses ($0.6 million).

The basic loss and diluted loss per share from operations was $0.11 for the three months ended March 31, 2016, compared with a basic and diluted net loss from both continuing and discontinued operations of $0.13 for the same period in 2015. For the three months ended March 31, 2016, the Company had a net loss attributable to the Company of $4.3 million, a decrease of $0.5 million or a 9% improvement over the comparable period in 2015 ($4.8 million loss). The decrease in net loss was driven by (1) a decrease in other expenses ($1.3 million), which was offset by (2) an increase in SG&A expenses ($0.6 million) and (3) a decrease in gross profit ($0.2 million).

The basic loss and diluted loss per share from operations was $0.31 for the three months ended December 31, 2015, compared with a basic and diluted net loss from both continuing and discontinued operations of $0.60 for the same period in 2014. For the three months ended December 31, 2015, the Company had a net loss attributable to the Company of $11.2 million, a decrease of $9.2 million or a 45% improvement over the comparable period in 2014 ($20.4 million loss). The decrease in net loss was driven by (1) a decrease in other expenses ($10.1 million), which was offset by (2) an increase in SG&A expenses ($1.2 million) and (3) a decrease in income tax recovery ($0.1 million).

The basic loss and diluted loss per share was $0.15 for the third quarter of 2015 compared with a basic and diluted net loss of $0.20 for the comparable period in 2014. For the three months ended September 30, 2015, the Company had a net loss attributable to the Company of $5.9 million, a decrease of $0.9 million or a 14% improvement over the comparable period in 2014 ($6.8 million loss). The decrease in net loss was driven by (1) an increase in gross profit ($2.2 million), which was offset by (2) increased G&A expenses ($0.3 million) and (3) an increase in other expenses ($0.9 million).

The basic loss and diluted loss per share was $0.09 for the second quarter of 2015 compared with a basic and diluted net loss of $0.08 for the comparable period in 2014. For the three months ended June 30, 2015, the Company had a net loss attributable to the Company of $3.5 million, an increase of $0.7 million over the

comparable period in 2014 ($2.8 million loss). The increase in net loss was driven by (1) increased G&A expenses ($0.3 million) and (2) an increase in other expenses ($0.9 million), which was offset by (3) increased gross profit ($0.5 million).

The basic loss and diluted loss per share was $0.13 for the first quarter of 2015 compared with a basic and diluted net loss of $0.15 for the comparable period in 2014. For the three months ended March 31, 2015, the Company had a net loss attributable to the Company of $4.8 million, a decrease of $0.2 million over the comparable period in 2014 ($5.0 million loss). The decrease in net loss was driven by (1) increased gross profit ($0.9 million), which was offset by (2) an increase in G&A expense ($0.6 million) and (3) an increase in other expenses ($0.1 million).

NON-GAAP Financial Measures

Gross Profit (Loss) Before Capacity Charges

This non-GAAP financial measure shows the gross profit (loss) before the impact of idle capacity charges are reflected on the gross profit margin. GLG had only 50% of its production facilities in operation in 2016 and idle capacity charges have a material impact on the gross profit (loss) line in the financial statements.

Gross Profit (Loss) before capacity charges for the three months ended December 31, 2016, was negative $0.4 million or minus 8% of fourth quarter revenues compared to $0.5 million or 7% of fourth quarter revenues in 2015. The largest contributor to the negative margin before capacity charges was sales from monk fruit as described in the gross profit section above. There was improved gross margins on international stevia sales offsetting the reduction in gross profit contribution from monk fruit sales and other natural ingredients sales in the fourth quarter of 2016 relative to the comparable period in 2015.

Gross Margin before capacity charges for the year ended December 31, 2016, was $2.0 million or 11% of 2016 revenues, compared to $3.9 million or 13% of 2015 revenues. Lower margins on monk fruit sales and other natural ingredient sales were the primary factors for the net 2 percentage point decrease. Partially offsetting these declines was improved profitability from international stevia sales.

Earnings Before Interest Taxes and Depreciation (“EBITDA”) and EBITDA Margin

In thousands Canadian $	3 Months Ended 2016	December 31 2015	% Change	Year Ended 2016	December 31 2015	% Change
Loss Before Income Taxes	($10,148)	($11,580)	(12%)	($23,805)	($25,698)	(7%)
Add:						
Provisions for inventories	$1,040	$1,595	(35%)	$1,120	$1,794	(38%)
Recoveries for receivables	$82	$1,066	(92%)	($446)	$712	(163%)
Provisions for PPE impairment	$2,269	$1,911		$2,277	$1,911	
Provision for prepaids	$72	($99)	(173%)	$90	($108)	(184%)
Depreciation and Amortization	$1,132	$2,046	(45%)	$5,491	$6,322	(13%)
Provision for sales taxes recoverable	$0	($1,147)	(100%)	$0	($2,702)	(100%)
Provision for tax penalty	$720	$701	3%	($566)	$860	(166%)
Net Interest Expense	$3,400	$3,290	3%	$11,245	$10,871	3%
Foreign Exchange Gain & Loss	($956)	$579	(265%)	($2,064)	$2,241	(192%)
Non-Cash Share Compensation	$256	$277	(8%)	$947	$1,257	(25%)
EBITDA	($2,133)	($1,361)	57%	($5,711)	($2,543)	125%
EBITDA as a % of revenue	(43%)	(19%)	(25%)	(30%)	(8%)	(22%)

EBITDA for the three months ended December 31, 2016, was negative $2.1 million or negative 43% of revenues, compared to negative $1.4 million or negative 19% of revenues for the same period in 2015. EBITDA was lower by 24 percentage points for the three-month period ended December 31, 2016. The decrease in EBITDA for the quarter is primarily attributable to lower margin on monk fruit sales and lower sales in the fourth quarter of 2016 compared to the previous year.

EBITDA for the year ended December 31, 2016, was negative $5.7 million or negative 30% of revenues compared to negative $2.5 million or negative 8% of revenues for 2015. EBITDA margin declined by 22 percentage points in 2016 attributable to lower margin on monk fruit sales and lower sales in fiscal 2016 compared to the previous year.

Liquidity and Capital Resources

In thousands Canadian $	31-Dec-16	31-Dec-15
Cash and Cash Equivalents	$ 1,563	$ 2,327
Working Capital	$ (101,730)	$ (92,078)
Total Assets	$ 55,127	$ 76,038
Total Liabilities	$ 142,555	$ 142,249
Loan Payable (<1 year)	$ 73,612	$ 73,656
Loan Payable (>1 year)	$ 27,159	$ 30,321
Total Equity	$ (87,428)	$ (66,210)

The Company continues to progress with the following measures to manage cash flow of the Company: reducing accounts payable, negotiating with creditors for extended payment terms, working closely with the banks to restructure its loans, arranging financing with its Directors and other related parties, and reducing operating expenditures including general and administrative expenses and production-related expenses.

Total loans payable (both short-term and long-term) is $100.8 million as of December 31, 2016, a decrease of $3.2 million compared to the previous year ($103.9 million). The decrease in loans was driven by the depreciation of the RMB against the Canadian dollar.

The Company continued to work with its Chinese banks on restructuring its Chinese debt in 2016. The total of all China bank loans transferred to state-owned capital management company ("SOCMC") now accounts for approximately 74% of the Company's outstanding debt with Chinese banks. The nature of the business of these SOCMCs differs from banks, in that they take a long-term outlook on management of debt. For example, instead of simply requiring loan principal and interest payments, the SOCMCs aim to manage debts with greater flexibility, such as long-term loan terms, debt for equity arrangements, flexible debt retirement, and other long-term instruments. This debt is held at the Chinese subsidiary level, and any such potential arrangements would therefore be done at that level rather than at the corporate level. These SOCMCs could also be a source of possible future capital.

The Company is still in discussions with these SOCMCs as to final terms – including interest rate and term of the debt – for the transferred debt. Until such terms are confirmed in a formal agreement, the terms of the original loan are represented in the financial statements.

The Company's main initiative to improve its negative working capital position is a potential debt restructuring involving the State-Owned Capital Management Companies and China Banks where the Company's operating

subsidiaries owe $63.4 million in short-term debt. The Company is developing a plan to restructure this short-term debt by converting all or a portion of this short-term debt into equity of the Company's Chinese operating subsidiary (see also section on Short-term and Long-term Loans).

The Company continues to be able to negotiate loans with its Directors and related family members to assist with short-term working capital requirements.

Cash Flows: Three Months Ended December 31, 2016 and 2015

Cash generated in operating activities was $1.3 million in the three-month period ended December 31, 2016, compared to $3.9 million generated by operating activities in the same period of 2015. Cash generated in operating activities decreased by $2.6 million year-over-year. This was the result of (1) cash generated in operations prior to changes in non-cash working capital being $6.9 million less than the same period last year and (2) cash generated by non-cash working capital being $4.3 million higher than the same period last year. The $4.3 million higher cash generated by non-cash working capital in the three months ended December 31, 2016, compared to the comparative 2015 period, was due to a reduction of cash used in inventory of $4.5 million, a net increase of cash from interest payable of $2.5 million, a net increase in cash from accounts payable and other payables of $3.6 million and a cash increased from deferred revenue of $0.3 million. These sources of cash were offset by a net decrease in cash generated by accounts receivables of $3.5 million, a net decrease in cash generated by prepaid expenses of $1.9 million and sales tax recoverable of $0.4 million, and a net decrease from the amounts due to related parties of $0.8 million.

Cash generated in investing activities was $0.1 million during the fourth quarter of 2016 related to selling short term investment of $0.2 million and the addition of a new stevia production line at one facility to process enzymatically modified stevia ($0.1 million) compared to cash used in investing activities of $0.1 million in the same period in 2015.

Cash used by financing activities was $0.1 million in the fourth quarter of 2016 compared to cash generated from financing of $1.8 million in the same period in 2015. The $1.9 million decrease of cash generated from financing was primarily driven by a decrease in financing from related party loans of $1.9 million.

Cash Flows: Year Ended December 31, 2016 and 2015

Cash flow generated in operating activities was $0.3 million in the year December 31, 2016, compared to $5.6 million in 2015. Cash generated from operating activities decreased by $5.3 million year-over-year. This was the result of cash used in operations prior to changes in non-cash working capital being $4.3 million lower than the last year and cash generated from non-cash working capital being $1.0 million lower in the current year compared to the 2015. The $1.0 million lower cash generated from non-cash working capital for the year ended December 31, 2016, compared to the comparative 2015 period, was due to cash generated by accounts receivables of $2.0 million, cash increased from accounts payable of $1.3 million and deferred revenue of 0.3 million, which was offset by a reduction in the cash generated from inventory of $1.8 million, a reduction in cash from taxes recoverable of $1.0 million, a reduction in the cash generated from prepaid expenses of $1.1 million, a reduction in cash from interest payable of $0.5 million and a reduction in cash from related parties of $0.2 million.

Cash used by investing activities was $0.6 million in 2016 related to additional plant modifications at one facility for enzymatically modified stevia extracts compared to cash used by investing activities of $1.2 million in 2015.

Cash used in financing activities was $0.0 million in 2016, compared to cash generated from financing activities of $0.8 million in 2015. The decrease of cash used in financing of $0.8 million was driven by the net decrease in in financing from related party loans of $0.8 million.

Selected Annual Information

In thousands Canadian $,	2016	2015	2014
Gross Revenue	$18,953	$30,365	$19,982
Net Income (Loss)	($23,805)	($25,709)	($35,011)
Total Assets	$55,127	$76,027	$71,903
Non-current financial liabilities	$27,765	$30,527	$25,144
Basic and diluted	($0.63)	($0.68)	($1.02)
Diluted	($0.63)	($0.68)	($1.02)

Revenues decreased in 2016 compared to the previous year mainly due to the decrease in the monk fruit business. GLG changed distributors in 2016 for stevia and monk fruit and it has taken us time to rebuild market share in the monk fruit business. GLG announced its Global Distribution Agreement with Archer Daniel Midlands in June 2016. Management sees this agreement as key to addressing the decline in sales in 2016 and to drive revenue growth in the future. The second reason for the lower revenues was the lower sales of other natural ingredients in 2016 compared to 2015. Compared to 2014 ($19.9 million in revenues), revenues in 2016 were down 5%; however, the mix of sales from China-based sales (to other stevia manufacturers) to international sales has steadily increased from 42% in 2014 to 91% in 2016.

The Company has incurred significant losses for the past three years. In 2014 the Company incurred a $35.0 million loss. One of the major drivers of the loss was related to impairments on current and fixed assets ($12.9 million) including impairments to recoverable sales taxes and prepaid expenses in China ($5.2 million), Plant, Property and Equipment ($6.0 million) related to its ion resin equipment and inventory impairments due to obsolescence ($1.7 million). The Company also incurred $7.9 million in interest expenses, which is another major driver of the loss. The Company also had significant operating charges related to its idle facilities during the past three years, at approximately $1.9 million driving a $2 million gross loss before sales, general and administration costs.

In 2015 the Company incurred a $25.7 million loss, a $9.3 million improvement over the 2014 loss. One of the major drivers of the loss was related to impairments on current and fixed assets ($3.5 million) including Plant, Property and Equipment ($1.9 million) related to its ion resin equipment and inventory impairments due to obsolescence ($1.8 million). The Company also incurred $10.9 million in interest expenses, which is another major driver of the loss for the year. The Company also had significant operating charges related to its idle facilities during the past three years, at approximately $2.3 million on $1.6 million gross profit before sales, general and administration costs.

In 2016 the Company further reduced its loss to $23.8 million from the loss incurred in 2015. Interest expenses for the year were $11.3 million and impairment charges to current and fixed assets of $3.4 million. The Company also had significant operating charges related to its idle facilities during the past three years, at approximately $2.5 million on $0.4 million gross loss before sales, general and administration costs.

The key items the Company is pursuing to continue to reduce the annual losses and move the Company to profitability are:

1. Increase stevia and monk fruit sales through its Global Partnership with ADM
2. Restructure debt with Chinese Banks into equity into its China subsidiary
3. Reduce production and other operating costs

Financial Resources

Cash and cash equivalents decreased by $0.8 million during the year ended December 31, 2016, from December 31, 2015. Working capital declined by $9.6 million from the year-end 2015 position to negative $101.7 million. The working capital decrease can be attributed to (1) a decrease in current assets ($6.6 million), (2) an increase in interest payable ($4.8 million), and (3) an increase in due to related parties ($4.4 million), which were offset by (4) a decrease in accounts payable ($1.9 million) and (5) a decrease in short-term loans ($4.3 million).

The Company's working capital and working capital requirements fluctuate from quarter to quarter depending on, among other factors, the annual stevia harvest in China (third and fourth quarter each year) and the production output along with the amount of sales conducted during the period. The value of raw material in inventory has historically been the highest in the fourth quarter due to the fact that the Company purchases leaf during the third and fourth quarter for the entire production year, which runs October through September each year. The Company's principal working capital needs include accounts receivable, taxes receivable, inventory, prepaid expenses, other current assets, and accounts payable and interest payable.

Balance Sheet

As at December 31, 2016, in comparison to December 31, 2015, the total assets decreased by $20.9 million. This decrease was split between a decrease in current assets of $6.6 million and a decrease in fixed assets of $14.3 million.

The decrease in the current assets was driven by decreases in (1) cash and cash equivalents ($0.8 million), (2) accounts receivable ($0.6 million), (3) inventory ($4.7 million), and (4) taxes recoverable ($0.5 million).

The net decrease in the fixed assets of $14.3 million was due to (1) a depreciation of the RMB against the Canadian dollar ($8.5 million), (2) amortization ($4.3 million) and (3) impairment ($2.3 million), which were offset by capital additions ($0.8 million) related to the Company's enzymatically modified stevia production line implemented during the year ended December 31, 2016.

Current liabilities increased by $3.1 million as at December 31, 2016, in comparison to December 31, 2015, and was driven by (1) an increase in interest payable ($4.8 million), (2) an increase in due to related parties ($4.3 million) and (3) an increase in deferred revenue ($0.3 million), which were offset by (4) bank loan reductions ($4.4 million) and (5) a decrease in accounts payable ($1.9 million).

The decrease in long-term liabilities of $2.8 million was driven by (1) the decrease in long term loans ($2.4 million) and (2) a decrease in loans and accrued interest from related parties ($0.8 million), which were offset by (3) an increase in liabilities on derivatives ($0.4 million).

The Company has been working on improving its working capital deficiency situation, which was driven by the impairments to inventory, accounts receivable, sales taxes recoverable and prepaid expenses over the years 2011, 2012, 2013, 2014 and 2015 (these impairments totaled approximately $122 million as of December 31, 2016). The Company has renewed a loan with one of its Directors to assist in the financing of the Company, and has raised new loans with both additional related parties during the year ($0.2 million as of December 31, 2016) for working capital purposes.

Shareholders' equity decreased by $21.2 million due to an increase in deficit of $23.8 million, which was offset by an increase in common stock of $1.0 million from the vesting of restricted shares and stock options and an increase in the AOCI account of $1.6 million.

Short-Term and Long-Term Loans

The Company's short-term loans consisted of borrowings from various banks in China $63,386,713 (2015 - $70,009,287) and loan from private lenders $2,251,081 which was reclassified from long term loan in 2015 (2015-2,407,268) as follows:

Bank Loans as at December 31, 2016

	Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
	$ 579,005	3,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
	5,404,049	28,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
	1,930,018	10,000,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
	1,887,557	9,780,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
	9,953,427	51,571,696	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
	15,440,141	80,000,000	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
	15,282,816	79,184,858	On Demand	11.97%	Bank of Communication
	3,369,324	17,457,477	On Demand	8.83%	China Cinda Assets Management Anhui Branch
	8,207	42,523	On Demand	8.83%	China Cinda Assets Management Anhui Branch
	1,331,712	6,900,000	July 26, 2017	5.82%	Huishang Bank
	5,790,053	30,000,000	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
	2,410,404	12,489,025	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
Short-term	$ 63,386,713	328,425,578			

Bank Loans as at December 31, 2015:

	Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
	$ 639,304	3,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
	5,966,841	28,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
	2,131,015	10,000,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
	2,084,132	9,780,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
	10,990,090	51,572,096	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
	17,048,118	80,000,000	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
	16,874,410	79,184,858	On Demand	11.97%	Bank of Communication
	3,720,214	17,457,477	On Demand	9.24%	China Cinda Assets Management Jiangsu Branch
	9,062	42,523	On Demand	8.83%	China Cinda Assets Management Jiangsu Branch
	1,491,710	7,000,000	July 1, 2016	5.82%	Huishang Bank
	6,393,044	30,000,000	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
	2,661,430	12,489,025	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
Short-term	$ 70,009,287	328,525,978			

The Company continued to work with its Chinese banks on restructuring its Chinese debt in 2016. In 2015, the Construction Bank of China successfully transferred GLG's debt to China Cinda Assets Management Co. and the Agricultural Bank of China successfully transferred GLG's debt to China Hua Rong Assets Management Co., each of which is a state-owned capital management company ("SOCMC"). The total of all China bank loans transferred to SOCMC's now account for approximately 74% of the Company's outstanding debt with Chinese banks. The nature of the business of these SOCMCs differs from banks, in that they take a long-term outlook on management of debt. For example, instead of simply requiring loan principal and interest payments, the SOCMCs aim to manage debts with greater flexibility, such as long-term loan terms, debt for equity arrangements, flexible debt

retirement, and other long-term instruments. This debt is held at the Chinese subsidiary level, and any such potential arrangements would therefore be done at that level rather than at the corporate level. These SOCMCs could also be a source of possible future capital.

The Company has continuously worked with its Chinese banks and SOCMC's on restructuring its debt during the year ended 2016. As of December 31, 2016, the Chinese debt with the Agricultural Bank of China had been transferred to China Huarong Asset Management Co., Ltd. ("Huarong"). The Chinese debt with the Construction Bank of China had been transferred to China Cinda Assets Management Co., Ltd. ("Cinda"). Both Huarong and Cinda are SOCMCs.

The Company is still in discussions with these SOCMCs as to final terms – including interest rate and term of the debt – for the transferred debt. Until such terms are confirmed in a formal agreement, the terms of the original loan are represented in the financial statements.

The assets of the Company's subsidiaries including inventory and property, plant and equipment have been pledged as collateral for these bank loans. (See Notes 8, 10 in the Financial Statements).

Short-term Borrowing from Private Lenders:

December 31, 2014	$	2,010,965
Additions		1,284,948
Repayments		(1,210,365)
Foreign currency translation		321,720
December 31, 2015	$	2,407,268
Additions		27,536
Repayments		(27,536)
Foreign currency translation		(156,188)
December 31, 2016	$	2,251,081

This loan balance consists of two loans.

The first loan principal and accrued interest amount as of December 31, 2016, is $1,306,202 and bears interest at 11.50% per annum, compounding quarterly. The loan will be payable on October 31, 2017, and does not have any attached covenants.

The second loan principal and accrued interest amount as of December 31, 2016, is $1,847,283 and bears interest at 20% per annum, compounding quarterly. The loan will be payable on October 20, 2017, and does not have any attached covenants. This loan provides a repayment option to the lender in either RMB or USD using a fixed foreign exchange rate of 6.1234. This option results in a liability of $33,506 (2015 - $10,711), which is accounted as liabilities on derivatives and included in unrealized foreign exchange losses. The fair value of the liability on derivatives was calculated using the Black-Scholes model with the following assumptions:

	2016	2015
Risk free interest	0.98%	1.06%
Expected life of the loan	1 year	3 years
Expected foreign currency volalitity	3.14%	3.73%

Financial and Other Instruments

The company is exposed to credit risk, liquidity risk and market risk. The Company's primary risk management objective is to protect its income and cash flows and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risks and related exposures are consistent with its business objectives and risk tolerance.

a) Credit risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

The Company's primary credit risk is on its cash and cash equivalents, short-term investments and accounts receivable. The Company has a high concentration of credit risk as the accounts receivable were owed by two major customers that make up 50% of the total accounts receivable. The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts, which are estimated by the Company's management based on prior experience and an assessment of the current economic environment. Significant management estimates are used to determine the allowance for doubtful accounts. The allowance for doubtful accounts is calculated by taking into account factors such as the Company's historical collection and write-off experience, the number of days the counterparty is past due, ongoing discussion with the customers and the status of the account. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk associated with the Company's accounts receivable. Given the current economic environment, the Company monitors the credit quality of the financial institutions it deals with on an ongoing basis

Allowance for credit losses		2016		2015
Openning balance	$	4,410,719	$	3,053,135
Increase(decrease) in AFDA		(804,419)		1,357,584
Ending Balance	$	3,606,300	$	4,410,719

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 22 of the Financial Statements. It also manages liquidity risk by continually monitoring actual and projected cash flows to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the undiscounted contractual maturities of the Company's financial liabilities at December 31, 2016 and 2015:

Financial liabilities	December 31, 2016			December 31, 2015		
	0 to 12 months		12 to 24 months	0 to 12 months		12 to 24 months
Accounts payable and accrued liabilities	$	19,521,154	-	$	21,507,819	-
Deferred revenue		302,827	-		-	-
Short-term loans		65,637,794	-		70,009,287	-
Long-term loans		-	-		-	2,407,268
Interest payable		21,354,102	-		16,558,538	-
Due to related parties		7,974,276	27,158,725		3,646,295	27,913,376
	$	114,790,153	27,158,725	$	111,721,939	30,320,644

c) Market risk

Market risk is the risk that changes in market prices, such as fluctuations in the market prices of the Company's publicly traded investments, the Company's share price, foreign exchange rates and interest rates, will affect the Company's income, cash flows or the value of its financial instruments.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

ii) The Company is exposed to interest rate risk on its short-term investments, short-term loans and amounts due to related parties as at December 31, 2016. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2016, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of approximately $992,083 (December 31, 2015 - $1,016,495) on profit or loss.

iii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates. The Company conducts its business in U.S. dollars, Chinese renminbi ("RMB"), Canadian dollars and Hong Kong dollars. The Company is exposed to currency risk as the functional currency of its subsidiaries is other than Canadian dollars.

The majority of the Company's assets are held in subsidiaries whose functional currency is the RMB. The RMB is not a freely convertible currency. Many foreign currency exchange transactions involving RMB, including foreign exchange transactions under the Company's capital account, are subject to foreign exchange controls and require the approval of the People's Republic of China State Administration of Foreign Exchange. Developments relating to the PRC's economy and actions taken by the PRC government could cause future foreign exchange rates to vary significantly from current or historical rates. The Company cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into Canadian dollars, of the Company's net assets and net profits.

The Company cannot give any assurance that any future movements in the exchange rates of RMB against the Canadian dollar and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. Information on the net foreign exchange risk exposure on translating functional currency of the consolidated entities to the presentation currency with an impact on the other comprehensive income (loss) is provided in the following table:

	December 31, 2016					
		RMB balance		HK balance		US balance
Total financial assets	¥	46,163,035	HK$	2,273	$	453,698
Total financial liabilities		(526,293,789)		-		(758,470)
Net foreign exchange risk exposure	¥	(480,130,754)	HK$	2,273	$	(304,772)

As of December 31, 2016, assuming that all other variables remain constant, a change of 1% in the Canadian dollar against the RMB would have an effect on other comprehensive income (loss) of approximately $ 930,000 (2015 - $998,000).

The Company's U.S. operations, which are integrated operations, and Canadian operations are exposed to exchange rate changes between the U.S. dollar and the Canadian dollar. The Company's primary U.S. dollar exposure in Canada relates to the revaluation into Canadian dollars of its U.S. dollar denominated working capital.

The following table provides information on the Company's net foreign exchange risk exposure from its US and Canadian operations with an impact on the net income (loss):

	December 31, 2016	December 31, 2015
	US$	US$
Financial assets		
Cash	779,168	804,349
Accounts receivable	1,775,593	2,084,410
Financial liabilities		
Accounts payable and accruals	(5,467,784)	(5,147,730)
Interest payable	(678,475)	(325,661)
Short-term loan	(1,676,604)	-
Long-term loan	-	(1,739,251)
Due to related party	(24,889,936)	(22,220,062)
Net foreign exchange risk exposure	(30,158,038)	(26,543,945)

As of December 31, 2016, assuming that all other variables remain constant, an increase of 1%

in the Canadian dollar against the US dollar would have an effect on net income of approximately $403,280 (2015 - $305,798).

Contractual Obligations

a) Operating leases

The Company renewed two five-year operating leases with respect to land and production equipment at the Qingdao Runde factory in China. The leases expired on December 31, 2016, and renewed for another five-year term. The annual minimum lease payments are approximately $101,000 (RMB 500,000).

The Company signed a twenty-year land rental agreement in Qingdao. The agreement was signed on Feb 16, 2005, and expires on Feb 16, 2025. The terms are as follows:

- In the first 5 years the rent expense is approximately $2,000 (10,000 CNY) per year
- In the second 5 years the rent expense is approximately $2,300 (11,680 CNY) per year
- In the third 5 years the rent expense is approximately $2,733 (13,642 CNY) per year (the Company is currently at this rate)
- In the fourth 5 years the rent expense is $3,200 (15,934 CNY) per year

With the same vendor the Company also signed another rental agreement from Nov 8, 2006, to Nov 7, 2036. The annual rental expense is approximately $5,703 (28,576 CNY).

The Company's current office premises are leased under an eight-year agreement beginning August 1, 2016, and will expire on July 31, 2024. The lease payments for the year ended December 31, 2016, totals $151,609 (2015 – $164,586).

The minimum cash payments related to the above are summarized below:		Amount
2016	$	232,010
2017		296,030
2018		296,030
2019		328,040
Thereafter		1,004,310
Total	$	2,156,420

Capital Structure

Outstanding Share Data as at the date of this MD&A:

	31-Dec-16	31-Dec-15
Common Shares Issued	37,890,336	37,890,336
Reserved For Issuance	-	-
Stock Options	3,094,222	3,409,419
Total Reserved For Issuance	3,094,222	3,409,419
Fully Diluted Shares	40,984,558	41,299,755

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

Transactions with Related Parties

Transactions with Key Management Personnel

Key management personnel are those persons who have the authority and responsibility for planning, directing, and controlling activities of the Company directly or indirectly, including any external director of the Company.

Remuneration of key management of the Company is comprised of the following expenses:

		2016		2015
Short-term employee benefits (including salaries, bonuses, fees and social security benefits)	$	973,466	$	1,012,624
Share-based benefits	$	915,571	$	1,161,300
Total remuneration	$	1,889,037	$	2,173,924

Certain executive officers are subject to termination benefits. Upon resignation at the Company's request or in the event of a change in control, they are entitled to termination benefits ranging from 24 to 36 months of gross salary, totaling approximately $1,700,000.

Key management did not exercise stock options granted under the Company's stock option plan in the 2016 and 2015 fiscal years.

Amounts due to related parties

As of December 31, 2016, the Company has accrued $1,875,913 (2015 - $1,811,886) including 3% interest per annum in consulting fees to the Company's Chairman and Chief Executive Officer.

As of December 31, 2016, the Company has obtained loans under numerous credit facility agreements starting from April 2012 to November 2013 from the Company's Chairman and Chief Executive Officer that, along with accrued interest, total $25,282,811 (2015 - $24,595,160). The loan proceeds were used for corporate working capital purposes. Amended agreements specify that the loans are repayable within 72 months of the date of borrowing.

As of December 31, 2016, the Company has obtained a loan from a direct family member of the Company's Chairman and Chief Executive Officer that, along with accrued interest, totals $6,974,276 (2015 - $6,159,251) in order to provide working capital required for monk fruit extracts. The loan is secured by expected proceeds from monk fruit sales, bearing interest at 20% per annum and repayable within 6 months to 36 months of the loan date, depending on the debt facility agreement. As at December 31, 2016 these loans are all due within 12 months and are classified as current on the statement of Financial Position.

The combined total of the above loans, including the accrued interest, is $32,257,088 (2015 - $30,754,411) of which $6,974,276 is in current liabilities. These loans will be repaid by either GLG or its Chinese subsidiaries to the Lender in the currency the loans were originally borrowed (either USD or RMB), or, at the Lender's discretion, in the alternate currency.

These loans provide a repayment option to the lenders in either RMB or USD using a fixed foreign exchange rate of 6.1234. This option results in a liability of $572,496 (2015 - $195,206), which is accounted as liabilities on derivatives and unrealized foreign exchange losses. The assumptions for the fair value determination of the liability are the same as those outlined in note 12 of the Financial Statements.

Loan balance as of December 31, 2016

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	$ 7,739,070	April 27, 2012	April 27, 2018	Unsecured	Category 1	Chairman and CEO
	1,333,013	October 11, 2012	October 11, 2018	Unsecured	Category 1	Chairman and CEO
	4,244,192	May 30, 2013	May 30, 2018	Unsecured	Category 2	Chairman and CEO
	335,661	November 15, 2013	November 15, 2018	Unsecured	Category 1	Chairman and CEO
	2,175,438	October 20, 2014	October 20, 2017	Unsecured	Category 3	Direct family member of CEO
	2,487,592	October 15, 2015	On demand	Unsecured	Category 3	Direct family member of CEO
Principal amounts	**$ 18,314,965**					
Accrued interest	**13,942,122**					
	$ 32,257,088					

Loan balance as of December 31, 2015

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	$ 9,996,730	April 27, 2012	April 27, 2018	Unsecured	Category 1	Chairman and CEO
	2,159,129	October 11, 2012	October 11, 2018	Unsecured	Category 1	Chairman and CEO
	3,085,979	May 30, 2013	May 30, 2018	Unsecured	Category 2	Chairman and CEO
	346,021	November 15, 2013	November 15, 2018	Unsecured	Category 1	Chairman and CEO
	4,823,840	October 20, 2014	October 20, 2017	Unsecured	Category 3	Direct family member of CEO
	2,727,681	October 15, 2015	April 15, 2016	Unsecured	Category 3	Direct family member of CEO
	$ 23,139,380					
Payments	**(757,863)**	April 27, 2012	April 27, 2018	Unsecured	Category 1	Chairman and CEO
	(2,246,104)	October 20, 2014	October 20, 2017	Unsecured	Category 3	Direct family member of CEO
Principal amounts	**$ 20,135,413**					
Accrued interest	**10,618,998**					
	$ 30,754,411					

Category 1: China 10 year benchmark government bond rate plus 1100 basis points
Category 2: US 10 year benchmark government bond rate plus 1100 basis points for loans issued in USD or
China 10 year benchmark government bond rate plus 1100 basis points for loans issued in RMB
Category 3: 20%

As of September 15, 2016, the Company has renewed a loan of $1,000,000 from a Director of the Company to provide working capital required for Monk Fruit extracts. The loan is secured by expected proceeds from monk fruit sales, bearing interest at 15% per annum and repayable in full within twelve months of the Disbursement Date. As of December 31, 2016, the total amount due to this related party including interest was $1,000,000 (2015 - $805,260) and is classified under current liabilities.

Loan balance as of December 31, 2016

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Interest rate per annum	Related Parties
Principal amounts	$ 1,000,000	September 15, 2016	September 30, 2017	15.00%	Director
Accrued interests	$ -				
	$ 1,000,000				

Loan balance as of December 31, 2015

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Interest rate per annum	Related Parties
Principal amounts	$ 800,000	September 15, 2015	September 15, 2016	15.00%	Director
Accrued interests	$ 5,260				
	$ 805,260				

Disclosure Controls and Internal Controls over Financial Reporting

The Company's disclosure controls and procedures are designed to provide reasonable assurance that relevant information relating to the Company, including its consolidated subsidiaries, is made known to senior management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. As of the end of the period covered by this report, the Company's management evaluated, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim filings ("NI 52-109"). The Company's Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2016, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports the Company files or submits to the Canadian Securities Administrators ("CSA") is recorded, processed, summarized and reported within the time periods specified therein and accumulated and reported to management to allow timely discussions regarding required disclosure.

The Company's management, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, is also responsible for establishing and maintaining internal control over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and

the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in Canada.

Management assessed the effectiveness of the Company's internal control over financial reporting, as defined in NI 52-109, as of December 31, 2016. In making this assessment, management used the criteria set forth in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2016, the Company's internal control over financial reporting were effective.

It should be noted that while the officers of the Company have certified the Company's period - end filings, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or implemented, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Risks Related to the Company's Business

This section describes the material risks affecting the Company's business, financial condition, operating results and prospects. A prospective investor should carefully consider the risk factors set out below and consult with his, her or its investment and professional advisors before making an investment decision. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material, but which also may have a material adverse effect on the Company's business, financial condition, operating results or prospects. In that case, the trading price of the common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

There are a number of risk factors that could materially affect the business of GLG, which include but are not limited to the risk factors set out below. The Company has been structured to minimize these risks. More details about the following risk factors can be found in the Company's Annual Information Form filed on SEDAR at www.sedar.com.

- Intellectual Property Infringement
- Product Liability Costs
- Manufacturing Risk
- Inventory Risk
- Customer Concentration Risk
- Competition
- Government Regulations
- Consumer Perception of Products
- Changing Consumer Preferences
- Market Acceptance
- Dependence on Key Personnel
- Volatility of Share Prices

Risks Associated with Doing Business in the People's Republic of China

The Company faces the following additional risk factors that are unique to it doing business in China. More details about the following risk factors can be found in the Company's Annual Information Form.

- Government Involvement
- Changes in the Laws and Regulations in the People's Republic of China
- The Chinese Legal and Accounting System
- Currency Controls
- Additional Compliance Costs in the People's Republic of China
- Difficulties Establishing Adequate Management, Legal and Financial Controls in the People's Republic of China
- Capital Outflow Policies in the People's Republic of China
- Jurisdictional and Enforcement Issues
- Political System in the People's Republic of China

Additional Information

Additional information relating to the Company, including our Annual Information Form, is available on SEDAR (www.sedar.com). Additional information relating to the Company is also available on our website (www.glglifetech.com).