GLG LIFE TECH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of GLG Life Tech Corporation (the "Company") have been prepared by, and are the responsibility of, the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment on information currently available.

Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the annual consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Davidson & Company LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its *Internal Control-Integrated Framework*. Based upon its assessment, management concluded that, as of December 31, 2018, the Company's internal control over financial reporting was effective.

Dr. Luke Zhang (Signed)
Chairman and Chief Executive Officer

April 1, 2019

Simon Springett (Signed)
Interim Chief Financial Officer

April 1, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
GLG Life Tech Corporation

Opinion

We have audited the accompanying consolidated financial statements of GLG Life Tech Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 of the consolidated financial statements, which indicates that the Company incurred a net loss of $26,462,751 during the year ended December 31, 2018 and, as of that date, the Company's total deficit was $366,110,690. As stated in Note 3, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

April 1, 2019

GLG LIFE TECH CORPORATION

Consolidated Statements of Financial Position
As at December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Note		December 31, 2018		December 31, 2017
ASSETS					
Current Assets					
Cash		$	1,494,260	$	657,373
Accounts receivable	6		2,918,893		890,918
Sales taxes recoverable	7		573,410		682,506
Inventory	8		5,245,773		8,542,510
Prepaid expenses	9		505,862		416,023
Total Current Assets			10,738,198		11,189,330
Property, Plant and Equipment	10		33,204,840		37,649,275
Total Assets		$	43,943,038	$	48,838,605
LIABILITIES AND SHAREHOLDERS' DEFICIENCY					
Current Liabilities					
Short-term loans	12	$	65,977,969	$	64,208,418
Interest payable	13		36,350,197		27,145,356
Accounts payable and accruals	14		21,314,529		17,373,835
Due to related parties	15		35,924,477		28,961,281
Derivative liabilities	15		401,672		159,047
Total Current Liabilities			159,968,844		137,847,937
Total Liabilities			159,968,844		137,847,937
EQUITY					
Shareholders' Deficiency					
Share capital	17		199,514,412		198,483,160
Contributed surplus			67,162,825		55,282,248
Accumulated other comprehensive income			7,778,336		9,194,064
Deficit			(366,110,690)		(344,526,362)
Total Shareholders' Deficiency Attributable to Shareholders of GLG			(91,655,117)		(81,566,890)
Non-controlling Interest	16		(24,370,689)		(7,442,442)
			(116,025,806)		(89,009,332)
Total Liabilities and Shareholders' Deficiency		$	43,943,038	$	48,838,605

Going Concern (Note 3)
Commitments (Note 25)
See Accompanying Notes to the Consolidated Financial Statements
APPROVED ON BEHALF OF THE BOARD:

"Sophia Leung" Director

"Brian Palmieri " Director

GLG LIFE TECH CORPORATION

Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Year ended December 31	
	2018	2017
REVENUE	$ 16,582,604	$ 19,388,448
COST OF SALES (Note 18)	(14,650,020)	(18,483,258)
GROSS PROFIT	1,932,584	905,190
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 18)	(9,468,147)	(8,401,358)
OTHER INCOME (EXPENSES)		
Interest expense	(13,054,065)	(10,252,804)
Interest income	23,314	19,507
Property, plant and equipment impairment (Note 11)	(2,839,603)	(824,632)
Inventory impairment (Note 8)	(290,909)	(588,649)
Foreign exchange (loss) gain	(2,124,605)	285,000
Other expenses	(641,320)	(766,842)
Government tax rebate	-	2,057,885
	(18,927,188)	(10,070,535)
LOSS FOR THE YEAR	(26,462,751)	(17,566,703)
LOSS ATTRIBUTABLE TO:		
Non-controlling interest	(4,878,423)	(733,213)
Shareholders of GLG	(21,584,328)	(16,833,490)
Loss for the year	$ (26,462,751)	$ (17,566,703)
Item that will be reclassified subsequently to profit or loss		
Foreign exchange translation adjustment	(1,312,447)	(357,398)
COMPREHENSIVE LOSS FOR THE YEAR	$ (27,775,198)	$ (17,924,101)
Total other comprehensive loss attributable to:		
Shareholders of the Company	(1,415,728)	(339,863)
Non-controlling interest	103,281	(17,535)
	$ (1,312,447)	$ (357,398)
COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:		
Non-controlling interest	(4,775,142)	(750,748)
Shareholders of GLG	(23,000,056)	(17,173,353)
	$ (27,775,198)	$ (17,924,101)
NET LOSS PER SHARE (Note 20)		
Basic & diluted	$ (0.57)	$ (0.44)
Weighted Average Number of Common Shares Outstanding		
Basic and diluted	38,182,991	37,920,336

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Changes in Shareholders' Deficiency

As at December 31, 2018 and 2017

(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Restricted Shares	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Income ("AOCI")	Deficit	Total GLG Shareholders' Equity	Non-controlling Interest	Total Shareholders' Equity
Balance as at December 31, 2016	36,919,487	970,849	$ 197,849,958	$ 29,232,154	$ 13,183,038	$ (327,692,872)	$ (87,427,722)	$ -	$ (87,427,722)
Balance, January 1, 2017	36,919,487	970,849	$ 197,849,958	$ 29,232,154	$ 13,183,038	$ (327,692,872)	$ (87,427,722)	$ -	$ (87,427,722)
Vested restricted shares	100,000	(100,000)							
Share-based compensation	-	-	621,802	26,139	-	-	647,941	-	647,941
Options excercised	30,000		11,400				11,400		11,400
Reduction in investment in subsidiaries	-	-	-	26,023,955	(3,649,111)	-	22,374,844	(6,691,694)	15,683,150
Change in foreign currency translation	-	-	-	-	(339,863)	-	(339,863)	(17,535)	(357,398)
Net loss	-	-	-	-	-	(16,833,490)	(16,833,490)	(733,213)	(17,566,703)
Balance as at December 31, 2017	37,049,487	870,849	$ 198,483,160	$ 55,282,248	$ 9,194,064	$ (344,526,362)	$ (81,566,890)	$ (7,442,442)	$ (89,009,332)
Balance, January 1, 2018	37,049,487	870,849	$ 198,483,160	$ 55,282,248	$ 9,194,064	$ (344,526,362)	$ (81,566,890)	$ (7,442,442)	$ (89,009,332)
Vested restricted shares	150,000	(150,000)	-	-	-	-	-	-	-
Share-based compensation	-	-	601,095	-	-	-	601,095	-	601,095
Reduction in investment in subsidiaries (Note 14)	-	-	-	12,060,914	-	-	12,060,914	(12,153,105)	(92,191)
Options exercised	473,887	-	430,157	(180,337)	-	-	249,820	-	249,820
Change in foreign currency translation	-	-	-	-	(1,415,728)	-	(1,415,728)	103,281	(1,312,447)
Net loss	-	-	-	-	-	(21,584,328)	(21,584,328)	(4,878,423)	(26,462,751)
Balance as at December 31, 2018	37,673,374	720,849	$ 199,514,412	$ 67,162,825	$ 7,778,336	$ (366,110,690)	$ (91,655,117)	$ (24,370,689)	$ (116,025,806)

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Year ended December 31	
	2018	**2017**
Cash Flows From Operating Activities		
Net loss	$ (26,462,751)	$ (17,566,703)
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation (Note 17)	601,095	647,941
Depreciation of property, plant and equipment (Note 10)	3,332,046	4,362,211
Government tax rebate	-	(2,057,885)
Inventory impairment	290,909	588,649
Property, plant and equipment impairment (Note 11)	2,839,603	824,632
Unrealized foreign exchange (gain) loss	2,124,205	137,334
Interest expenses - non current	-	249,741
Changes in non-cash working capital items (Note 21)	18,529,673	9,353,925
Net cash from (used in) operating activities	1,254,780	(3,460,155)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(655,240)	(340,200)
Net cash used in investing activities	(655,240)	(340,200)
Cash Flow From Financing Activities		
Repayment of short-term loans	(117,660)	(76,800)
Exercise of stock options	-	11,400
Advances from related parties	1,655,055	4,037,677
Repayment to related parties	(972,075)	-
Debt restructure fees	-	(563,154)
Interest paid	(235,812)	(189,772)
Net cash from financing activities	329,508	3,219,351
Effect of exchange rate changes on cash	(92,161)	(324,147)
Net Change In Cash	836,887	(905,151)
Cash, beginning of the year	657,373	1,562,524
Cash, end of the year	$ 1,494,260	$ 657,373

See Accompanying Notes to the Consolidated Financial Statements

Supplemental Cash Flow Information (Note 21)

1. NATURE OF OPERATIONS

GLG Life Tech Corporation (the "Company") was incorporated under the *Business Corporation Act* (British Columbia), Canada. The registered office of the Company is located at Suite 100, 10271 Shellbridge Way, Richmond, British Columbia V6X 2W8. The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "GLG".

The Company is a vertically integrated producer of high-grade stevia and monk fruit extracts. The Company's business operates primarily through the manufacturing and sales of refined forms of stevia and monk fruit, and has operations in China and North America.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparative information, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements have been prepared on a historical costs basis except financial instrument measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for information related to cash flows. These consolidated financial statements are presented in Canadian dollars, except where otherwise indicated.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2018. These consolidated financial statements were approved for issuance by the Board of Directors on March 22, 2019.

3. GOING CONCERN

These consolidated financial statements have been prepared in accordance with IFRS accounting policies, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the year ended December 31, 2018, the Company incurred a loss of $26,462,751 (2017 - $17,566,703). As at December 31, 2018, the Company had an accumulated deficit of $366,110,690 (2017 - $344,526,362), working capital deficiency of $149,230,646 (2017 - $126,658,607) and cash inflow from operating activities of $1,254,780 (2017 – cash outflow $3,460,155).

These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company's operating assets and main manufacturing operations originate in China; the Company is therefore subject to the considerations and risks of operating in China. These include risks associated with the political and economic environment, foreign currency exchange and the legal system in China. Changes in the political and economic policies of the People's Republic of China ("PRC") government may materially and adversely affect the Company's business, financial condition and results of operations and may result in

3. GOING CONCERN, continued

the Company's inability to sustain growth and expansion. There is also no assurance that the Company will not be adversely affected by changes in other governmental policies or any unfavorable change in the political, economic or social conditions, laws or regulations, or the rate or method of taxation in China.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past three decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on the Company. The financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to the Company. In addition, the PRC government has in the past implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for the Company's products and consequently could have a material adverse effect on its business, financial condition and results of operations.

There are also uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. As noted above, most of the Company's manufacturing operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. The Company's subsidiaries in China are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on

3. GOING CONCERN, continued

a timely basis or at all, and which may be given retroactive effect. As a result, the Company may not be aware of a violation of these policies and rules until after the occurrence of the violation.

Furthermore, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection typically experienced in more developed legal systems. These uncertainties may impede the Company's ability to enforce the contracts it has entered into and could materially and adversely affect the Company's business, financial condition and results of operations.

Regarding risk associated with financial instruments generally, as of December 31, 2018 and 2017, substantially all bank loans were held by Chinese banks and state-owned capital management companies ("SOCMC"). The Company has provided its banks and SOCMCs guarantees and collateral agreements which could enable the banks and SOCMCs to exercise their rights against the Company's assets, because the Company has not made its principal or interest payments on time. Should the banks or SOCMCs exercise their respective rights, it could have a significant impact on the Company's ownership of its assets, and ultimately, its operations. The Company has provided collateral and guarantor agreements in multiple provinces in China, of which each is subject to local provincial rules. There is additional risk that the Company may be assessed additional interest and penalties. To the best of the Company's knowledge, the banks or SOCMCs have not taken any action on the Company's pledged assets to date.

The Company also relies heavily on related parties for funding and continued operations of the Company. Should the related parties not act in good faith, or decide to no longer fund the operations of the Company, there is a high risk that the operations of the Company could be significantly impacted adversely.

Finally, in the ordinary course of business, the Company is from time to time involved in legal proceedings and litigation. Presently, there are no legal proceedings and litigations that recently have had, or to the Company's knowledge, are reasonably possible to have, a material impact on the Company's financial positions, results of operations or cash flows. The Company did not accrue any loss contingencies in this respect as of December 31, 2018 and 2017, as the Company did not consider an unfavorable outcome in any material respects in these legal proceedings and litigations to be probable.

The above matters indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date. Acquisition costs are expensed in the period that they are incurred.

b) Functional currency

The functional currency is the currency of the primary economic environment in which the entity operates. The Company has determined that none of its subsidiaries operate in a hyper-inflationary economic environment. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("IAS") 21 *The effect of changes in foreign exchange rates.* For the analysis of the parent entity, the primary determining factors regarding revenue and labour, material and other costs were inconclusive. As a result, the secondary factors were considered. The secondary factors indicated that Canadian Dollars ("CAD") will be the primary currency in the future for financing activities. Therefore, the functional currency for GLG Canada is CAD. The reporting currency for the Company is CAD.

Foreign currency transactions are translated into the functional currency of the respective currency of the entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates as at the date when fair value was determined. Gains and losses are recorded in the statement of operations.

The results and financial position of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each statement of financial position presented are translated at the rate of exchange in effect as at the date of statement of financial position; (ii) income and expense items for each statement of operations are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income (loss).

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c) Basis of consolidation

These consolidated financial statements include the following subsidiaries:

	Jurisdiction of Incorporation	Ownership Interest 2018	Ownership Interest 2017	Functional Currency
Subsidiaries				
Agricultural High Tech Developments Limited	Marshall Islands	100%	100%	HKD
Anhui Runhai Biotechnology Joint Stock Co., Ltd.	China	67.08%	100%	RMB
GLG Life Tech US, Inc.	USA	100%	100%	USD

On July 20, 2016, ownership of three of the Company's Chinese wholly-owned foreign enterprises was transferred to Anhui Runhai Biotechnology Joint Stock Co., Ltd. ("Runhai"). During 2017 Runhai was approved by Chinese authorities to become a Joint Stock Company under Chinese law.

On June 1, 2018, the Company transferred its 100% ownership interest in its subsidiary Qingdao Runde Biotechnology Company, Ltd. ("Runde") to Runhai . As the Company has a 67.08% interest in Runhai, with 32.92% held by a non-controlling interest, the effect of this transfer was a disposition of 32.92% of its ownership interest in Runde. The reduction in the Company's ownership interest in Runde did not result in a loss of control and was recorded as an equity transaction. As a result of this transaction, Runhai has sole ownership of all other Chinese subsidiaries and the Company continues to own 67.08% of Runhai.

The four 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
Qingdao Runde Biotechnology Company Limited.

On July 1, 2017, BC 0833416 (formerly GLG Weider Sweet Naturals Corporation) was dissolved.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with these subsidiaries, and has the ability to use its control to affect the amount of these returns. For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Adjustments to non-controlling interest are accounted for as transactions with owners and adjustments that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

All intercompany transactions and balances are eliminated on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Impairment of financial assets at amortized cost

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments, continued

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

Fair value measurement

The Company classifies the fair value of financial instruments according to the following hierarchy based on the reliability of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's derivatives liabilities are measured based on level 2 inputs of the fair value hierarchy. The Company's financial instruments include cash, accounts receivable, sales tax recoverable, short term loans, accounts payable, interest payable and due to related parties. The carrying value of these financial instruments approximate their fair value due to their immediate or short term to maturity, or their ability for liquidation at comparable amounts.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell (“FVLCS”) and value in use (“VIU”). FVLCS is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties less the costs of disposal or current replacement cost method which is a valuation technique that reflects the amounts that could be required to replace the service capacity of the assets. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

For assets that generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit (“CGU”) to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

f) Cash

Cash consists of cash on hand and deposits held with banks readily convertible into cash and purchased with original maturities of three months or less.

g) Accounts receivable

Accounts receivable are initially recognized on the date they originate and are measured at fair value. Accounts receivable are subsequently measured at amortized cost with changes recorded in profit or loss. Impairment loss for accounts receivables are measured as the excess of the carrying amounts over the present value of future cash flows expected to derive from the accounts receivable, if any. The excess is allocated to an allowance for doubtful accounts and recognized in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

h) Inventory

Raw materials, work-in-progress and finished goods are measured at lower of cost, determined on a weighted average basis and net realizable value.

The cost of raw materials is comprised of purchase price, applicable taxes and other costs incurred in bringing inventory to their present location and condition. The cost of finished goods includes cost of materials and cost of conversion. The cost of conversion includes costs directly related to the units of production, such as direct labour, and fixed and variable production overheads, based on normal operating capacity.

The net realizable value of inventory is generally considered to be the selling price in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale.

The amount of any impairment of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any impairment of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

i) Property, plant and equipment

Recognition and measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary for use. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Land use rights have been accounted for as an asset in the consolidated financial statements. However, all lands in China are owned by the Chinese government (the "Government"). In accordance with the terms as established by Chinese law, the Government may sell the right to use the land for a specific period of time. If in the public interest there is a need to re-develop the land, the Government may revoke the right at any time. The purpose of the land use is restricted. In the event that the land is used for purposes outside the scope of the purpose for which they were granted, the Government could revoke such rights. Land use rights are recorded at cost less accumulated amortization and are amortized over 50 years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

j) Property, plant and equipment, continued

Subsequent costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Subsequent costs other than **maintenance** and repairs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Amortization

Amortization is calculated using the straight line method over the estimated useful lives of the assets as follows:

Ion exchange resin equipment - 15 years
Buildings - 20 years
Manufacturing equipment - 10 years
Motor vehicles, computer equipment, computer software, furniture and fixtures – 5 years
Bearer Plants - 10 years

Amortization is provided over the term of the lease on leasehold and land use rights. Amortization is not provided for construction in progress until the assets are ready for use.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k) Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

l) Revenue recognition

Revenue from all product sales of the Company is recognized when products are shipped to customers and ownership is transferred to customers, when the price is fixed or determinable and when the ultimate collection is reasonably assured. Customer prepayments are recorded as advances from customers and revenue is not recognized until the shipment of goods occurs. Shipping and handling costs related to product sales are included in cost of sales.

m) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions may represent obligations associated with the retirement of reclamation of long-lived assets. Provisions are not recognized for future operating losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

n) Share-based payments

The Company grants stock options and restricted shares to employees, directors, and consultants pursuant to the Stock Option and Restricted Share Plan. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. The fair value of restricted share units is determined using the fair value on the grant date.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility and expected life of the option. The Company estimates forfeitures at the grant date and revises the estimate as necessary if subsequent information indicates that actual forfeitures differ significantly from the original estimate. Changes in these assumptions can materially affect the fair value estimate.

o) Comprehensive income (loss)

Comprehensive income (loss) is comprised of net earnings (loss) for the period and other comprehensive income (loss). Included in accumulated other comprehensive income (loss) are foreign exchange amounts resulting from the translation of certain subsidiaries' functional currency to the Company's presentation currency.

p) Earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the period.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

p) Earnings per share, continued

Diluted net earnings per share is computed similar to basic net earnings per shares, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants at the beginning of the reporting period, if dilutive. The number of additional shares is calculated assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to repurchase common shares at the average market price during the reporting period. Stock options and warrants are dilutive when the market price of the common shares at the end of the period exceeds the exercise price of the options and warrants and when the Company generates net earnings.

q) Income taxes

Deferred taxes result from differences between the financial statement and tax bases of our assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. The effects of future changes in income tax laws or rates are not anticipated.

The Company is subject to income taxes in Canada and in other foreign jurisdictions. The calculation of our tax provision involves the application of complex tax laws and requires significant judgment and estimates. The deferred tax asset for each jurisdiction at each reporting date will be assessed for the possibility if the asset can be realized. The ultimate realization of a deferred tax asset is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. All available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies will be considered. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company accounts for income taxes under the asset and liability method which includes the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this approach, deferred taxes are recorded for the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year.

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) New standards, amendments and interpretations adopted

The following standards and amendments to existing standards have been adopted by the Company commencing January 1, 2018:

Financial instruments

The Company adopted all of the requirements of IFRS 9 – Financial Instruments ("IFRS 9") as of January 1, 2018. IFRS 9 replaces IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	Amortized cost
Amounts receivable	Amortized cost	Amortized cost
Sales tax recoverable	Amortized cost	Amortized cost
Short-term loans and interest payable	Amortized cost	Amortized cost
Accounts payable	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Derivatives liabilities	FVTPL	FVTPL

The Company did not restate prior periods and determined that the adoption of IFRS 9 resulted in no impact to the opening accumulated deficit on January 1, 2018.

Revenue Recognition

IFRS 15, Revenue from contracts with customers ("IFRS 15") supersedes IAS 18, Revenue, IAS 11, Construction contracts, and a number of revenue-related interpretations. IFRS 15 applies to all revenue arising from contracts with customers, unless those contracts are within the scope of other standards. A five step model is used to account for revenue arising from contracts with customers. Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires management to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The adoption of IFRS 15 did not have a material impact on the Company's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) New standards, amendments and interpretations not yet effective, continued

IFRS 16 'Leases' – This standard was published in January 2016 and becomes effective on January 1, 2019, replacing the existing guidance in IAS 17, 'Leases'. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The Company will adopt this standard effective January 1, 2019. Under this standard, the present value of lease commitments will be shown as a liability on the statement of financial position together with an asset representing the right of use, including those leases classified as operating leases under the current standard IAS 17. This implies higher amounts of depreciation expense and interest expense on lease liabilities will be recorded in the Company's consolidated net earnings or loss in 2019 and future years. Additionally, a corresponding reduction in general and administrative costs and/or production costs is expected.

The Company is in the process of completing its review and analysis of IFRS 16 and will apply IFRS 16 using the cumulative catch-up approach where the additional right-of-use assets and lease liabilities will be recorded from that date forward and will not require restatement of prior years' comparative information. The Company will provide the quantitative impact of adopting IFRS 16 in its first quarter 2019 unaudited condensed consolidated interim financial statements.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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.

a) 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.

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), 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).

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

a) Judgments, continued

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 Cash Generating 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 certain 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 CGUs for the purpose of impairment testing.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

a) Judgments, continued

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 11 for further details.

b) 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.

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 recognizes an impairment loss allowance for expected credit losses on trade accounts receivable, using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit

(Expressed in Canadian Dollars)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

b) Uncertainty estimation, continued

assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

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 year along with the assumptions and model used for estimating fair value for stock-based compensation transactions are disclosed in Note 17.

6. ACCOUNTS RECEIVABLE

		December 31, 2018		December 31, 2017
Current				
Accounts receivable	$	6,640,939	$	4,493,925
Allowance for doubtful accounts		(3,722,046)		(3,603,007)
	$	2,918,893	$	890,918

		Total
Allowance for doubtful accounts ("AFDA")		
As at December 31, 2016	$	3,606,300
Foreign exchange		(3,293)
As at December 31, 2017		3,603,007
Increase in AFDA		29,240
Foreign exchange		89,799
As at December 31, 2018	$	3,722,046

The aging analysis of trade receivables is as follows:

					Past due but not impaired				
		Total		Neither past due nor impaired		<90 days		91-180 days		>180 days
December 31, 2018	$	2,918,893	$	2,915,046	$	3,847	$	-	$	-
December 31, 2017	$	890,918	$	688,503	$	202,415	$	-	$	-

(Expressed in Canadian Dollars)

6. ACCOUNTS RECEIVABLE, continued

As of December 31, 2018, non-impaired trade receivable balances have no aging over twelve months. No accounts receivable has been pledged as general collateral for the credit facilities available to the Chinese subsidiaries.

7. SALES TAXES RECOVERABLE

Sales tax recoverable includes value-added taxes ("VAT") paid on purchases in China and Goods and Services Tax ("GST") paid in Canada. These taxes are recoverable from the respective authorities upon filing of the prescribed returns.

8. INVENTORY

		December 31, 2018		December 31, 2017
Raw materials	$	1,014,446	$	3,011,141
Work in progress		1,365,129		2,626,662
Finished goods		2,866,198		2,904,707
	$	5,245,773	$	8,542,510

For the year ended December 31, 2018, the Company recorded an inventory impairment of $290,909 (2017 - $588,649). In 2018, changes in raw materials, work in progress and finished goods included in cost of sales amounted to $9,854,984 (2017 - $13,710,666).

The carrying amounts of inventory have been pledged as general collateral for the loans from SOCMCs and a bank (Note 12).

9. PREPAID EXPENSES

		December 31, 2018		December 31, 2017
Prepayments for trade suppliers	$	378,937	$	361,467
Prepayments for utilities		35,369		32,025
Rent and deposits		18,903		18,903
Other		72,653		3,628
	$	505,862	$	416,023

(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Ion exchange resin equipment	Manufacturing equipment	Buildings & construction in progress	Leasehold & land use rights	Computer equipment & software	Motor vehicles & furniture and fixtures	Bearer plants	Total
Cost								
As at December 31, 2016	$ 2,218,237	$ 25,491,182	$ 43,611,002	$ 5,609,562	$ 486,311	$ 623,277	$ 276,050	$ 78,315,621
Additions	-	90,747	-	-	1,660	-	-	92,407
Impairment	-	-		(953,666)	-	-	-	(953,666)
Foreign currency adjustments	(8,138)	(41,325)	(14,266)	(9,662)	(451)	(582)	(26,298)	(100,723)
As at December 31, 2017	$ 2,210,099	$ 25,540,604	$ 43,596,736	$ 4,646,234	$ 487,520	$ 622,695	$ 249,752	$ 77,353,640
Additions	-	144,281	1,694	59,029	4,262	-	-	209,266
Disposals	-	(243,205)	(13,096)		-	-	-	(256,301)
Impairment		(9,919,820)	(615,202)		(251,090)	(158,515)		(10,944,627)
Foreign currency adjustments	221,853	1,219,896	1,869,644	91,947	13,901	15,877	7,125	3,440,243
As at December 31, 2018	$ 2,431,952	$ 16,741,756	$ 44,839,776	$ 4,797,210	$ 254,593	$ 480,057	$ 256,877	$ 69,802,221
Accumulated depreciation								
As at December 31, 2016	$ 1,553,816	$ 17,488,516	$ 15,304,316	$ 912,609	$ 372,377	$ 491,250	$ 126,042	$ 36,248,926
Depreciation	230,352	1,649,947	1,558,435	112,630	22,704	21,071	49,750	3,644,889
Impairment	-	-	-	(159,525)	-	-	-	(159,525)
Foreign currency adjustments	(2,247)	(14,581)	(11,333)	(1,159)	(293)	(409)	97	(29,925)
As at December 31, 2017	$ 1,781,921	$ 19,123,882	$ 16,851,418	$ 864,555	$ 394,788	$ 511,912	$ 175,889	$ 39,704,365
Depreciation	227,005	1,472,355	1,498,865	98,048	19,635	19,372	50,779	3,386,059
Disposals	-	(213,460)	(2,386)		-	-	-	(215,846)
Impairment		(7,759,349)			(205,217)	(140,457)		(8,105,023)
Foreign currency adjustments	130,704	891,247	777,943	25,521	10,253	13,324	(21,167)	1,827,825
As at December 31, 2018	$ 2,139,630	$ 13,514,675	$ 19,125,840	$ 988,124	$ 219,459	$ 404,151	$ 205,501	$ 36,597,380
Net book value								
As at December 31, 2017	$ 428,178	$ 6,416,722	$ 26,745,318	$ 3,781,679	$ 92,732	$ 110,783	$ 73,863	$ 37,649,275
As at December 31, 2018	$ 292,322	$ 3,227,081	$ 25,713,936	$ 3,809,086	$ 35,134	$ 75,906	$ 51,376	$ 33,204,840

The carrying amounts of property, plant and equipment have been pledged as general collateral for loans from SOCMCs and a bank (Note 12).

(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT, continued

Land use rights in China have remaining terms ranging from 40.25 to 40.5 years.

Amortization expense is included in the consolidated statement of operations under the following categories:

	Year ended December 31 2018	2017
Cost of sales	$ 1,865,950	$ 2,821,677
Selling, general and administrative expenses	1,466,096	1,540,534
	$ 3,332,046	$ 4,362,211

Depreciation expense for the year ended December 31, 2018, consists of $3,386,060 (2017 - $3,644,889) relating to current year depreciation on property, plant and equipment and $54,014 (2017 - $717,322) relating to deprecation capitalized to inventory for the respective years ended December 31, 2018 and December 31, 2017.

11. IMPAIRMENT OF FINITE LIFE INTANGIBLE ASSETS AND TANGIBLE ASSETS

During 2016 the Company carried out a comprehensive impairment review of its property, plant and equipment and recorded impairment losses in respect of manufacturing and ion exchange resin equipment, computer equipment and software and motor vehicles and furniture and fixtures based on the recoverable amount of these assets. The recoverable amount was estimated based on their fair value less costs to sell using the replacement cost method. These impairment losses are reflected in the balance of property, plant and equipment as at December 31, 2016.

Following December 31, 2016, additional indicators of impairment were identified with respect to specific items of property, plant and equipment for which further impairment losses were recorded as described below.

During 2017 the Company recorded an impairment loss of $824,632 in respect of land use rights for a lot of land that was rescinded by the Anhui provincial government. The land use rights were rescinded because the Company did not develop the lot of land according to the plan approved by the government.

During 2018, the Company recorded an impairment loss of $2,224,401 in respect of manufacturing equipment, motor vehicles and furniture and fixtures that are not in use and are not generating cash inflows. In addition, an impairment loss of $615,202 was recorded in respect of construction materials that are expected to be disposed of.

(Expressed in Canadian Dollars)

12. SHORT-TERM LOANS

The Company's short-term loans of $65,977,969 (2017- $64,208,418) consist of borrowings from banks and SOCMCs in China of $64,928,482 (2017 - $63,243,322) and a loan from a private lender of $1,049,487 (2017 - $965,096) as follows:

Bank loans as at December 31, 2018:

Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
$ 594,900	3,000,000	On Demand	9.57%	China Cinda Assets Management Anhui Branch
5,552,400	28,000,000	On Demand	9.57%	China Cinda Assets Management Anhui Branch
1,983,000	10,000,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
1,939,374	9,780,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
10,226,667	51,571,696	On Demand	7.77%	China Cinda Assets Management Anhui Branch
15,864,000	80,000,000	On Demand	7.77%	China Cinda Assets Management Anhui Branch
15,702,347	79,184,808	On Demand	11.97%	China Cinda Assets Management Anhui Branch
3,461,818	17,457,477	On Demand	8.83%	China Cinda Assets Management Anhui Branch
8,432	42,523	On Demand	8.83%	China Cinda Assets Management Anhui Branch
1,169,970	5,900,000	On Demand	5.82%	Huishang Bank
5,949,000	30,000,000	On Demand	12.12%	China Cinda Assets Management Jiangsu Branch
2,476,574	12,489,025	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
$ 64,928,482	327,425,529			

Bank loans as at December 31, 2017:

Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
$ 578,400	3,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
5,398,400	28,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
1,928,000	10,000,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
1,885,584	9,780,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
9,943,023	51,571,696	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
15,424,000	80,000,000	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
15,266,831	79,184,808	On Demand	11.97%	Bank of Communication
3,365,802	17,457,477	On Demand	8.83%	China Cinda Assets Management Anhui Branch
8,198	42,523	On Demand	8.83%	China Cinda Assets Management Anhui Branch
1,253,200	6,500,000	July 28, 2017	5.82%	Huishang Bank
5,784,000	30,000,000	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
2,407,884	12,489,025	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
$ 63,243,322	328,025,528			

The Company has been working with its Chinese banks and SOCMC's on restructuring its debt during the years ended 2018 and 2017.

12. SHORT-TERM LOANS, continued

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

Short-term borrowing from private lenders:

As at December 31, 2016, short-term borrowing from private lenders consisted of two loans. During the year ended December 31, 2017, the principal on one of the loans was converted into an equity interest in Runhai, one of the Company's subsidiaries in China (see Note 16).

December 31, 2016	$	2,251,080
Additions		-
Converted into non-controlling interest (note 16)		(1,248,660)
Foreign currency translation		(37,324)
December 31, 2017	$	965,096
Additions		
Foreign currency translation		84,391
September 30, 2018	$	1,049,487

The loan principal amount as at December 31, 2018 is denominated in US dollars, is unsecured and bears interest at 11.50% per annum, compounding quarterly. The loan is due on demand.

(Expressed in Canadian Dollars)

13. INTEREST PAYABLE

Interest payable is comprised of amounts due to SOCMCs and banks on short-term loans (Note 12).

14. ACCOUNTS PAYABLE AND ACCRUALS

	December 31, 2018	December 31, 2017
Accounts payable	$ 7,523,777	$ 4,242,580
Accrued liabilities	3,981,064	3,075,939
Other payables	3,827,256	3,741,016
Payroll liabilities	391,332	448,914
Advances from customers	79,251	25,473
Plant construction liabilities	5,511,849	5,839,913
	$ 21,314,529	$ 17,373,835

Other payables includes an amount of $1,010,262 (2017-$nil) from a customer to purchase raw materials for use in manufacturing finished goods to be sold to that customer.

15. RELATED PARTY BALANCES AND TRANSACTIONS

a) Amount due to related parties

Amounts due to related parties are summarized as follows:

	Note	December 31, 2018	December 31, 2017
Loans from Chief Executive officer ("CEO")		$ 6,965,868	$ 5,586,969
Loans from direct family member of CEO		25,186,344	19,959,621
	i)	32,152,212	25,546,590
Consulting fees payable to CEO	ii)	2,734,457	2,376,883
Loan from Director of the Company	iii)	1,037,808	1,037,808
		$ 35,924,477	$ 28,961,281

(Expressed in Canadian Dollars)

15. RELATED PARTY BALANCES AND TRANSACTIONS, continued

a) Amount due to related parties, continued

The loans from the CEO and close family member are summarized as follows:

Loan balance as of December 31, 2018

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	$ 682,168	April 27, 2012	On demand	Unsecured	Category 1	Chairman and CEO
	1,364,200	October 11, 2012	On demand	Unsecured	Category 1	Chairman and CEO
	682,100	May 30, 2013	On demand	Unsecured	Category 1	Chairman and CEO
	341,050	November 15, 2013	On demand	Unsecured	Category 1	Chairman and CEO
	941,298	October 20, 2014	On demand	Unsecured	Category 2	Direct family member of CEO
	197,809	May 23, 2017	On demand	Unsecured	Category 2	Direct family member of CEO
	1,864,534	August 28, 2017	On demand	Unsecured	Category 3	Direct family member of CEO
	2,537,412	August 7, 2018	August 7, 2019	Unsecured	Category 3	Direct family member of CEO
	409,260	November 27, 2018	November 27, 2019	Unsecured	Category 4	Direct family member of CEO
Principal	**$ 9,019,831**					
Accrued interest	**23,132,381**					
	$ 32,152,212					

Category 1: US 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in USD or
China 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in RMB, compounding quarterly
Category 2: 20% annual interest rate, compounding quarterly
Category 3: 18% annual interest rate, compounding quarterly
Category 4: 20% simple interest

Loan balance as of December 31, 2017

	Loan Amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest Rate per annum	Related Parties
	$ 627,313	April 27, 2012	April 27, 2018	Unsecured	Category 2	Chairman and CEO
	1,254,500	October 11, 2012	October 11, 2018	Unsecured	Category 2	Chairman and CEO
	627,250	May 30, 2013	May 30, 2018	Unsecured	Category 2	Chairman and CEO
	313,625	November 15, 2013	November 15, 2018	Unsecured	Category 2	Chairman and CEO
	865,605	October 20, 2014	On demand	Unsecured	Category 3	Direct family member of CEO
	181,903	May 23, 2017	On demand	Unsecured	Category 3	Direct family member of CEO
	3,855,775	August 28, 2017	April 30, 2018	Unsecured	Category 4	Direct family member of CEO
Principal	**$ 7,725,971**					
Accrued interest	**17,820,619**					
	$ 25,546,590					

Category 1: China 10 year benchmark government bond rate plus 1100 basis points annual interest rate, compounding quarterly
Category 2: US 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in USD or
China 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in RMB, coumpounding quarterl
Category 3: 20% annual interest rate, compounding quarterly
Category 4: 18% annual interest rate, compounding quarterly

(Expressed in Canadian Dollars)

15. RELATED PARTIES BALANCES AND TRANSACTIONS, continued

a) Amount due to related parties, continued

i. The Company obtained loans under numerous credit facility agreements from the Company's Chairman and Chief Executive Officer ("CEO"). As at December 31, 2018, the total amount owed to the CEO under these facilities, including principal and accumulated interest is $6,965,868 (2017 - $5,586,969). As at December 31, 2018, the entire balance owed is due within 12 months and is therefore classified as current on the statement of financial position.

The Company also obtained loans under numerous credit facility agreements from a direct family member of the CEO. As at December 31, 2018, the total amount owed under these facilities, including principal and accumulated interest is $25,186,344 (2017 - $19,959,621). As at December 31, 2018, the entire balance owed is due within 12 months and is therefore classified as current on the statement of financial position.

During the year ended December 31, 2017, accumulated interest of $11,734,219 (2016 - $nil) on several loans which had been originally made by the Company's CEO were transferred into the name of the direct family member of the CEO. In future years, any further interest accumulating on this unpaid balance will also be owed to the direct family member of the CEO. During 2017, there was also a debt settlement of which $14,723,107, related to loans made by the CEO and the direct family member, as outlined in Note 16.

The combined total of the above loans, including the accrued interest, is $32,152,212 (2017 - $25,546,590). 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 either USD or RMB , depending on the terms of the specific credit facility. The terms of each individual loan are disclosed in the table below.

These loans provide a repayment option to the lenders in either RMB or USD using a fixed foreign exchange rate specified in each credit facility. This option results in a liability of $401,672 (2017 - $152,538), which is comprised of a derivative liability and an unrealized foreign exchange loss. The fair value of the derivative liability was calculated using the Black-Scholes model with the following assumptions:

	2018	2017
Risk free interest	2.35%	1.22%
Expected life of the loan	1 year	1 year
Expected foreign currency volalitity	3.20%	4.03%

ii. As of December 31, 2018, the Company has accrued $2,734,457 (2017 - $2,376,883), including 3% interest per annum compounding quarterly, in consulting fees to the Company's Chairman and Chief Executive Officer.

(Expressed in Canadian Dollars)

15. RELATED PARTIES BALANCES AND TRANSACTIONS, continued

a) Amount due to related parties, continued

iii. As of September 30, 2018, the Company had renewed a loan of $1,000,000 (2017 - $1,000,000) from a Director of the Company originally borrowed 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. As of December 31, 2018, the total amount due to this related party including interest was $1,037,808 (2017 - $1,037,808).

b) 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:

		2018		2017
Short-term employee benefits (including salaries, bonuses, fees and social security benefits)	$	998,771	$	1,005,151
Share-based benefits	$	590,374	$	634,879
Total remuneration	$	1,589,145	$	1,640,030

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 $1,856,000.

Key management exercised 408,717 stock options granted under the Company's stock option plan during fiscal 2018 (2017 – 30,000).

(Expressed in Canadian Dollars)

16. NON-CONTROLLING INTEREST

During the year ended December 31, 2017, the Company disposed of 32.92% of its ownership in Runhai to its related parties and a private lender in order to settle $15,971,767 (RMB 80,584,090) in related party loans and short-term loans. Accordingly, the Company de-recognized the derivative liabilities related to this portion of the loans totaling $274,538. The reduction in the Company's ownership interest in Runhai did not result in a loss of control and was recorded as an equity transaction. In connection with the recognition of non-controlling interest, the proportionate share of the cumulative amount of foreign exchange translation differences recognized in other comprehensive income totaling $3,649,111 was re-attributed to the non-controlling interest in Runhai. In addition, the Company incurred transaction costs totaling $563,154 and this amount was deducted from equity.

On June 1, 2018, the Company transferred its 100% ownership interest in its subsidiary Qingdao Runde Biotechnology Company, Ltd. ("Runde") to Runhai. As the Company has a 67.08% interest in Runhai, , the effect of this transfer was a disposition of 32.92% of its ownership interest in Runde. The reduction in the Company's ownership interest in Runhai did not result in a loss of control and was recorded as an equity transaction. As a result of this transaction, Runhai has sole ownership of all other China subsidiaries and the Company continues to own 67.08% of Runhai. The carrying amount of non-controlling interests was adjusted to reflect the change in the non-controlling interests' relative interests in the subsidiary and the difference between the adjustments to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to shareholders of the Company.

The following table represents the share of equity attributable to the non-controlling interest:

		December 31, 2018
January 1, 2018	$	(7,442,442)
Ownership interest transferred to non-controlling interest		(12,153,105)
Non-controlling interest's share of loss		(4,878,423)
Non-controlling interest's share of other comprehensive loss		103,281
December 31, 2018	$	(24,370,689)

		December 31, 2017
January 1, 2017	$	-
Ownership interest transferred to non-controlling interest		(6,691,694)
Non-controlling interest's share of loss		(733,213)
Non-controlling interest's share of other comprehensive loss		(17,535)
December 31, 2017	$	(7,442,442)

(Expressed in Canadian Dollars)

16. NON-CONTROLLING INTEREST, continued

The following table summarizes the consolidated assets and liabilities of Runhai and the share of the net liabilities which is attributable to the non-controlling interest as at December 31, 2018 and 2017:

		December 31, 2018		December 31, 2017
ASSETS				
Current	$	6,206,823	$	4,537,424
Non-current		33,155,034		35,539,370
	$	39,361,857	$	40,076,794
LIABILITIES				
Current	$	113,391,895	$	61,368,163
Non-current		-	$	-
	$	113,391,895	$	61,368,163
Net liabilities	$	(74,030,038)	$	(21,291,369)
Non-controlling interest percentage		32.92%		32.92%
Non-controlling interest in net liabilities	$	(24,370,689)	$	(7,442,442)

The following table presents the loss and comprehensive income attributable to the non-controlling interest for the years ended December 31, 2018 and 2017:

		Year ended December 31, 2018		Year ended December 31, 2017
Loss for the year	$	(4,878,423)	$	(733,213)
Foreign exchange translation adjustment		103,281		(17,535)
Comprehensive loss for the year	$	(4,775,142)	$	(750,748)

17. SHARE CAPITAL

a) Common shares

An unlimited number of common shares are authorized with no par value. The holders of common shares are entitled to one vote per share. As at December 31, 2018, there are 38,394,223 common and restricted shares issued and outstanding with no par value. During 2018, share capital increased by $430,157 as a result of the exercise of 473,887 stock options. In 2017, share capital increased by $11,400 as a result of the exercise of 30,000 stock options.

b) Warrants

The Company had no warrants outstanding as at December 31, 2018 and 2017.

c) Share-based payments

i) Share-based compensation

Share-based compensation to employees is measured at fair value. Fair value is determined using the Company's common share price, and the Black-Scholes option pricing model ("Black-Scholes model").

The Company is subject to the policies of the TSX, under which it is authorized to grant options and restricted shares to officers, directors, employees and consultants enabling them to purchase common stock of the Company. The Company has a stock option and restricted share plan (the "Plan") amended and effective from May 16, 2008. The Plan is administered by the Board of Directors, which determines individual eligibility under the plan.

ii) Stock options

Under the Plan, options granted are non-assignable and the number of common shares available for issue is a maximum of 10% of the issued and outstanding common shares of the Company, inclusive of any restricted shares granted under the Plan. The maximum term of an option is five years after the date of grant. The exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant and have a vesting period from 1 year to 3 years.

Under the Plan, restricted shares granted are non-assignable and the number of restricted shares available for issue is a maximum of 10% of the issued and outstanding common shares in the Company inclusive of any unrestricted stock options granted under the Plan. Holders of restricted shares are entitled to voting rights and dividends. The maximum vesting periods for restricted shares are five years from the date of grant unless otherwise approved by the Board of Directors. Restricted shares are issued to certain employees and may have certain performance criteria, which are based on production and financial targets.

(Expressed in Canadian Dollars)

17. SHARE CAPITAL, continued

c) Share-based payments, continued

ii) Stock options, continued

The continuity of stock options is as follows:

	Stock Options		Weighted Average Exercise Price
Balance as at December 31, 2016	3,094,222	$	0.64
Granted	-		-
Exercised	(30,000)		0.38
Expired/cancelled/forfeited	(4,000)		0.40
Balance as at December 31, 2017	3,060,222	$	0.65
Granted	-		-
Exercised	(473,887)		0.53
Expired/cancelled/forfeited	(1,558,935)		0.82
Balance as at December 31, 2018	1,027,400	$	0.43

The following summarizes information about the stock options outstanding and exercisable at December 31, 2018:

Exercise price	Number outstanding at December 31, 2018	Number exercisable at December 31, 2018	Remaining contractual life (years)	Expiry Date
$0.55	310,400	310,400	0.30	April 20, 2019
$0.56	15,000	15,000	0.37	May 14, 2019
$0.38	702,000	702,000	1.18	March 6, 2020
	1,027,400	1,027,400		

(Expressed in Canadian Dollars)

17. SHARE CAPITAL, continued

c) Share-based payments, continued

iii) Restricted shares

The Company recorded share-based payments in the amount of $601,095 (2017 - $621,802), which related to restricted shares granted in previous years. Those were valued using the stock price at the date of issue, recognized over the vesting period of the restricted shares.

The continuity of restricted shares is as follows:

	Restricted shares
Balance as at December 31, 2016	970,849
Granted	-
Exercised	-
Vested	(100,000)
Expired/cancelled/forfeited	-
Balance as at December 31, 2017	870,849
Granted	-
Exercised	-
Vested	(150,000)
Expired/cancelled/forfeited	-
Balance as at December 31, 2018	720,849

The vesting periods for restricted shares into unrestricted common shares as at December 31, 2018, are as follows:

Number of restricted shares as at December 31, 2018	Vesting period (years)	Performance based
520,849	1.44	Yes
200,000	2.40	Yes
720,849	1.68	

(Expressed in Canadian Dollars)

18. COST OF SALES AND EXPENSES

	Year ended December 31	
	2018	**2017**
Cost of sales		
Direct cost of sales	$ 12,182,984	$ 14,438,293
Depreciation and amortization	1,865,950	2,821,677
Freight & others	601,086	1,223,288
Total	$ 14,650,020	$ 18,483,258
Selling, general and administrative (SG&A) expenses		
Direct SG&A expenses	$ 8,002,051	$ 6,860,824
Depreciation and amortization	1,466,096	1,540,534
Total	$ 9,468,147	$ 8,401,358
Supplementary information:		
Salaries and wages	$ 2,593,272	$ 2,449,815

19. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2018		2017
Loss for the year	$	(26,462,751)	$	(17,566,703)
Expected income tax recovery	$	(7,145,000)	$	(4,567,000)
Change in statutory, foreign tax, foreign exchange rates and other		5,540,000		(993,000)
Permanent differences		4,653,000		842,000
Adjustment to prior years provision versus statutory tax returns		5,272,000		(4,396,000)
Expiry of non-capital losses		455,000		-
Change in unrecognized deductible temporary differences		(8,775,000)		9,114,000
	$	-	$	-

(Expressed in Canadian Dollars)

19. INCOME TAXES, continued

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included in the consolidated statement of financial position are as follows:

		2018	Expiry Date Range		2017	Expiry Date Range
Temporary differences						
Property, plant and equipment	$	30,431,000	No expiry date	$	34,230,000	No expiry date
Prepaid expenses		7,204,000	No expiry date		23,868,000	No expiry date
Allowable capital losses		15,732,000	No expiry date		15,732,000	No expiry date
Non-capital losses available for future periods		76,023,000	2019 to 2038		90,884,000	2018 to 2037
Canada		26,188,000	2031 to 2038		23,380,000	2031 to 2037
USA		690,000	2034 to 2038		544,000	2034 to 2037
China		49,145,000	2019 to 2023		66,960,000	2018 to 2022

20. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the years ended December 31, 2018, and 2017 is summarized as follows:

		2018		2017
Numerator:				
Loss for the year	$	(21,584,328)	$	(16,833,490)
Denominator:				
Weighted average number of shares outstanding - basic		38,182,991		37,920,336
Weighted average number of shares outstanding - diluted		38,182,991		37,920,336
Loss per share - basic	$	(0.57)	$	(0.44)
Loss per share - diluted	$	(0.57)	$	(0.44)

The total number of anti-dilutive options excluded from the calculation for the year ended December 31, 2018 was 1,027,400 (2017 – 3,060,222).

(Expressed in Canadian Dollars)

21. SUPPLEMENTARY INFORMATION

Supplementary cash flow information is as follows:

	Year ended December 31	
	2018	**2017**
Changes in non-cash working capital items:		
Accounts receivable	$ (2,023,918)	$ 1,317,530
Taxes recoverable	126,773	(20,861)
Inventory	3,226,284	(2,015,026)
Prepaid expenses	(77,642)	371,577
Interest payable	8,485,218	5,866,773
Accounts payable and accruals	4,144,421	220,453
Deferred revenue	-	(302,827)
Due to related parties	4,648,537	3,916,306
Changes in non-cash working capital items	$ 18,529,673	$ 9,353,925
Interest paid	$ 235,812	$ 189,772

As at December 31, 2018, $5,511,849 (2017 - $5,839,913) of property, plant and equipment is included in accounts payable and accruals (Note 14).

During the year ended December 31, 2018, employees of the Company exercised 473,887 stock options. In lieu of consideration in cash for the shares issued, the Company reduced accrued vacation pay due to the employees in an amount of $249,820.

The Company's significant financial transactions are as follows:

	January 1, 2018	New loans (Repayment)	Accrued Interest	Foreign exchange movement	December 31, 2018
Short term loans	$ 64,208,418	$ (117,600)	$ -	$ 1,887,151	$ 65,977,969
Due to related parties	28,961,281	682,980	4,648,537	1,631,679	35,924,477
Total	$ 93,169,699	$ 565,380	$ 4,648,537	$ 3,518,830	$ 101,902,446

	January 1, 2017	New loans (Repayments)	Settlement of related party loan in exchange for interest in subsidiary (Note 14)	Interest expense	Foreign exchange movement	Reclassification from long term to current	December 31, 2017
Short term loans	$ 65,637,794	$ (76,800)	$ (1,248,660)	$ -	$ (103,916)	$ -	$ 64,208,418
Due to related parties (current portion)	7,974,276	4,037,677	(3,826,150)	3,916,306	(462,017)	17,321,189	28,961,281
Due to related parties (long term portion)	27,158,725	-	(10,896,957)	249,741	809,680	(17,321,189)	-
Total	$ 100,770,795	$ 3,960,877	$ (15,971,767)	$ 4,166,047	$ 243,747	$ (0)	$ 93,169,699

(Expressed in Canadian Dollars)

22. SEGMENTED INFORMATION

The Company's business operates primarily through the Natural Sweeteners Products segment.

The Natural Sweeteners Products segment is the manufacturing and sales of a refined form of stevia and monk fruit, which has operations in China and North America.

The Company's chief operating decision makers are the CEO and the Chief Financial Officer. They review the operations and performance of the Company.

Non-current assets by geographical locations are as follows:

	2018	2017
China	$ 33,155,033	$ 37,585,803
North America	49,807	63,472
	$ 33,204,840	$ 37,649,275

Revenue to external customers by geographical locations is as follows:

	2018	2017
China	$ 1,211,153	$ 1,257,456
North America	15,371,451	18,130,992
	$ 16,582,604	$ 19,388,448

As at December 31, 2018 and 2017, one customer of the Natural Sweeteners CGU represented 59% (2017 – 69%) of total consolidated revenue.

(Expressed in Canadian Dollars)

23. FINANCIAL RISK MANAGEMENT AND FINANCIAL 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 accounts receivable. The Company has a high concentration of credit risk as one major customer made up 59% of the total accounts receivable as at December 31, 2018. The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts. Significant management estimates are used to determine the allowance for doubtful accounts. The Company considers the probability of default on a specific account basis, which involves assessing whether there was a significant increase in credit risk. Indicators include actual or expected changes in the debtor's ability to pay based on information that is available each reporting period; monitoring past due accounts and other external factors. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk associated with the Company's accounts receivable. The Company monitors the credit quality of the financial institutions it deals with on an ongoing basis.

		December 31, 2018		December 31, 2017
Current				
Accounts receivable	$	6,640,939	$	4,493,925
Allowance for doubtful accounts		(3,722,046)		(3,603,007)
	$	2,918,893	$	890,918

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 24. 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.

23. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

b) Liquidity risk, continued

The following are the undiscounted contractual maturities of the Company's financial liabilities with the exception of the derivative liabilities as at December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
Financial liabilities	**0 to 12 months**	**12 to 24 months**	**0 to 12 months**	**12 to 24 months**
Short-term loans	$ 65,977,969	-	$ 64,208,418	-
Interest payable	36,350,197	-	27,145,356	-
Accounts payable and accruals	21,314,529	-	17,373,835	-
Due to related parties	35,924,477	-	28,961,281	-
	$ 159,567,172	$ -	$ 137,688,890	-

c) Market risk

Market risk is the risk that changes in market prices, such as fluctuations in 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.

The Company is exposed to interest rate risk on its short-term loans and amounts due to related parties at December 31, 2018. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2018, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of $998,535 (December 31, 2017 - $916,214) on profit or loss.

ii) 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.

(Expressed in Canadian Dollars)

23. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

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 the 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, 2018				
		RMB balance	HK balance		US balance	
Total financial assets	¥	7,707,932	HK$	1	$	192,438
Total financial liabilities		(580,541,107)		-		(1,031,532)
Net foreign exchange risk exposure	¥	(572,833,175)	HK$	1	$	(839,094)

		December 31, 2017				
		RMB balance	HK balance		US balance	
Total financial assets	¥	1,592,044	HK$	52,281	$	294,083
Total financial liabilities		(525,916,986)		(54,023)		(759,389)
Net foreign exchange risk exposure	¥	(524,324,942)	HK$	(1,742)	$	(465,306)

As of December 31, 2018, 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) approximately of $ 1,147,000 (2017 - $1,010,903).

(Expressed in Canadian Dollars)

23. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

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 which could have an impact on the loss for the year:

		December 31, 2018		December 31, 2017
		US$		US$
Financial assets				
Cash	$	48,733	$	350,157
Accounts receivable		2,382,282		899,546
Financial liabilities				
Short-term loans	$	(769,307)	$	(769,307)
Interest payable		(1,198,821)		(970,385)
Accounts payable and accruals		(150,949)		(358,276)
Due to related parties		(23,262,958)		(20,363,962)
Net foreign exchange risk exposure	$	(22,951,020)	$	(21,212,227)

As at December 31, 2018, 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 $315,000 (2017 - $266,000).

(Expressed in Canadian Dollars)

24. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to provide returns for shareholders, and comply with any externally imposed capital requirements while safeguarding the Company's ability to continue as a going concern.

The Company defines capital as comprising all components of shareholders' deficiency.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, issue new debt, or sell assets to reduce debt. In this respect, the Company monitors its net debt to equity ratio. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

The Company's officers and senior management are responsible for managing the Company's capital and do so through regular meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged for the year ended December 31, 2018.

25. COMMITMENTS

Operating leases

Future minimum lease payments under the operating leases described below are as follows:

		Amount
2019	$	235,319
2020-2023		757,341
Thereafter		157,187
Total	$	1,149,847

The Company renewed one five-year operating leases with respect to land and production equipment at the Runde factory in China. The leases expired on December 31, 2016, and were renewed for another five-year term. The annual minimum lease payments are approximately $99,000 (RMB 500,000).

25. COMMITMENTS, continued

The Company signed a 20 year land rental agreement in Qingdao. The agreement was signed on February 16, 2005 and expires on February 16, 2025. The terms are as follows:

- In the first 5 years the rent expense is approximately $1,961 (RMB 10,000) per year
- In the second 5 years the rent expense is approximately $2,291 (RMB 11,680) per year
- In the third 5 years the rent expense is approximately $2,675 (RMB 13,642) per year (the Company is currently at this rate)
- In the fourth 5 years the rent expense is $3,125 (RMB 15,934) per year

The Company also signed another rental agreement with the same counterparty from November 8, 2006, to November 7, 2036. The annual rental expense is approximately $5,604 (RMB 28,576).

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, 2018, totaled $186,660 (2017 – $183,647).

Purchase Agreement

As at December 31, 2018 the Company has a commitment to purchase raw materials from a supplier for use in producing its finished goods. Under the terms of the supply agreement which ends on January 4, 2022, the Company is committed to purchase raw materials in the amount of USD 99,000 during 2019 and USD 360,000 for each of the years 2020 and 2021.

26. STATUTORY SURPLUS RESERVE

The Company’s subsidiaries in China are required to make appropriations to a statutory surplus reserve in the amount of 10% of the after-tax net income as determined under Chinese Accounting Standards until the statutory surplus reserve is equal to 50% of each entity’s registered capital. The statutory surplus reserve is established for the purpose of offsetting accumulated losses, expanding production or increasing share capital. No appropriation was made to the statutory surplus reserve for the year ended December 31, 2018. As at December 31, 2018 and 2017, the Company’s statutory surplus reserve was nil.

27. SUBSEQUENT EVENT

On February 1, 2019, the Company’s subsidiary, Anhui Runhai Biotechnology Joint Stock Co. Ltd. (“Runhai”) signed a letter of intent (“LOI”) with a Chinese company to sell 100% of Runhai’s ownership interest in its wholly owned subsidiary, Qingdao Runhao Stevia High Tech Company Ltd. (“Runhao”). The proposed transaction would result in Runhai retaining all of the assets, liabilities and obligations of Runhao with the exception of the land use rights and buildings currently owned by Runhao. As at December 31, 2018, the carrying amount of the land use rights and buildings owned by Runhao is approximately $10,377,000. The terms of the LOI anticipate that the proposed transaction would be completed during 2019.