



GLG LIFE TECH CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2020

(Unaudited – Prepared by Management)

Notice of No Auditor Review of Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements have been prepared by management and approved by the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") for a review of interim financial statements by an entity's auditors.

GLG LIFE TECH CORPORATION

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2020 and December 31, 2019

(Unaudited – Expressed in Canadian Dollars)

		March 31, 2020	December 31, 2019
ASSETS	Note		
Current Assets			
Cash		\$ 8,407,161	\$ 205,662
Accounts receivable	5	1,135,249	1,544,191
Sales taxes recoverable		559,419	476,279
Inventory	6	5,902,775	4,950,159
Prepaid expenses		466,416	465,616
Total Current Assets		16,471,020	7,641,907
Property, Plant and Equipment	7	30,740,506	28,413,758
Right-of-use Assets	8	554,727	596,709
Total Assets		\$ 47,766,253	\$ 36,652,374
LIABILITIES AND DEFICIT			
Current Liabilities			
Short-term loans	9	\$ 68,824,187	\$ 62,092,012
Interest payable		50,327,517	46,184,401
Accounts payable and accruals		34,179,920	23,619,472
Due to related parties	10	44,117,841	39,530,769
Derivative liabilities	10	707,052	521,468
Current portion of lease liabilities	11	150,322	144,178
Total Current Liabilities		198,306,839	172,092,300
Lease Liabilities	11	458,578	498,515
Total Liabilities		198,765,417	172,590,815
DEFICIT			
Shareholders' Deficiency			
Share capital	12	200,261,616	200,112,175
Contributed surplus		67,162,825	67,162,825
Accumulated other comprehensive loss		7,492,888	11,002,828
Shareholders' deficit		(394,079,722)	(385,402,176)
Total Shareholders' Deficiency Attributable to Shareholders of GLG		(119,162,393)	(107,124,348)
Non-controlling Interest	13	(31,836,771)	(28,814,093)
Total Deficit		(150,999,164)	(135,938,441)
Total Liabilities and Deficit		\$ 47,766,253	\$ 36,652,374

Going Concern (Note 3)

Commitments (Note 18)

Subsequent Events (Note 19)

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

"Brian Palmieri"

Director

"Sophia Leung"

Director

GLG LIFE TECH CORPORATION

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

For the Periods Ended March 31, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

	Three months ended March 31	
	2020	2019
REVENUE	\$ 2,565,114	\$ 2,022,894
COST OF SALES (Note 15)	(2,254,166)	(1,945,621)
GROSS PROFIT	310,948	77,273
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 15)	(1,626,956)	(2,266,762)
OTHER INCOME (EXPENSES)		
Interest expense	(4,393,230)	(3,729,583)
Interest income	238	1,299
Inventory provision (Note 6)	64,503	(149,025)
Foreign exchange (loss) gain	(4,000,787)	198,246
Other expenses	(175,677)	(426,845)
Bad debt recovery	10,131	-
	(8,494,822)	(4,105,908)
LOSS FOR THE YEAR	(9,810,830)	(6,295,397)
LOSS ATTRIBUTABLE TO:		
Shareholders of GLG	(8,677,546)	(4,799,221)
Non-controlling interest	(1,133,284)	(1,496,176)
Loss for the period	\$ (9,810,830)	(6,295,397)
Item that will be reclassified subsequently to profit or loss		
Foreign currency translation adjustment	(5,399,334)	(565,164)
COMPREHENSIVE LOSS FOR THE PERIOD	\$ (15,210,164)	\$ (6,860,561)
Total other comprehensive loss attributable to:		
Shareholders of GLG	(3,509,940)	(373,807)
Non-controlling interest	(1,889,394)	(191,357)
	\$ (5,399,334)	\$ (565,164)
COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:		
Shareholders of GLG	(12,187,486)	(5,173,028)
Non-controlling interest	(3,022,678)	(1,687,533)
	\$ (15,210,164)	\$ (6,860,561)
LOSS PER SHARE (Note 16)		
Basic and diluted	\$ (0.23)	\$ (0.12)
Weighted Average Number of Common Shares Outstanding		
Basic and diluted	38,394,223	38,394,223

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

As at March 31, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

	Number of Common Shares	Number of Restricted Shares	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total GLG Shareholders' Deficiency	Non-controlling Interest	Total Shareholders' Deficiency
Balance, January 1, 2019	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)
Share-based compensation	-	-	149,440	-	-	-	149,440	-	149,440
Change in foreign currency translation	-	-	-	-	(373,807)	-	(373,807)	(191,357)	(565,164)
Net loss	-	-	-	-	-	(4,799,221)	(4,799,221)	(1,496,176)	(6,295,397)
Balance as at March 31, 2019	37,673,374	720,849	\$ 199,663,852	\$ 67,162,825	\$ 7,404,529	\$ (370,909,911)	\$ (96,678,705)	\$ (26,058,222)	\$ (122,736,927)
Balance, January 1, 2019	37,673,374	720,849	\$ 199,663,852	\$ 67,162,825	\$ 7,404,529	\$ (370,909,911)	\$ (96,678,705)	\$ (26,058,222)	\$ (122,736,927)
Share-based compensation	-	-	448,323	-	-	-	448,323	-	448,323
Change in foreign currency translation	-	-	-	-	3,598,299	-	3,598,299	1,473,243	5,071,542
Net loss	-	-	-	-	-	(14,492,265)	(14,492,265)	(4,229,114)	(18,721,379)
Balance as at December 31, 2019	37,673,374	720,849	\$ 200,112,175	\$ 67,162,825	\$ 11,002,828	\$ (385,402,176)	\$ (107,124,348)	\$ (28,814,093)	\$ (135,938,441)
Balance, January 1, 2020	37,673,374	720,849	\$ 200,112,175	\$ 67,162,825	\$ 11,002,828	\$ (385,402,176)	\$ (107,124,348)	\$ (28,814,093)	\$ (135,938,441)
Share-based compensation	-	-	149,441	-	-	-	149,441	-	149,441
Change in foreign currency translation	-	-	-	-	(3,509,940)	-	(3,509,940)	(1,889,394)	(5,399,334)
Net loss	-	-	-	-	-	(8,677,546)	(8,677,546)	(1,133,284)	(9,810,830)
Balance as at March 31, 2020	37,673,374	720,849	\$ 200,261,616	\$ 67,162,825	\$ 7,492,888	\$ (394,079,722)	\$ (119,162,393)	\$ (31,836,771)	\$ (150,999,164)

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Condensed Interim Consolidated Statements of Cash Flows
For the periods ended March 31, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

	Three months ended March 31	
	2020	2019
Cash Flows From Operating Activities		
Net loss	\$ (9,810,830)	\$ (6,295,397)
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation (Note 12)	149,441	149,440
Depreciation of property, plant and equipment and right-of-use assets (Notes 7,8)	508,179	929,537
Inventory provision	(64,503)	149,025
Interest expense - lease liabilities	25,207	32,103
Unrealized foreign exchange loss (gain)	3,453,274	(855,594)
Changes in non-cash working capital items (Note 14)	6,282,829	4,909,920
Net cash from (used in) operating activities	543,597	(980,966)
Cash Flows From Investing Activities		
Deposit received on sale of subsidiary	7,698,075	-
Net cash from investing activities	7,698,075	-
Cash Flow From Financing Activities		
Receipt of short-term loans	2,117,500	-
Repayment of short-term loans	(48,125)	-
Advances from customers	-	265,840
Lease payments	(59,000)	(61,456)
Repayment to related parties	(247,404)	(98,495)
Interest paid	(2,134,619)	(53,486)
Net cash from (used in) financing activities	(371,648)	52,404
Effect of exchange rate changes on cash	331,475	11,981
Net Change In Cash	8,201,499	(916,582)
Cash, beginning of the year	205,662	1,494,260
Cash, end of the year	\$ 8,407,161	\$ 577,679

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements
Supplemental Cash Flow Information (Note 14)

GLG LIFE TECH CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company’s. This outbreak could decrease spending, adversely affect demand for the Company’s products and harm the Company’s business and results of operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2019, which include information necessary or useful to understanding the Company’s business and financial statement presentation. In particular, the Company’s significant accounting policies, use of judgments and estimates were presented in notes 4 and 5, respectively, of those consolidated financial statements, and have been consistently applied in the preparation of these condensed interim consolidated financial statements.

Basis of preparation and measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. Additionally, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars, except when otherwise indicated.

The condensed interim consolidated financial statements of the Company for the three months ended March 31, 2020, were authorized for issue by the Audit Committee on behalf of the Board of Directors on June 24, 2020.

GLG LIFE TECH CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Unaudited – Expressed in Canadian Dollars)

GOING CONCERN

These unaudited condensed interim 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 three-month period ended March 31, 2020, the Company incurred a net loss attributed to the Company's shareholders of \$8,677,546 (2019 - \$4,799,221). As at March 31, 2020, the Company had an accumulated deficit of \$394,079,722 (December 31, 2019 - \$385,402,176), working capital deficiency of \$181,835,819 (December 31, 2019 - \$164,450,393) and cash inflow from operating activities of \$543,597 (2019 – cash outflow of \$980,966).

These condensed interim consolidated financial statements do not include the 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 primary sources of income and cash flows 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 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.

GLG LIFE TECH CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Unaudited – Expressed in Canadian Dollars)

3. GOING CONCERN, continued

There are also uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. As noted above, most of the Company's operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. The Company's PRC subsidiaries 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 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 March 31, 2020, and December 31, 2019, substantially all bank loans were held by a state-owned capital management company ("SOCMC") and a Chinese bank. The Company has provided its SOCMC and bank guarantees and collateral agreements which could enable the SOCMC to exercise its rights against the Company's assets, because the Company has not made its principal or interest payments to the SOCMC on time. Should the SOCMC exercise its 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, neither the SOCMC or the bank have taken any action on the Company's pledged assets to date. On March 23, 2020, the Company entered into debt restructuring agreements with the SOCMC (see Note 19).

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.

GLG LIFE TECH CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Unaudited – Expressed in Canadian Dollars)

3. GOING CONCERN, continued

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 March 31, 2020, and December 31, 2019, 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 about the Company's ability to continue as a going concern.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and application of new International Financial Reporting Standards

The unaudited condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2019. The unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

5. ACCOUNTS RECEIVABLE

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
March 31, 2020	\$ 1,135,249	\$ 1,046,134	\$	78,552	\$ 1,544	\$ 9,019
December 31, 2019	\$ 1,544,191	\$ 727,741	\$	805,777	\$ 5,582	\$ 5,091

GLG LIFE TECH CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Unaudited – Expressed in Canadian Dollars)

6. INVENTORY

	March 31, 2020	December 31, 2019
Raw materials	\$ 1,014,001	\$ 775,393
Work in progress	1,568,781	1,979,586
Finished goods	3,319,993	2,195,180
	\$ 5,902,775	\$ 4,950,159

The Company assessed the net realizable value of inventory based on the cost of raw materials comprising the purchase price, applicable taxes and other costs incurred in bringing inventory to its present location and condition as well as the cost of finished goods including cost of materials and cost of conversion. The cost of conversion includes costs directly related to the units of production, such as direct labor, and fixed and variable production overheads, based on normal operating capacity.

For the three months ended March 31, 2020, the Company recorded an inventory provision recovery of \$64,503 (2019 provision - \$149,025).

The carrying amounts of inventory have been pledged as general collateral for the loans from the SOCMC and a bank.

GLG LIFE TECH CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

7. 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 fixture	Bearer plants	Total
Costs								
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
Additions	-	150,698	579,881	-	-	-	-	730,579
Disposal	-	(789)	(157,192)	-	(3,507)	-	-	(161,488)
Impairment	-	182,011	-	-	1,108	-	-	183,119
Foreign currency adjustments	(475,976)	(1,572,864)	(3,983,690)	(209,450)	(11,483)	(24,630)	(15,286)	(6,293,379)
As at December 31, 2019	\$ 1,955,976	\$ 15,500,812	\$ 41,278,775	\$ 4,587,760	\$ 240,711	\$ 455,427	\$ 241,591	\$ 64,261,052
Foreign currency adjustments	143,683	1,692,046	4,832,085	334,110	13,243	28,596	17,747	7,061,510
As at March 31, 2020	\$ 2,099,659	\$ 17,192,858	\$ 46,110,860	\$ 4,921,870	\$ 253,954	\$ 484,023	\$ 259,338	\$ 71,322,562
Accumulated depreciation								
As at December 31, 2018	\$ 2,139,630	\$ 13,514,676	\$ 19,125,840	\$ 988,124	\$ 219,459	\$ 404,151	\$ 205,502	\$ 36,597,381
Depreciation	255,160	463,608	1,850,308	97,606	10,698	14,983	49,795	2,742,158
Disposal	-	(675)	(140,316)	-	(3,157)	-	-	(144,148)
Foreign currency adjustments	(466,148)	(1,222,453)	(1,590,234)	(24,222)	(10,297)	(21,037)	(13,706)	(3,348,097)
As at December 31, 2019	\$ 1,928,642	\$ 12,755,156	\$ 19,245,598	\$ 1,061,508	\$ 216,703	\$ 398,097	\$ 241,591	\$ 35,847,294
Additions	28,214	62,879	352,069	17,271	2,251	3,513	-	466,197
Foreign currency adjustments	142,803	1,419,803	2,573,966	77,289	12,055	24,902	17,747	4,268,565
As at March 31, 2020	\$ 2,099,659	\$ 14,237,838	\$ 22,171,633	\$ 1,156,068	\$ 231,009	\$ 426,512	\$ 259,338	\$ 40,582,056
Net book value								
As at December 31, 2019	\$ 27,334	\$ 2,745,656	\$ 22,033,177	\$ 3,526,252	\$ 24,008	\$ 57,330	\$ -	\$ 28,413,758
As at March 31, 2020	\$ -	\$ 2,955,020	\$ 23,939,227	\$ 3,765,802	\$ 22,945	\$ 57,511	\$ -	\$ 30,740,506

The carrying amounts of property, plant and equipment have been pledged as general collateral for the credit facilities available to the Chinese subsidiaries (Note 9).

GLG LIFE TECH CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT, continued

Land use rights in China have remaining terms ranging from 38.9 to 39.3 years.

Depreciation expense is included in the unaudited condensed interim consolidated statement of operations under the following categories:

	Three months ended March 31	
	2020	2019
Cost of sales	\$ 304,692	\$ 484,565
Selling, general and administrative expenses	161,505	401,367
	\$ 466,197	\$ 885,932

8. RIGHT-OF-USE ASSETS

	Office	Land	Production equipment	Total
Cost				
December 31, 2018	-	-	-	-
Recognized on initial adoption of IFRS 16	491,766	44,328	228,545	764,639
As at December 31, 2019	491,766	44,328	228,545	764,639
As at March 31, 2020	491,766	44,328	228,545	764,639
Accumulated depreciation				
December 31, 2018	-	-	-	-
Depreciation expense	88,078	3,670	76,182	167,930
As at December 31, 2019	88,078	3,670	76,182	167,930
Depreciation expense	22,019	918	19,045	41,982
As at March 31, 2020	110,097	4,588	95,227	209,912
Net book value - December 31, 2019	403,688	40,658	152,363	596,709
Net book value - March 31, 2020	381,669	39,740	133,318	554,727

GLG LIFE TECH CORPORATION

Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2020

(Unaudited – Expressed in Canadian Dollars)

9. SHORT-TERM LOANS

The Company's short-term loans of \$68,824,187 (December 31, 2019 - \$62,092,012) consist of borrowings from a SOCMC and a bank in China of \$65,430,471 (December 31, 2019 - \$60,952,961) and loans from private lenders of \$3,393,716 (December 31, 2019 - \$1,139,051) as follows:

Bank loans as at March 31, 2020:

Loan amount in	Loan amount in		Interest rate per	
CAD	RMB	Maturity Date	annum	Lender
\$ 600,600	3,000,000	On Demand	9.26%	China Cinda Assets Management Anhui Branch
5,605,600	28,000,000	On Demand	9.26%	China Cinda Assets Management Anhui Branch
2,002,000	10,000,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
1,957,956	9,780,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
10,324,653	51,571,696	On Demand	7.78%	China Cinda Assets Management Anhui Branch
16,016,000	80,000,000	On Demand	7.78%	China Cinda Assets Management Anhui Branch
15,852,799	79,184,808	On Demand	11.97%	China Cinda Assets Management Anhui Branch
3,494,987	17,457,477	On Demand	8.83%	China Cinda Assets Management Anhui Branch
8,513	42,523	On Demand	8.83%	China Cinda Assets Management Anhui Branch
1,061,060	5,300,000	July 31, 2020	5.82%	Huishang Bank
6,006,000	30,000,000	On Demand	9.10%	China Cinda Assets Management Jiangsu Branch
2,500,303	12,489,025	On Demand	9.10%	China Cinda Assets Management Jiangsu Branch
\$ 65,430,471	326,825,528			

Bank loans as at December 31, 2019:

Loan amount in	Loan amount in		Interest rate	
CAD	RMB	Maturity Date	per annum	Lender
559,500	3,000,000	On Demand	9.57%	China Cinda Assets Management Anhui Branch
5,222,000	28,000,000	On Demand	9.57%	China Cinda Assets Management Anhui Branch
1,865,000	10,000,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
1,823,970	9,780,000	On Demand	8.56%	China Cinda Assets Management Anhui Branch
9,618,121	51,571,696	On Demand	7.77%	China Cinda Assets Management Anhui Branch
14,920,000	80,000,000	On Demand	7.77%	China Cinda Assets Management Anhui Branch
14,767,967	79,184,808	On Demand	11.97%	China Cinda Assets Management Anhui Branch
3,255,819	17,457,477	On Demand	8.83%	China Cinda Assets Management Anhui Branch
7,931	42,523	On Demand	8.83%	China Cinda Assets Management Anhui Branch
988,450	5,300,000	On Demand	5.82%	Huishang Bank
5,595,000	30,000,000	On Demand	12.12%	China Cinda Assets Management Jiangsu Branch
2,329,203	12,489,025	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
\$ 60,952,961	\$ 326,825,528			

GLG LIFE TECH CORPORATION

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9. SHORT-TERM LOANS, continued

The Company has been working with its Chinese bank and SOCMC on restructuring its debt during the quarter ended March 31, 2020.

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

Short-term borrowing from private lenders:

December 31, 2018	\$ 1,049,487
Additions	139,875
Foreign currency translation	(50,311)
December 31, 2019	\$ 1,139,051
Additions	2,069,375
Foreign currency translation	185,290
March 31, 2020	\$ 3,393,716

As at December 31, 2018, short-term borrowing from private lenders consisted of one US dollar denominated loan. During the year ended December 31, 2019 an additional loan was received which is denominated in Chinese renminbi ("RMB").

The US dollar loan is unsecured and bears interest at 11.50% per annum, compounding quarterly. The loan is due on demand. The RMB denominated loan is unsecured, bears interest at 5.82% per annum and is due on August 8, 2020.

During the three months ended March 31, 2020, the Company received four unsecured loans from private lenders that are denominated in RMB, bearing interest at 12% per annum and are due on January 5, 2021.

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10. RELATED PARTY BALANCES AND TRANSACTIONS

a) Amount due to related parties

Amounts due to related parties are summarized as follows:

	Note	March 31, 2020	December 31, 2019
Loans from Chief Executive officer ("CEO")	\$	8,497,602	\$ 7,547,163
Loans from direct family member of CEO		31,049,027	27,809,675
	i)	39,546,629	35,356,838
Consulting fees payable to CEO	ii)	3,533,712	3,136,431
Loan from Director of the Company	iii)	1,037,500	1,037,500
	\$	44,117,841	\$ 39,530,769

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10. RELATED PARTIES TRANSACTIONS AND BALANCES, 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 March 31, 2020

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	\$ 709,421	April 27, 2012	On demand	Unsecured	Category 1	Chairman and CEO
	1,418,700	October 11, 2012	On demand	Unsecured	Category 1	Chairman and CEO
	709,350	May 30, 2013	On demand	Unsecured	Category 1	Chairman and CEO
	354,675	November 15, 2013	On demand	Unsecured	Category 1	Chairman and CEO
	978,903	October 20, 2014	On demand	Unsecured	Category 2	Direct family member of CEO
	205,712	May 23, 2017	On demand	Unsecured	Category 2	Direct family member of CEO
	1,397,316	August 28, 2017	On demand	Unsecured	Category 3	Direct family member of CEO
	2,638,782	August 7, 2018	On demand	Unsecured	Category 3	Direct family member of CEO
	709,350	November 27, 2018	On demand	Unsecured	Category 4	Direct family member of CEO
Principal	\$ 9,122,209					
Accrued interest	30,424,420					
	\$ 39,546,629					

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, 2019

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	\$ 649,465	April 27, 2012	On demand	Unsecured	Category 1	Chairman and CEO
	1,298,800	October 11, 2012	On demand	Unsecured	Category 1	Chairman and CEO
	649,400	May 30, 2013	On demand	Unsecured	Category 1	Chairman and CEO
	324,700	November 15, 2013	On demand	Unsecured	Category 1	Chairman and CEO
	896,172	October 20, 2014	On demand	Unsecured	Category 2	Direct family member of CEO
	188,326	May 23, 2017	On demand	Unsecured	Category 2	Direct family member of CEO
	1,430,175	August 28, 2017	On demand	Unsecured	Category 3	Direct family member of CEO
	2,415,768	August 7, 2018	On demand	Unsecured	Category 3	Direct family member of CEO
	649,400	November 27, 2018	On demand	Unsecured	Category 4	Direct family member of CEO
Principal	\$ 8,502,206					
Accrued interest	26,854,632					
	\$ 35,356,838					

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

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(Unaudited – Expressed in Canadian Dollars)

10. RELATED PARTIES TRANSACTIONS AND BALANCES, 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 March 31, 2020, the total amount owed to the CEO under these facilities, including principal and accumulated interest is \$8,497,602 (2019 - \$7,547,163). As at March 31, 2020, 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 March 31, 2020, the total amount owed under these facilities, including principal and accumulated interest is \$31,049,027 (2019 - \$27,809,675). As at March 31, 2020, the entire balance owed is due within 12 months and is therefore classified as current on the statement of financial position.

The combined total of the above loans, including the accrued interest, is \$39,546,629 (2019 - \$35,356,838). 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 either USD or RMB, depending on the terms of the specific credit facility. The terms of each individual loan are disclosed in the table above.

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 \$707,052 (2019 - \$521,468), 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:

	2020	2019
Risk free interest	1.61%	2.02%
Expected life of the loan	1 year	1 year
Expected foreign currency volatility	3.67%	3.27%

- ii. As of March 31, 2020, the Company has accrued \$3,533,712 (2019 - \$3,136,431), including 3% interest per annum compounding quarterly, in consulting fees to the Company's Chairman and Chief Executive Officer.
- iii. During 2020, the Company had renewed a loan of \$1,000,000 (2019 - \$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 on March 31, 2021. As of March 31, 2020, the total amount due to this related party, including interest was \$1,037,500 (2019 - \$1,037,500).

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10. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

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 directors of the Company.

Remuneration of key management personnel of the Company is comprised of the following amounts:

	Three months ended March 31			
	2020		2019	
Short-term employee benefits (including salaries, bonuses and fees)	\$	356,692	\$	380,162
Share-based benefits	\$	149,441	\$	146,858
Total remuneration	\$	506,133	\$	527,020

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 equal to 36 months of gross salary, totaling approximately US \$1,794,000.

Key management did not exercise stock options granted under the Company's stock option plan in the three months ended March 31, 2020.

11. LEASE LIABILITIES

	Office	Land	Production equipment	Total
At December 31, 2019	433,599	43,594	165,500	642,693
Lease payments made	(32,010)	(2,203)	(24,787)	(59,000)
Interest expense on lease liabilities	16,062	1,959	7,186	25,207
	417,651	43,350	147,899	608,900
Less: current portion	(70,081)	(1,420)	(78,821)	(150,322)
Non-current portion as at March 31, 2020	347,570	41,930	69,078	458,578

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12. 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 March 31, 2020, there are 38,394,223 common and restricted shares issued and outstanding with no par value.

b) 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 options, and options have a vesting period from 1 year to 3 years.

Under the Plan, restricted shares 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 in the Company inclusive of any stock options granted under the Plan. Holders of restricted shares are entitled to voting rights and dividends. The maximum vesting period for restricted shares is 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.

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12. SHARE CAPITAL, continued

ii) Stock options, continued

A continuity of stock options is as follows:

	Stock Options	Weighted Average Exercise Price
Balance as at December 31, 2018	1,027,400	\$ 0.43
Granted	-	-
Exercised	-	-
Expired/cancelled/forfeited	(405,400)	0.38
Balance as at December 31, 2019	622,000	\$ 0.38
Granted	-	-
Exercised	-	-
Expired/cancelled/forfeited	(622,000)	0.38
Balance as at March 31, 2020	-	\$ -

iii) Restricted shares

The Company recorded share-based payments in the amount of \$149,441 (2019 - \$149,440), 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.

A continuity of Restricted Shares is as follows:

	Restricted Shares
Balance as at December 31, 2018	720,849
Granted	-
Exercised	-
Vested	-
Expired/cancelled/forfeited	-
Balance as at December 31, 2019	720,849
Granted	-
Exercised	-
Vested	-
Expired/cancelled/forfeited	-
Balance as at March 31, 2020	720,849

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12. SHARE CAPITAL, continued

ii) Restricted shares, continued

The vesting periods for restricted shares into unrestricted common shares as at March 31, 2020, are as follows:

Number of restricted shares as at March 31, 2020	Vesting period (years)	Performance based
520,849	0.19	Yes
200,000	1.15	Yes
720,849	0.45	

13. NON-CONTROLLING INTEREST

During the year ended December 31, 2017, the Company disposed of 32.92% of its ownership in Runhai to certain 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.

GLG LIFE TECH CORPORATION

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13. NON-CONTROLLING INTEREST, continued

The following table summarizes the consolidated assets and liabilities of Runhai and the share of the net liabilities which are attributable to the non-controlling interest as at March 31, 2020, and December 31, 2019:

	March 31, 2020	December 31, 2019
ASSETS		
Current	\$ 13,970,546	\$ 5,433,912
Non-current	30,709,753	28,379,295
	\$ 44,680,299	\$ 33,813,207
LIABILITIES		
Current	\$ 141,389,810	\$ 121,340,827
	\$ 141,389,810	\$ 121,340,827
Net liabilities	\$ (96,709,511)	\$ (87,527,620)
Non-controlling interest percentage	32.92%	32.92%
Non-controlling interest in net liabilities	\$ (31,836,771)	\$ (28,814,093)

14. SUPPLEMENTARY INFORMATION

Supplementary cash flow information is as follows:

	Three months ended March 31	
	2020	2019
Changes in non-cash working capital items:		
Accounts receivable	\$ 521,707	\$ 1,908,334
Taxes recoverable	(47,826)	(65,619)
Inventory	(538,057)	95,763
Prepaid expenses	30,033	(192,068)
Interest payable	3,034,187	2,546,918
Accounts payable and accruals	1,699,516	(654,041)
Due to related parties	1,583,269	1,270,634
Changes in non-cash working capital items	\$ 6,282,829	\$ 4,909,921
Interest paid	\$ 2,134,619	\$ 85,589

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Three Months Ended March 31, 2020

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15. COST OF SALES AND EXPENSES

	Three months ended March 31	
	2020	2019
Cost of sales		
Direct cost of sales	\$ 1,872,892	\$ 1,425,115
Depreciation and amortization	304,692	484,565
Freight & others	76,582	35,941
Total	\$ 2,254,166	\$ 1,945,621
Selling, general and administrative (SG&A) expenses		
Direct SG&A expenses	\$ 1,423,469	\$ 1,821,790
Depreciation and amortization	203,487	444,972
Total	\$ 1,626,956	\$ 2,266,762
Supplementary information:		
Salaries and wages	\$ 515,667	\$ 722,283

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16. LOSS PER SHARE

The following table sets forth the calculation of the basic and diluted loss per share for share for the three months ended March 31, 2020 and 2019:

	Three months ended March 31	
	2020	2019
Numerator:		
Net Loss after tax	\$ (8,677,546)	\$ (4,799,221)
Denominator:		
Weighted average number of shares outstanding - basic	38,394,223	38,394,557
Weighted average number of shares outstanding - diluted	38,394,223	38,394,557
Loss per share - basic	\$ (0.23)	\$ (0.12)
Loss per share - diluted	\$ (0.23)	\$ (0.12)

The total number of anti-dilutive options excluded from the calculation for the three months ended March 31, 2020 was nil. (2019 – 827,400).

17. SEGMENT INFORMATION

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

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

The Company's chief operating decision makers are the CEO, the President, the COO and CFO. They review the operations and performance of the Company.

Revenue to external customers by geographical location is as follows:

	Three months ended March 31	
	2020	2019
China	\$ 173,101	\$ 170,895
North America	2,392,013	1,851,999
	\$ 2,565,114	\$ 2,022,894

During the three months ended March 31, 2020, two customers of the Natural Sweeteners CGU represented 59% of total consolidated revenue (2019 – 67%).

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18. COMMITMENTS

Future minimum lease payments for the lease of right-of-use assets as described in Notes 8 and 11 are as follows:

	Amount
2020	177,224
2021	238,749
2022	143,267
2023	143,267
2024 and thereafter	167,234
Total	869,741

19. SUBSEQUENT EVENTS

- a) On March 23, 2020, the Company's subsidiary, Anhui Runhai Biotechnology Joint Stock Co. Ltd. ("Runhai") signed an agreement 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") for gross proceeds of RMB 222,000,000 (Approximately CAD 42.6 million as at June 24, 2020). The 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, 2019, the carrying amount of the land use rights and buildings owned by Runhao is approximately \$10,377,000. The terms of the agreement anticipate that the transaction would be completed during 2020.
- b) The buildings and land use rights owned by Runhao are pledged against its SOCMC loans (see Note 9) and prior to 2018 a lien was registered against these fixed assets by a construction contractor. In connection with the sale of Runhao, the Company has entered into a number of restructuring agreements with the SOCMC whereby an amount of RMB 102,275,300 of the total proceeds received to date was applied towards outstanding loan principal and interest. Of the remaining proceeds, RMB 12,900,000 was paid in settlement of outstanding property and land use rights taxes and RMB 4,000,000 was repaid to the construction contractor and a vendor.

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19. SUBSEQUENT EVENTS, continued

- c) In addition to the Runhao sale agreement described above, during April 2020, the Company has entered into a number of restructuring agreements with its SOCMC lender. The agreements set out outstanding principal and interest of RMB 442,124,670 owed by the Company as of February 29, 2020. The agreements state that the SOCMC will forgive principal and interest of RMB 155,854,770 provided that the following payments are made in accordance with the restructuring agreements:

Repayment date	Amount (RMB)
April 30, 2020 (paid)	102,275,300
September 30, 2020	35,000,000
December 20, 2020	35,000,000
June 20, 2021	113,994,600
Total	286,269,900

- d) On May 6, 2020, the Company received a \$1 million revolving loan facility from a direct family member of the Company's CEO. The term of the facility extends to June 30, 2021. Prior to June 1, 2021, the Company may request and receive disbursements, as well as make repayments of principal. During the final month of the term, from June 1, 2021, to June 30, 2021, the Company is not entitled to request disbursements, and the Company shall complete repayment of any outstanding principal balance no later than June 30, 2021. The loan bears interest at 20% per annum.