# GLG LIFE TECH CORPORATION

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### For the Nine Months Ended September 30, 2019

### (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 September 30, 2019 and December 31, 2018

(Unaudited – Expressed in Canadian Dollars)

| | Note | September 30, 2019 | December 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash | | $ 872,199 | $ 1,494,260 |
| Accounts receivable | 5 | 811,178 | 2,918,893 |
| Sales taxes recoverable | | 580,671 | 573,410 |
| Inventory | 6 | 3,781,154 | 5,245,773 |
| Prepaid expenses | | 544,038 | 505,862 |
| **Total Current Assets** | | 6,589,240 | 10,738,198 |
| **Property, Plant and Equipment** | 7 | 28,999,009 | 33,204,840 |
| **Right-of-use Assets** | 8 | 673,491 | - |
| **Total Assets** | | $ 36,261,740 | $ 43,943,038 |
| **LIABILITIES AND DEFICIT** | | | |
| **Current Liabilities** | | | |
| Short-term loans | 9 | $ 61,749,423 | $ 65,977,969 |
| Interest payable | | 40,020,030 | 36,350,197 |
| Accounts payable and accruals | | 19,996,152 | 21,314,529 |
| Due to related parties | 10 | 38,429,932 | 35,924,477 |
| Derivative liabilities | 10 | 612,125 | 401,672 |
| Current portion of lease liabilities | 11 | 142,429 | - |
| **Total Current Liabilities** | | 160,950,091 | 159,968,844 |
| **Lease Liabilities** | 11 | 570,065 | - |
| **Total Liabilities** | | 161,520,156 | 159,968,844 |
| **DEFICIT** | | | |
| **Shareholders' Deficiency** | | | |
| Share capital | 12 | 199,962,734 | 199,514,412 |
| Contributed surplus | | 67,162,825 | 67,162,825 |
| Accumulated other comprehensive loss | | 11,343,566 | 7,778,336 |
| Shareholders' deficit | | (377,616,915) | (366,110,690) |
| **Total Shareholders' Deficiency Attributable to Shareholders of GLG** | | (99,147,790) | (91,655,117) |
| **Non-controlling Interest** | 13 | (26,110,626) | (24,370,689) |
| **Total Deficit** | | (125,258,416) | (116,025,806) |
| **Total Liabilities and Deficit** | | $ 36,261,740 | $ 43,943,038 |

Going Concern (Note 3)

Commitments (Note 18)

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 Income (Loss)
For the Periods Ended September 30, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **REVENUE** | $ 2,372,711 | $ 2,496,169 | $ 7,222,144 | $ 12,790,577 |
| **COST OF SALES (Note 15)** | (1,928,333) | (2,448,792) | (5,849,865) | (11,370,784) |
| **GROSS PROFIT** | 444,377 | 47,377 | 1,372,279 | 1,419,793 |
| **SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 15)** | (1,727,375) | (2,319,909) | (6,998,685) | (6,909,058) |
| **OTHER INCOME (EXPENSES)** | | | | |
| Interest expense | (3,707,979) | (2,627,977) | (11,155,942) | (7,821,443) |
| Interest income | 113 | 765 | 1,516 | 1,211 |
| Inventory provision (recovery) (Note 6) | 2,054 | (3,729) | (473,911) | 63,917 |
| Foreign exchange gain | 273,734 | 1,598,714 | 2,664,566 | 48,620 |
| Other income (expenses) | (66,630) | 44,307 | (393,007) | 200,445 |
| Bad debt expense | - | (4,493) | - | (4,493) |
| | (3,498,708) | (992,413) | (9,356,778) | (7,511,743) |
| **LOSS FOR THE PERIOD** | (4,781,706) | (3,264,945) | (14,983,184) | (13,001,008) |
| | | | | |
| **LOSS ATTRIBUTABLE TO:** | | | | |
| Shareholders of GLG | (3,857,591) | (2,481,571) | (11,506,225) | (11,273,161) |
| Non-controlling interest | (924,115) | (783,374) | (3,476,959) | (1,727,847) |
| **Loss for the period** | $ (4,781,706) | $ (3,264,945) | $ (14,983,184) | (13,001,008) |
| | | | | |
| **Item that will be reclassified subsequently to profit or loss** | | | | |
| Foreign currency translation adjustment | 1,753,820 | 2,206,513 | 5,302,253 | 1,084,849 |
| **COMPREHENSIVE LOSS FOR THE PERIOD** | $ (3,027,886) | $ (1,058,432) | $ (9,680,931) | $ (11,916,159) |
| | | | | |
| **Total other comprehensive income attributable to:** | | | | |
| Shareholders of GLG | 1,171,454 | 1,483,857 | 3,565,230 | 205,906 |
| Non-controlling interest | 582,366 | 722,656 | 1,737,023 | 878,943 |
| | $ 1,753,820 | $ 2,206,513 | $ 5,302,253 | $ 1,084,849 |
| | | | | |
| **COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO:** | | | | |
| Shareholders of GLG | (2,686,137) | (997,714) | (7,940,995) | (11,067,255) |
| Non-controlling interest | (341,749) | (60,718) | (1,739,936) | (848,904) |
| | $ (3,027,886) | $ (1,058,432) | $ (9,680,931) | $ (11,916,159) |
| | | | | |
| **LOSS PER SHARE (Note 16)** | | | | |
| Basic and diluted | $ (0.10) | $ (0.06) | $ (0.30) | $ (0.29) |
| **Weighted Average Number of Common Shares Outstanding** | | | | |
| Basic and diluted | 38,394,223 | 38,394,223 | 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 Deficit

For the Periods Ended September 30, 2019 and 2018

(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' Equity | Non-controlling Interest | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|
| **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 | - | - | 451,288 | - | - | - | 451,288 | - | 451,288 |
| Options excercised | 473,887 | - | 211,612 | - | - | - | 211,612 | - | 211,612 |
| Reduction in investment in subsidiaries | - | - | - | 12,060,914 | - | - | 12,060,914 | (12,153,105) | (92,191) |
| Change in foreign currency translation | - | - | - | - | 205,906 | - | 205,906 | 878,943 | 1,084,849 |
| Net loss | - | - | - | - | - | (11,273,161) | (11,273,161) | (1,727,847) | (13,001,008) |
| **Balance as at September 30, 2018** | 37,673,374 | 720,849 | $ 199,146,060 | $ 67,343,162 | $ 9,399,970 | $ (355,799,523) | $ (79,910,331) | $ (20,444,451) | $ (100,354,782) |
| Balance, October 1, 2018 | 37,673,374 | 720,849 | $ 199,146,060 | $ 67,343,162 | $ 9,399,970 | $ (355,799,523) | $ (79,910,331) | $ (20,444,451) | $ (100,354,782) |
| Vested restricted shares | - | - | | | | | | | |
| Share-based compensation | - | - | 149,807 | - | - | - | 149,807 | - | 149,807 |
| Options excercised | - | | 218,545 | (180,337) | - | - | 38,208 | - | 38,208 |
| Reduction in investment in subsidiaries | - | - | - | - | - | - | - | - | - |
| Change in foreign currency translation | - | - | - | | (1,621,634) | - | (1,621,634) | (775,662) | (2,397,296) |
| Net loss | - | - | - | - | - | (10,311,167) | (10,311,167) | (3,150,576) | (13,461,743) |
| **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) |
| 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) |
| Vested restricted shares | | | - | - | - | - | - | - | - |
| Share-based compensation | - | - | 448,322 | - | - | - | 448,322 | - | 448,322 |
| Reduction in investment in subsidiaries (Note 14) | - | - | - | - | - | - | - | | - |
| Options exercised | - | - | - | - | - | - | - | - | - |
| Change in foreign currency translation | - | - | - | - | 3,565,230 | - | 3,565,230 | 1,737,023 | 5,302,253 |
| Net loss | - | - | - | - | - | (11,506,225) | (11,506,225) | (3,476,959) | (14,983,184) |
| **Balance as at September 30, 2019** | 37,673,374 | 720,849 | $ 199,962,734 | $ 67,162,825 | $ 11,343,566 | $ (377,616,915) | $ (99,147,790) | $ (26,110,625) | $ (125,258,416) |

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

# GLC LIFE TECH CORPORATION

Condensed Interim Consolidated Statements of Cash Flows
For the periods ended September 30, 2019 and 2018
(Unaudited – Expressed in Canadian Dollars)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Cash Flows From Operating Activities** | | | | |
| Net loss | $ (4,781,706) | $ (3,264,945) | $ (14,983,184) | $ (13,001,008) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Share-based compensation (Note 12) | 149,441 | 149,807 | 448,322 | 451,288 |
| Depreciation of property, plant and equipment (Note 7) | 657,942 | 665,442 | 2,001,485 | 2,567,117 |
| Depreciation of right-of-use assets (Note 8) | 43,606 | - | 130,816 | - |
| Inventory provision | (2,054) | - | 473,911 | - |
| Unrealized foreign exchange (gain) loss | (1,659,520) | (1,018,846) | (2,394,414) | 271,220 |
| Changes in non-cash working capital items (Note 14) | 5,548,266 | 3,727,951 | 13,721,466 | 10,510,739 |
| Net cash from (used in) operating activities | (44,025) | 259,409 | (601,598) | 799,356 |
| **Cash Flows From Investing Activities** | | | | |
| Purchase of property, plant and equipment | - | (32,824) | - | (100,788) |
| Net cash used in investing activities | - | (32,824) | - | (100,788) |
| **Cash Flow From Financing Activities** | | | | |
| Receipt of short-term loans | 185,298 | 4,042,030 | 185,298 | 4,042,030 |
| Repayment of short-term loans | (48,188) | (17,991) | (126,619) | (118,333) |
| Advances from related parties | - | 610,792 | 265,840 | 911,817 |
| Repayment to related parties | - | (283,805) | (98,495) | (283,805) |
| Interest paid | (145,402) | (59,379) | (290,220) | (170,937) |
| Net cash used in financing activities | (8,292) | 4,291,647 | (64,196) | 4,380,772 |
| Effect of exchange rate changes on cash | 90,302 | (440,884) | 43,733 | (438,403) |
| **Net Change In Cash** | 37,985 | 4,077,348 | (622,061) | 4,640,937 |
| **Cash, beginning of the period** | 834,214 | 1,220,962 | 1,494,260 | 657,373 |
| **Cash, end of the period** | $ 872,199 | $ 5,298,310 | $ 872,199 | $ 5,298,310 |

See Accompanying Notes to the Condensed Interim Consolidated Financial Statements

## 1. NATURE OF OPERATIONS

GLG Life Tech Corporation (the "Company" or "GLG") 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 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, 2018, 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, except for the adoption of International Financial Reporting Standard ("IFRS") 16, commencing on January 1, 2019, 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 nine months ended September 30, 2019, were authorized for issue by the Audit Committee on behalf of the Board of Directors on November 12, 2019.

## 3. 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 nine-month period ended September 30, 2019, the Company incurred a net loss attributed to the Company's shareholders of $11,506,225 (2018 - $11,273,161). As at September 30, 2019, the Company had an accumulated deficit of $377,616,915 (December 31, 2018 - $366,110,690), working capital deficiency of $154,360,851 (December 31, 2018 - $149,230,646) and for the nine months ended September 30, 2019, cash outflow from operating activities of $601,598 (2018 – cash inflow $799,356).

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

**3. GOING CONCERN, continued**

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 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 September 30, 2019, and December 31, 2018, 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 banks 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, neither the SOCMC or the bank have 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.

## 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 September 30, 2019, and December 31, 2018, 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, 2018, except as described below. 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, 2018.

### IFRS 16 Leases

On January 1, 2019, the Company adopted IFRS 16 – *Leases* ("IFRS 16") which replaced IAS 17 – *Leases* and IFRIC 4 – *Determining Whether an Arrangement Contains a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases as applied under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (leases of 12 months or less) or leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, comparative financial information has not been restated and will continue to be reported under the accounting standards in effect for those periods. The Company has recognized lease liabilities related to its lease commitments for its office lease, land and production equipment. The lease liabilities were measured at the present value of the remaining minimum lease payments, discounted using the Company's estimated incremental borrowing rate as at January 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets are measured at the lease liabilities amount, plus any prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

**(Unaudited – Expressed in Canadian Dollars)**

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

As at January 1, 2019, the Company recognized $804,307 in lease liabilities and right-of-use assets as summarized below.

| | Office | Land | Production equipment | Total |
|---|---|---|---|---|
| Remaining minimum lease payments as at December 31, 2018 | $ 732,350 | $ 201,077 | $ 297,448 | $ 1,230,875 |
| Less effect of discounting at incremental borrowing rate | (240,584) | (117,081) | (68,903) | (426,568) |
| Lease liabilities recognized as at January 1, 2019 (note 11) | $ 491,766 | $ 83,996 | $ 228,545 | $ 804,307 |
| Incremental borrowing rate applied | 15% | 18% | 18% | 18% |
| Right-of-use assets recognized as at January 1, 2019 (note 8) | $ 491,766 | $ 83,996 | $ 228,545 | $ 804,307 |

**Accounting policy adopted for leases under IFRS 16 as at January 1, 2019**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

## 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 |
| September 30, 2019 | $ 811,178 | $ 632,313 | $ 172,619 | $ 6,246 | $ - |
| December 31, 2018 | $ 2,918,893 | $ 2,915,046 | $ 3,847 | $ - | $ - |

**(Unaudited – Expressed in Canadian Dollars)**

## 6. INVENTORY

| | | September 30, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| Raw materials | $ | 473,466 | $ | 1,014,446 |
| Work in progress | | 1,407,060 | | 1,365,129 |
| Finished goods | | 1,900,628 | | 2,866,198 |
| | $ | 3,781,154 | $ | 5,245,773 |

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.

During the nine months ended September 30, 2019, the Company recorded an inventory provision expense of $473,911 (2018 - recovery of $63,917).

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

**(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 fixtures | Bearer plants | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **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 | $ 16,741,755 | $ 44,839,776 | $ 4,797,210 | $ 254,593 | $ 480,057 | $ 256,877 | $ 69,802,220 |
| Foreign currency adjustments | $ (159,432) | $ (1,097,543) | $ (2,939,572) | $ (314,492) | $ (16,690) | $ (31,471) | $ (16,840) | $ (4,576,042) |
| **As at September 30, 2019** | $ 2,272,520 | $ 15,644,212 | $ 41,900,204 | $ 4,482,718 | $ 237,903 | $ 448,586 | $ 240,037 | $ 65,226,178 |
| **Accumulated depreciation** | | | | | | | | |
| **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 |
| Depreciation | $ 159,094 | $ 684,453 | $ 1,026,297 | $ 68,716 | $ 13,761 | $ 13,577 | $ 35,588 | $ 2,001,485 |
| Foreign currency adjustments | $ (137,249) | $ (881,769) | $ (1,234,712) | $ (64,197) | $ (14,240) | $ (26,389) | $ (13,140) | $ (2,371,695) |
| **As at September 30, 2019** | $ 2,161,475 | $ 13,317,359 | $ 18,917,425 | $ 992,643 | $ 218,980 | $ 391,339 | $ 227,949 | $ 36,227,169 |
| **Net book value** | | | | | | | | |
| As at December 31, 2018 | $ 292,322 | $ 3,227,080 | $ 25,713,936 | $ 3,809,086 | $ 35,134 | $ 75,906 | $ 51,376 | $ 33,204,840 |
| As at September 30, 2019 | $ 111,045 | $ 2,326,853 | $ 22,982,779 | $ 3,490,075 | $ 18,923 | $ 57,247 | $ 12,088 | $ 28,999,009 |

The carrying amounts of property, plant and equipment have been pledged as general collateral for loans from a SOCMC and a bank (Note 9).

(Unaudited – Expressed in Canadian Dollars)

## 7. PROPERTY, PLANT AND EQUIPMENT, continued

Land use rights in China have remaining terms ranging from 39.75 to 40 years.

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

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Cost of sales | $ 305,619 | $ 329,908 | $ 630,357 | $ 1,411,065 |
| Selling, general and administrative expenses | 395,929 | 335,533 | 1,371,128 | 1,156,051 |
| | $ 701,548 | $ 665,441 | $ 2,001,485 | $ 2,567,116 |

## 8. RIGHT-OF-USE ASSETS

| | Office | Land | Production equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| December 31, 2018 | $ - | $ - | $ - | $ - |
| Recognized on initial adoption of IFRS 16 | 491,766 | 83,996 | 228,545 | 804,307 |
| As at January 1, 2019 and September 30, 2019 | $ 491,766 | $ 83,996 | $ 228,545 | $ 804,307 |
| | | | | |
| **Accumulated depreciation** | | | | |
| December 31, 2018 | $ - | $ - | $ - | $ - |
| Depreciation expense | 66,057 | 7,621 | 57,136 | 130,816 |
| September 30, 2019 | $ 66,057 | $ 7,621 | $ 57,136 | $ 130,816 |
| **Net book value - September 30, 2019** | $ 425,709 | $ 76,375 | $ 171,409 | $ 673,491 |

**(Unaudited – Expressed in Canadian Dollars)**

## 9. SHORT-TERM LOANS

The Company's short-term loans of $61,749,423 (December 31, 2018 - $65,977,969) consist of borrowings from a SOCMC and a bank in China of $60,560,770 (December 31, 2018 - $64,928,482) and loans from private lenders of $1,188,653 (December 31, 2018 - $1,049,487) as follows:

**Bank loans as at September 30, 2019:**

| Loan amount in CAD | Loan amount in RMB | Maturity Date | Interest rate per annum | Lender |
|---|---|---|---|---|
| $ 555,900 | 3,000,000 | On Demand | 7.71% | China Cinda Assets Management Anhui Branch |
| 5,188,400 | 28,000,000 | On Demand | 7.71% | China Cinda Assets Management Anhui Branch |
| 1,853,000 | 10,000,000 | On Demand | 7.13% | China Cinda Assets Management Anhui Branch |
| 1,812,234 | 9,780,000 | On Demand | 7.13% | China Cinda Assets Management Anhui Branch |
| 9,556,235 | 51,571,696 | On Demand | 6.48% | China Cinda Assets Management Anhui Branch |
| 14,824,000 | 80,000,000 | On Demand | 6.48% | China Cinda Assets Management Anhui Branch |
| 14,672,945 | 79,184,808 | On Demand | 11.97% | China Cinda Assets Management Anhui Branch |
| 3,234,870 | 17,457,477 | On Demand | 8.83% | China Cinda Assets Management Anhui Branch |
| 7,880 | 42,523 | On Demand | 8.83% | China Cinda Assets Management Anhui Branch |
| 982,090 | 5,300,000 | On Demand | 5.82% | Huishang Bank |
| 5,559,000 | 30,000,000 | On Demand | 12.72% | China Cinda Assets Management Jiangsu Branch |
| 2,314,216 | 12,489,025 | On Demand | 12.72% | China Cinda Assets Management Jiangsu Branch |
| $ 60,560,770 | 326,825,529 | | | |

**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 |
| 5,552,400.00 | 28,000,000 | On Demand | 9.57% | China Cinda Assets Management Anhui Branch |
| 1,983,000.00 | 10,000,000 | On Demand | 8.56% | China Cinda Assets Management Anhui Branch |
| 1,939,374.00 | 9,780,000 | On Demand | 8.56% | China Cinda Assets Management Anhui Branch |
| 10,226,667.23 | 51,571,696 | On Demand | 7.77% | China Cinda Assets Management Anhui Branch |
| 15,864,000.00 | 80,000,000 | On Demand | 7.77% | China Cinda Assets Management Anhui Branch |
| 15,702,347.49 | 79,184,808 | On Demand | 11.97% | China Cinda Assets Management Anhui Branch |
| 3,461,817.65 | 17,457,477 | On Demand | 8.83% | China Cinda Assets Management Anhui Branch |
| 8,432.35 | 42,523 | On Demand | 8.83% | China Cinda Assets Management Anhui Branch |
| 1,169,970.00 | 5,900,000 | On Demand | 5.82% | Huishang Bank |
| 5,949,000.00 | 30,000,000 | On Demand | 12.12% | China Cinda Assets Management Jiangsu Branch |
| 2,476,573.56 | 12,489,025 | On Demand | 9.09% | China Cinda Assets Management Jiangsu Branch |
| $ 64,928,482 | 327,425,529 | | | |

## 9. SHORT-TERM LOANS, continued

The Company has been working with its SOCMC on restructuring its debt during the nine months ended September 30, 2019.

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, 2017 | $ | 965,096 |
| Additions | | - |
| Foreign currency translation | | 84,391 |
| December 31, 2018 | $ | 1,049,487 |
| Additions | | 169,858 |
| Foreign currency translation | | (30,692) |
| September 30, 2019 | $ | 1,188,653 |

Short-term borrowing from private lenders is comprised of two loans. As at September 30, 2019, principal of $1,018,795 in respect of one loan is denominated in US dollars, is unsecured and bears interest at 11.50% per annum, compounding quarterly. The loan is due on demand. During the period ended September 30, 2019, additional loan principal of $169,858 was received which is denominated in Renminbi, bears interest at 5.82%, is unsecured and is due on August 9, 2020.

## 10. RELATED PARTY BALANCES AND TRANSACTIONS

### a) Amount due to related parties

Amounts due to related parties are summarized as follows:

| | Note | | September 30, 2019 | | December 31, 2018 |
|---|---|---|---|---|---|
| Loans from Chief Executive officer ("CEO") | | $ | 7,448,790 | $ | 6,965,868 |
| Loans from direct family member of CEO | | | 26,959,211 | | 25,186,344 |
| | i) | | 34,408,001 | | 32,152,212 |
| Consulting fees payable to CEO | ii) | | 3,021,931 | | 2,734,457 |
| Loan from Director of the Company | iii) | | 1,000,000 | | 1,037,808 |
| | | $ | 38,429,932 | $ | 35,924,477 |

**(Unaudited – Expressed in Canadian Dollars)**

## 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 September 30, 2019**

| | Loan amount in CAD | Date of the Loan Agreement | Maturity Date | Security | Interest rate per annum | Related Parties |
|---|---|---|---|---|---|---|
| | $ 662,216 | April 27, 2012 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 1,324,300 | October 11, 2012 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 662,150 | May 30, 2013 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 331,075 | November 15, 2013 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 913,767 | October 20, 2014 | On demand | Unsecured | Category 2 | Direct family member of CEO |
| | 192,024 | May 23, 2017 | On demand | Unsecured | Category 2 | Direct family member of CEO |
| | 1,648,899 | August 28, 2017 | On demand | Unsecured | Category 3 | Direct family member of CEO |
| | 2,463,198 | August 7, 2018 | On demand | Unsecured | Category 3 | Direct family member of CEO |
| | 662,150 | November 27, 2018 | November 27, 2019 | Unsecured | Category 4 | Direct family member of CEO |
| **Principal** | **$ 8,859,778** | | | | | |
| **Accrued interest** | **25,548,223** | | | | | |
| | **$ 34,408,001** | | | | | |

**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

**(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 September 30, 2019, the total amount owed to the CEO under these facilities, including principal and accumulated interest is $7,448,790 (December 31, 2018 - $6,965,868). As at September 30, 2019, 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 September 30, 2019, the total amount owed under these facilities, including principal and accumulated interest is $26,959,211 (2018 - $25,186,344). As at September 30, 2019, 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 $34,408,001 (December 31, 2018 - $32,152,212). 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 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 $612,125 (December 31, 2018 - $401,672), 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:

| | |
|---|---|
| Risk free interest | 2.29% |
| Expected life of the loan | 1 year |
| Expected foreign currency volalitity | 3.65% |

**ii.** As of September 30, 2019, the Company has accrued $3,021,931 (December 31, 2018 - $2,734,457), including 3% interest per annum compounding quarterly, in consulting fees payable to the Company's Chairman and Chief Executive Officer.

**iii.** As of September 30, 2019, 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 September 30, 2019, the total amount due to this related party, including interest was $1,000,000 (2018 - $1,037,808).

**(Unaudited – Expressed in Canadian Dollars)**

## 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 comprises the following:

| | Three months ended September 30 | | | | Nine months ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | | 2019 | | 2018 | | 2019 | | 2018 |
| Short-term employee benefits (including salaries, bonuses, fees and social security benefits) | $ | 160,207 | $ | 215,238 | $ | 465,522 | $ | 641,738 |
| Share-based benefits | $ | 145,986 | $ | 147,025 | $ | 439,702 | $ | 443,348 |
| Total remuneration | $ | 306,193 | $ | 362,263 | $ | 905,225 | $ | 1,085,086 |

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 3 to 36 months of gross salary, totaling approximately US $1,272,000.

Key Management Personnel did not exercise stock options granted under the Company's stock option plan in the nine months ended September 30, 2019.

## 11. LEASE LIABILITIES

| | | Office | | Land | | Production equipment | | Total |
|---|---|---|---|---|---|---|---|---|
| Recognized as at January 1, 2019 | $ | 491,766 | $ | 83,996 | $ | 228,545 | $ | 804,307 |
| Lease payments made | | (96,030) | | (13,974) | | (74,362) | | (184,366) |
| Interest expense on lease liabilities | | 53,228 | | 11,176 | | 28,150 | | 92,553 |
| | $ | 448,964 | $ | 81,198 | $ | 182,332 | $ | 712,494 |
| Less: current portion | | (65,047) | | (5,297) | | (72,085) | | (142,429) |
| Non-current portion as at September 30, 2019 | $ | 383,917 | $ | 75,900 | $ | 110,248 | $ | 570,065 |

## 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 September 30, 2019, there are 38,394,223 common 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.

**(Unaudited – Expressed in Canadian Dollars)**

## 12. SHARE CAPITAL, continued

### ii) Stock options, continued

Continuity of stock options is as follows:

| | Stock Options | | Weighted Average Exercise Price |
|---|---|---|---|
| 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 |
| Granted | - | | - |
| Exercised | | | - |
| Expired/cancelled/forfeited | (405,400) | | 0.50 |
| Balance as at September 30, 2019 | 622,000 | $ | 0.38 |

Stock options outstanding and exercisable at September 30, 2019:

| Exercise price | Number outstanding at September 30, 2019 | Number exercisable at September 30, 2019 | Remaining contractual life (years) | Expiry Date |
|---|---|---|---|---|
| $0.38 | 622,000 | 622,000 | 0.43 | March 6, 2020 |

(Unaudited – Expressed in Canadian Dollars)

## 12. SHARE CAPITAL, continued

### iii) Restricted shares

The Company recorded share-based payments in the amount of $448,322 (2018 - $301,482), 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, 2017 | 870,849 |
| Granted | - |
| Exercised | - |
| Vested | (150,000) |
| Expired/cancelled/forfeited | - |
| Balance as at December 31, 2018 | 720,849 |
| Granted | - |
| Exercised | - |
| Vested | - |
| Expired/cancelled/forfeited | - |
| Balance as at September 30, 2019 | 720,849 |

The vesting periods for restricted shares into unrestricted common shares as at September 30, 2019, are as follows:

| Number of restricted shares as at September 30, 2019 | Vesting period (years) | Performance based |
|---|---|---|
| 520,849 | 0.69 | Yes |
| 200,000 | 1.65 | Yes |
| 720,849 | 0.94 | |

(Unaudited – Expressed in Canadian Dollars)

## 13. NON-CONTROLLING INTEREST

During the year ended December 31, 2017, the Company disposed of 32.92% of its 100% ownership in Anhui Runhai Biotechnology Joint Stock Co. Ltd. ("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 noncontrolling 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 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 September 30, 2019, and December 31, 2018:

| | | September 30, 2019 | | December 31, 2018 |
|---|---|---|---|---|
| ASSETS | | | | |
| Current | $ | 4,465,771 | $ | 6,206,823 |
| Non-current | | 28,960,886 | | 33,155,034 |
| | $ | 33,426,657 | $ | 39,361,857 |
| LIABILITIES | | | | |
| Current | $ | 112,742,044 | $ | 113,391,895 |
| | $ | 112,742,044 | $ | 113,391,895 |
| Net liabilities | $ | (79,315,387) | $ | (74,030,038) |
| Non-controlling interest percentage | | 32.92% | | 32.92% |
| Non-controlling interest in net liabilities | $ | (26,110,626) | $ | (24,370,689) |

**(Unaudited – Expressed in Canadian Dollars)**

## 14. SUPPLEMENTARY INFORMATION

Supplementary cash flow information is as follows:

| Changes in non-cash working capital items | Three months ended September 30 2019 | Three months ended September 30 2018 | Nine months ended Septemeber 30 2019 | Nine months ended Septemeber 30 2018 |
|---|---|---|---|---|
| Accounts receivable | $ 193,968 | $ 1,686,702 | $ 2,022,286 | $ 66,643 |
| Taxes recoverable | (331,638) | 18,764 | (44,852) | 260,070 |
| Inventory | (340,474) | 847,159 | 839,923 | 2,694,044 |
| Prepaid expenses | (330,588) | (388,471) | (71,340) | (434,975) |
| Accounts payable and accruals | 2,074,286 | (897,776) | 78,974 | 194,282 |
| Interest payable | 2,211,680 | 1,371,196 | 6,052,900 | 4,368,720 |
| Due to related party | 2,071,032 | 1,090,377 | 4,843,575 | 3,361,955 |
| Changes in non-cash working capital items | $ 5,548,266 | $ 3,727,951 | $ 13,721,466 | $ 10,510,739 |

## 15. COST OF SALES AND EXPENSES

| | Three months ended September 30 2019 | Three months ended September 30 2018 | Nine months ended September 30 2019 | Nine months ended September 30 2018 |
|---|---|---|---|---|
| Cost of sales | | | | |
| Direct cost of sales | $ 1,554,882 | $ 2,079,770 | $ 5,079,794 | $ 9,407,722 |
| Depreciation and amortization | 305,619 | 329,908 | 630,357 | 1,411,065 |
| Freight & others | 67,832 | 39,113 | 139,714 | 551,997 |
| Total | $ 1,928,333 | $ 2,448,792 | $ 5,849,865 | $ 11,370,784 |
| Selling, general and administrative (SG&A) expenses | | | | |
| Direct SG&A expenses | $ 1,331,446 | $ 1,984,376 | $ 5,496,741 | $ 5,753,007 |
| Depreciation and amortization | 395,929 | 335,533 | 1,501,944 | 1,156,051 |
| Total | $ 1,727,375 | $ 2,319,909 | $ 6,998,685 | $ 6,909,058 |
| Supplementary information: | | | | |
| Salaries and wages | $ 522,494 | $ 596,682 | $ 1,886,881 | $ 1,924,955 |

(Unaudited – Expressed in Canadian Dollars)

## 16. LOSS PER SHARE

The following table sets forth the calculation of the basic and diluted loss per share for share for the three and nine months ended September 30, 2019 and 2018:

| | Three months ended September 30 | | Nine Months ended September 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Numerator: | | | | |
| Net Loss after tax | $ (3,857,591) | $ (2,481,571) | $ (11,506,225) | $ (11,273,161) |
| Denominator: | | | | |
| Weighted average number of shares outstanding - basic | 38,394,223 | 38,394,223 | 38,394,223 | 38,394,223 |
| Weighted average number of shares outstanding - diluted | 38,394,223 | 38,394,223 | 38,394,223 | 38,394,223 |
| Loss per share - basic | $ (0.10) | $ (0.06) | $ (0.30) | $ (0.29) |
| Loss per share - diluted | $ (0.10) | $ (0.06) | $ (0.30) | $ (0.29) |

The total number of anti-dilutive options excluded from the calculation for the nine months ended September 30, 2019 was 622,000 (2018 – 1,027,400).

## 17. 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 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 September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| China | $ 359,896 | $ 260,398 | $ 999,179 | $ 1,024,340 |
| North America | 2,012,814 | 2,235,771 | 6,222,965 | 11,766,237 |
| | $ 2,372,711 | $ 2,496,169 | $ 7,222,144 | $ 12,790,577 |

During the nine months ended September 30, 2019, two customers of the Natural Sweeteners CGU represented 61% of total consolidated revenue (2018 - 76%).

**(Unaudited – Expressed in Canadian Dollars)**

## 18. COMMITMENTS

The Company is committed to the following future minimum lease payments under the terms of its operating leases as follows:

| | |
|---|---|
| 2019 | 61,455 |
| 2020 | 247,094 |
| 2021 | 249,799 |
| 2022 | 154,317 |
| 2023 | 154,317 |
| 2024 and thereafter | 179,526 |
| Total | $1,046,509 |