LEADING LIFE TECHNOLOGIES.
BETTER STEVIA, MONK FRUIT AND MORE.

# GLG LIFE TECH CORPORATION

## MANAGEMENT DISCUSSION & ANALYSIS

## For the Three and Twelve Months Ended December 31, 2021

## Dated: March 31, 2022

## Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of GLG Life Tech Corporation is dated March 31, 2022. It provides a review of the financial results for the three and twelve months ended December 31, 2021, compared to the same periods in the prior year.

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

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

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

## Forward-Looking Statements

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

While the Company has based these forward-looking statements on its current expectations about future events, the statements are not guarantees of the Company's future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors include amongst others the effects of general economic conditions, consumer demand for our products and new orders from our customers and distributors, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations, industry supply levels, competitive pricing pressures and misjudgments in the course of preparing forward-looking statements. Specific reference is made to the risks described herein under the heading “Risks Related to the Company’s Business” and “Risks Associated with Doing Business in the People’s Republic of China” for a discussion of these and other sources of factors underlying forward-looking statements and to those additional risks set forth under the heading “Risk Factors” in the Company’s Annual Information Form for the financial year ended December 31, 2021. In light of these factors, the forward-looking events discussed in this MD&A might not occur.

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

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

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

## Overview

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

We conduct our stevia and monk fruit development, refining, processing and manufacturing operations through a 98.85% owned subsidiary in China. Our stevia operations in China include three processing factories, stevia growing areas across 10 growing regions, and four research and development centers engaged in the development of high-yielding stevia seeds and seedlings. Our processing facilities have a combined annual throughput of 41,000 metric tons of stevia leaf, over 500 metric tons of high-purity stevia extract, and 130 metric tons of high-purity monk fruit extract.

## Significant Accounting Estimates and Judgements

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

(References to Notes below are references to the corresponding Notes in the accompanying Financial Statements.)

**a) Judgments**

*Going concern*

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

*Functional currency determination*

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

*Recognition of deferred tax assets*

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

*Determination of Stevia Cash Generating Unit*

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

Centralized production planning takes place across the entire supply chain. It starts with the worldwide sales forecast of the stevia products for secondary processing plants, which then translates into production forecasts for secondary processing plants. The production forecasts for secondary processing plants then define how much products will be required from the primary processing plants. The design of the integrated supply chain makes the cash flows for each component of the supply not sufficiently independent of all the components in order to break down the cash flows any lower than the stevia business level. Therefore, management has treated the two stevia processing plants and the agricultural unit as a single CGU ("Stevia CGU").

*Determination of Monk Fruit Cash Generating Unit*

The Monk Fruit operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain.

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

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

*Impairment and/or impairment reversal of long-lived assets*

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's long-lived assets are impaired and whether previously recorded impairments should be reversed. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying CGUs for the purpose of impairment testing.

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

**b) Uncertainty estimation**

*Inventories*

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

*Depreciation*

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

*Income tax estimates*

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

*Allowance for doubtful accounts*

The Company recognizes an impairment loss allowance for expected credit losses on trade accounts receivable using a probability-weighted estimate of credit losses. In its assessment, management estimates the expected credit losses based on actual credit loss experience and informed credit assessment, taking into consideration forward-looking information. If actual credit losses differ from estimates, future earnings would be affected.

*Share-based compensation*

Estimating fair value for granted stock options and restricted shares requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation expense for the year along with the assumptions and model used for estimating fair value for stock-based compensation transactions are disclosed in Note 20.

*COVID-19*

The global impact of COVID-19 has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally. The Company has implemented the pandemic-related procedures and protocols at its facilities, including enhanced screening measures, cleaning and sanitation on processes and frequency, encouraging social distancing measures and directing employees to work from home if possible. The impact of COVID-19 cannot be reasonably estimated at this time. However, this outbreak may affect the Company, its suppliers, distribution channels or customers, including the manufacturing were shut down temporarily.

## Corporate and Sales Developments

**Company Outlook**

Over the past several quarters, management has focused on implementing and continuing plans that have helped stem the losses that the Company suffered in recent years and to ameliorate the Company's financial position. Those efforts have brought some success, as the Company's EBITDA has improved, due largely to significant reductions in SG&A expenses. It remains the case, however, that the Company lacks the cash necessary to fully fund the business operations and its strategic product initiatives. The Company continues to manage its cash flows carefully to mitigate risk of insolvency. Nevertheless, without an infusion of cash in the months ahead, the Company may not be able to realize its strategic plans and could eventually cease to be a going concern.

To address that cash need, management negotiated a CAD $1 million revolving loan facility with a related party for working capital purposes in 2020. Also in 2020, management realized the sale of one of its two idle assets; the sale of the "Runhao" facility resulted in significant debt reduction and better positions the Company to be able to access additional lines of working capital. Management also continues to explore options for the sale or repurposing of its idle "Runyang" primary processing facility in Jiangsu province to further address its cash needs and balance sheet.

Another factor that continues to contribute to the Company's financial situation is the competitive price pressure in the stevia market over the last two years that has reduced mainstream "Reb A" products (such as Reb A 80 and Reb A 97) to the lowest price levels in years. Monk fruit prices have also become increasingly competitive in the marketplace. To maintain margins at sustainable levels, the Company has focused on improving its production efficiencies, continues to strive for a mix of products that is weighted more heavily on higher margin, specialty products, and has focused more on higher margin direct sales.

The Company continues to explore options to significantly improve its balance sheet and cash flows, whether through restructuring of debt or other opportunities for infusions of cash to address the debt load. The Company also continues to explore options that may be complementary to the natural sweetener market, where it could leverage its production expertise and equipment towards an investment that may help grow the Company's revenues and improve its financial position.

While the Company continues to face substantial risks, management remains optimistic about the future opportunities for the Company. Having closed the idle asset sale in 2020 and having successfully implemented right-sizing efforts to manage costs, as well as continuing to optimize production efficiencies, costs, and planning, management is proceeding down the best available path to increased financial stability and profitability.

**Appointment of Chief Financial Officer**

The Company announced the appointment of Edward Wang as Chief Financial Officer, effective November 12, 2021. Mr. Wang, who joined the Company in October 2019, had been serving as Acting Chief Financial Officer since June of 2020.

In view of Mr. Wang's efforts and results in overseeing the Company's financial reporting, cost controls, and financial management of both the Chinese and North American operations, the Board of Directors agreed that Mr. Wang was the right person to continue leading the Company's financial operations. Dr. Zhang expressed: "With Edward's performance since joining the Company – Edward has helped deliver significant savings in our SG&A and has managed the Company's financial reporting professionally and admirably – as a result I have full faith in him to continue driving us towards strong results, to execute on our strategy, and to help take GLG to the next level."

Mr. Wang, who joined the Company in October 2019, had been serving as Acting Chief Financial Officer since June of 2020. He received his Bachelor of Arts in Accounting degree in 1992, Master of Business Administration in 2005, and earned his CPA, CGA in 2010. Prior to joining GLG, Mr. Wang worked in Kraft Foods (China) for eight years and the mining business in both China and Canada for ten years.

**2021 AGM Voting Results**

The Company held its Annual General Meeting virtually on June 23, 2021. The shareholders voted in all nominated directors, with favorable votes for each exceeding 99%. Dr. Luke Zhang continues as Chairman of the Board and Chief Executive Officer and Brian Palmieri continues as Vice Chairman of the Board.

## Results from Operations

The following results from operations have been derived from and should be read in conjunction with the Company's annual consolidated financial statements for 2021 and 2020.

| In thousands Canadian $, except per share amounts | 3 Months Ended December 31 | | % Change | 12 Months Ended December 31 | | % Change |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | | 2021 | 2020 | |
| Revenue | $3,002 | $2,784 | 8% | $10,876 | $15,290 | (29%) |
| Cost of Sales | ($2,302) | ($1,929) | 19% | ($7,977) | ($11,722) | (32%) |
| % of Revenue | (77%) | (69%) | (7%) | (73%) | (77%) | 3% |
| Gross Profit | $700 | $855 | (18%) | $2,899 | $3,568 | (19%) |
| % of Revenue | 23% | 31% | (7%) | 27% | 23% | 3% |
| Expenses | ($506) | ($438) | 16% | ($4,001) | ($5,736) | (30%) |
| % of Revenue | (17%) | (16%) | (1%) | (37%) | (38%) | 1% |
| Income (Loss) from Operations | $194 | $416 | (53%) | ($1,102) | ($2,169) | 49% |
| % of Revenue | 6% | 15% | (8%) | (10%) | (14%) | 4% |
| Other (Expenses) Income | ($8,680) | $4,402 | (297%) | ($22,768) | $30,252 | (175%) |
| % of Revenue | (289%) | 158% | (447%) | (209%) | 198% | (407%) |
| Net Income (Loss) before Income Taxes | ($8,486) | $4,818 | (276%) | ($23,870) | $28,083 | (185%) |
| % of Revenue | (283%) | 173% | (456%) | (219%) | 184% | (403%) |
| Net Income (Loss) | ($8,486) | $4,818 | (276%) | ($23,870) | $28,083 | (185%) |
| % of Revenue | (283%) | 173% | (456%) | (219%) | 184% | (403%) |
| Net Income (Loss) Attributable to Non-Controlling Interest (NCI) | ($71) | $11,195 | (101%) | ($166) | $11,557 | (101%) |
| Net Income (Loss) Attributable to GLG | ($8,415) | ($6,377) | (32%) | ($23,704) | $16,526 | (243%) |
| % of Revenue | (280%) | (229%) | (51%) | (218%) | 108% | (326%) |
| Net Income (Loss) per share (LPS, Basic & Diluted) | ($0.22) | ($0.17) | (32%) | ($0.62) | $0.43 | (244%) |
| Other Comprehensive Income (Loss) | ($1,049) | ($9,753) | 89% | ($1,639) | ($3,405) | 52% |
| % of Revenue | (35%) | (350%) | 315% | (15%) | (22%) | 7% |
| Comprehensive Net Income (Loss) | ($9,535) | ($4,935) | (93%) | ($25,509) | $24,678 | (203%) |
| Comprehensive Income (Loss) Attributable to NCI | ($82) | $10,449 | (101%) | ($188) | $10,829 | (102%) |
| Comprehensive Income (Loss) Attributable to GLG | ($9,453) | ($15,384) | 39% | ($25,321) | $13,849 | (283%) |
| % of Revenue | (315%) | (553%) | 238% | (233%) | 91% | (324%) |

## Revenue

Revenue for the three months ended December 31, 2021, was $3.0 million compared to $2.8 million in revenue for the same period last year. Sales increased by 8% or $0.2 million for the period ending December 31, 2021, compared to the prior period. The sales increase of $0.2 million was driven primarily by an increase in stevia sales, which was offset by a decrease in monk fruit sales. China domestic stevia sales increased year-over-year. International sales continue to predominate, making up 97% of the Company's revenues (versus 98% in fourth quarter 2020).

Revenue for the twelve months ended December 31, 2021, was $10.9 million compared to $15.3 million in revenue for the same period last year. Sales decreased by 29% or $4.4 million for the year ended December 31, 2021, compared to the prior period. The sales decrease of $4.4 million was driven by decreases in both international stevia and international monk fruit sales. International sales decreased as a result of decreased stevia prices in the market as well as an increased focus on higher-margin direct sales. The decrease in international monk fruit sales resulted from a relatively limited monk fruit market supply. China domestic sales were also down for the 2021 period, versus the 2020 period, but the impact was relatively small as international sales made up 97% of full-year 2020 revenues (versus 96% for the same period in 2020).

## Cost of Sales

For the quarter ended December 31, 2021, the cost of sales was $2.3 million compared to $1.9 million in cost of sales for the same period last year ($0.4 million or 19% increase). Cost of sales as a percentage of revenues was 77% for the fourth quarter 2021, compared to 69% for the comparable period, an increase of 8 percentage points. The increase in cost of sales as a percentage of revenue for the three months ended December 31, 2021, compared to the prior comparable period, is primarily attributable to an adjustment made to full-year depreciation that was reflected in the fourth quarter of 2020, which resulted in a decrease to cost of sales as a percentage of revenue in that quarter.

For the twelve months ended December 31, 2021, the cost of sales was $8.0 million compared to $11.7 million for the same period last year (a decrease of $3.7 million or 32%). Cost of sales as a percentage of revenues was 73% for the twelve months ended December 31, 2021, compared to 77% in the comparable period in 2020, an improvement of 4 percentage points. The improvement in cost of sales as a percentage of revenue for the full year ended December 31, 2021, compared to the prior comparable period, is primarily attributable to a higher ratio of stevia sales over monk fruit sales.

Capacity charges charged to the cost of sales ordinarily would flow to inventory and are a significant component of the cost of sales. Only two of GLG's manufacturing facilities were operating during the twelve months ended December 31, 2021, and capacity charges of $1.2 million were charged to cost of sales (representing 15% of cost of sales) compared to $1.4 million charged to cost of sales in the same period of 2020 (representing 12% of cost of sales).

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

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

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

## Gross Profit (Loss)

Gross profit for the three months ended December 31, 2021, was $0.7 million, compared to a gross profit of $0.9 million for the comparable period in 2020. The gross profit margin was 23% in the fourth quarter of 2021 compared to 31% for the same period in 2020, a decrease of 8 percentage points. This 8 percentage point decrease in gross profit margin for the fourth quarter of 2021, relative to the comparable period in 2020, is primarily attributable to an adjustment made to full-year depreciation that was reflected in the fourth quarter of 2020, which contributed to the gross profit margin in that quarter.

Gross profit for the twelve months ended December 31, 2021, was $2.9 million, compared to a gross profit of $3.6 million for the comparable period in 2020. The gross profit margin was 27% for the twelve months ended December 31, 2021, compared to 23% for the same period in 2020, an increase of 4 percentage points. This 4 percentage point increase in gross profit margin for the year 2021, relative to the year 2020, is primarily attributable to a higher ratio of stevia sales over monk fruit sales.

## Selling, General, and Administration Expenses

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

| In thousands Canadian $ | 3 Months Ended December 31 | | % Change | 12 Months Ended December 31 | | % Change |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | | 2021 | 2020 | |
| G&A Expenses | $785 | $539 | 46% | $3,424 | $3,997 | (14%) |
| Stock Based Compensation Expenses | $0 | $45 | (100%) | $73 | $360 | (80%) |
| Depreciation Expenses | ($279) | ($146) | (91%) | $504 | $1,379 | (63%) |
| Total | $506 | $438 | 16% | $4,001 | $5,736 | (30%) |

G&A expenses for the three months ended December 31, 2021, were $0.8 million, an increase of $0.2 million compared to $0.5 million in the same period in 2020. The $0.2 million increase in G&A expenses was driven primarily by an increase in consulting fees ($0.3 million), which was driven by a 2020 full-year adjustment to consulting fees that was reflected in the fourth quarter of 2020 and resulted in negative $0.1 million in consulting fees recorded for that quarter (versus $0.2 million in consulting fees recorded in the fourth quarter of 2021).

Stock-based compensation for the three months ended December 31, 2021, was $0.0 million, compared to $0.0 million for the same period in 2020. The number of common shares available for issue under the stock compensation plan is 10% of the issued and outstanding common shares. During the fourth quarter of 2021, there was no compensation from vesting stock-based compensation awards.

G&A-related depreciation and amortization expenses for the three months ended December 31, 2021, were negative $0.3 million, compared with negative $0.1 million for the same quarter of 2020, with the negative depreciation reflecting an adjustment related to prior disposition of plant, property, and equipment.

G&A expenses for the twelve months ended December 31, 2021, were $3.4 million, a decrease of $0.6 million compared to $4.0 million in the same period in 2020. The $0.6 million decrease in G&A expenses was driven primarily by reductions in (1) salaries and wages ($0.4 million), (2) office expenses ($0.2 million) and (3) research and development, business taxes and licenses, meals and entertainment, and insurance ($0.2 million), which were offset by increases in (3) consulting fees ($0.1 million) and (4) professional fees ($0.1 million).

Stock-based compensation for the twelve months ended December 31, 2021, was $0.1 million, compared to $0.4 million for the same period in 2020. The number of common shares available for issue under the stock compensation plan is 10% of the issued and outstanding common shares. During the twelve-month period, compensation from vesting stock-based compensation awards was recognized, due to previously granted restricted shares.

G&A-related depreciation and amortization expenses for the twelve months ended December 31, 2021, were $0.5 million compared with $1.4 million for the same period in 2020.

## Other Income (Expenses)

| In thousands Canadian $ | 3 Months Ended December 31 | | % Change | 12 Months Ended December 31 | | % Change |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | | 2021 | 2020 | |
| Other Income (Expenses) | ($8,680) | $4,402 | (297%) | ($22,768) | $30,252 | (175%) |
| % of Revenue | (289%) | 158% | (447%) | (209%) | 198% | (407%) |

Other expenses for the three months ended December 31, 2021, was $8.7 million, compared to income of $4.4 million for the same period in 2020, an increase in other expenses of $13.1 million. This $13.1 million increase in other expenses for the quarter was driven primarily by (1) gain in 2020 on disposal of the Runhao subsidiary ($8.6 million), (2) an increase in interest expenses ($2.7 million), (3) an increase in foreign exchange loss ($1.5 million), (4) an increase in inventory provisions ($0.2 million) and (5) gain in 2020 on extinguishment of debt related to the subsidiary disposal ($0.1 million).

Other expenses for the twelve months ended December 31, 2021, was $22.8 million, compared to income of $30.3 million for the same period in 2020, an increase in other expenses of $53.0 million. This $53.0 million increase in other expenses for the year was driven primarily by (1) gain in 2020 on disposal of the Runhao subsidiary ($28.6 million), (2) gain in 2020 on extinguishment of debt related to the subsidiary disposal ($17.6 million), (3) an increase in interest expenses ($4.7 million), (4) reversal in 2020 of property, plant and equipment impairment related to the subsidiary disposal ($1.6 million), (5) an increase in inventory provisions ($0.3 million), (6) a decrease in interest income ($0.1 million) and (7) an increase in other expenses ($0.1 million).

## Foreign Exchange Gains (Losses)

| Exchange rates | 2021 | 2021 | 2021 | 2021 | 2020 | 2020 | 2020 | 2020 |
|---|---|---|---|---|---|---|---|---|
| Rate (as compared to the Canadian $) | 31-Dec | 30-Sep | 30-Jun | 31-Mar | 31-Dec | 30-Sep | 30-Jun | 31-Mar |
| U.S. Dollars | 0.7888 | 0.7849 | 0.8068 | 0.7952 | 0.7854 | 0.7497 | 0.7338 | 0.7049 |
| Chinese RMB | 5.0125 | 5.0761 | 5.2110 | 5.2110 | 5.1308 | 5.0942 | 5.1867 | 4.9950 |

| Exchange rates | 2021 | 2021 | 2021 | 2021 | 2020 | 2020 | 2020 | 2020 |
|---|---|---|---|---|---|---|---|---|
| Rate (as compared to the US $) | 31-Dec | 30-Sep | 30-Jun | 31-Mar | 31-Dec | 30-Sep | 30-Jun | 31-Mar |
| Chinese RMB | 6.3549 | 6.4675 | 6.4586 | 6.5529 | 6.5326 | 6.7952 | 7.0685 | 7.0864 |

GLG reports in Canadian dollars but earns revenues in US dollars and Chinese renminbi ("RMB") and incurs most of its expenses in RMB. Impacts of the appreciation or depreciation of the RMB against the Canadian dollar are shown separately in Accumulated Other Comprehensive Income ("AOCI") on the Balance Sheet. As at December 31, 2021, the exchange rate for RMB per Canadian dollar was 5.0125 compared to the exchange rate of 5.1308 as at December 31, 2020, reflecting an appreciation of the RMB against the Canadian dollar. As at December 31, 2021, the exchange rate for USD per Canadian dollar was 0.7888 compared to the exchange rate of 0.7854 as at December 31, 2020, reflecting a depreciation of the USD against the Canadian dollar. The balance of the AOCI was $10.9 million on December 31, 2021, compared to a balance of $12.5 million as at December 31, 2020.

The foreign exchange gain or loss is made up of realized and unrealized gains or losses due to the depreciation or appreciation of the foreign currency against the Canadian dollar. Foreign exchange loss was $0.8 million for the year ended December 31, 2021, compared to the foreign exchange loss of $0.8 million for the comparable period in 2020. The table above shows the change in the Canadian dollar relative to the US dollar from March 31, 2020, to December 31, 2021, and the exchange rate movement for the Canadian dollar relative to the US dollar and RMB as shown above.

## Net Income (Loss) Attributable to the Company

| In thousands Canadian $ | 3 Months Ended December 31 | | % Change | 12 Months Ended December 31 | | % Change |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | | 2021 | 2020 | |
| Net Income (Loss) | ($8,486) | $4,818 | (276%) | ($23,870) | $28,083 | (185%) |
| Net Income (Loss) Attributable to NCI | ($71) | $11,195 | (101%) | ($166) | $11,557 | (101%) |
| % of Revenue | (2%) | 402% | (404%) | (2%) | 76% | (77%) |
| Net Income (Loss) Attributable to GLG | ($8,415) | ($6,377) | (32%) | ($23,704) | $16,526 | (243%) |
| % of Revenue | (280%) | (229%) | (51%) | (218%) | 108% | (326%) |

For the three months ended December 31, 2021, the Company had a net loss attributable to the Company of $8.4 million, an increase of $2.1 million over the comparable period in 2020 (net loss of $6.4 million). The $2.1 million increase in net loss attributable to the Company was driven by (1) an increase in other expenses ($13.1 million) and (2) a decrease in net gain from operations ($0.2 million), which were offset by (3) a decrease in net income attributable to non-controlling interests ($11.3 million).

For the twelve months ended December 31, 2021, the Company had net loss attributable to the Company of $23.7 million, an increase of $40.2 million over the comparable period in 2020 (net income of $16.5 million). The $40.2 million increase in net loss attributable to the Company was driven by (1) an increase in other expenses ($53.0 million) attributable primarily to gain in 2020 related to the disposal of the Company's Runhao subsidiary, which was offset by (2) a decrease in net loss from operations ($1.1 million) and (3) a decrease in net income attributable to non-controlling interests ($11.7 million).

## Comprehensive Income (Loss)

| In thousands Canadian $ | 3 Months Ended December 31 | | % Change | 12 Months Ended December 31 | | % Change |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | | 2021 | 2020 | |
| Net Income (Loss) Attributable to GLG | ($8,415) | ($6,377) | (32%) | ($23,704) | $16,526 | (243%) |
| Other Comprehensive Income (Loss) | ($1,049) | ($9,753) | 89% | ($1,639) | ($3,405) | 52% |
| Total Comprehensive Income (Loss) | ($9,535) | ($4,935) | (93%) | ($25,509) | $24,678 | (203%) |
| Comprehensive Income (Loss) Attributable to NCI | ($82) | $10,449 | (101%) | ($188) | $10,829 | (102%) |
| Comprehensive Income (Loss) Attributable to GLG | ($9,453) | ($15,384) | 39% | ($25,321) | $13,849 | (283%) |
| % of Revenue | (315%) | (553%) | 238% | (233%) | 91% | (323%) |

The Company recorded total comprehensive loss of $9.5 million for the three months ended December 31, 2021, comprising $8.4 million of net loss attributable to the Company and $1.0 million of other comprehensive loss attributable to the Company. The Company recorded total comprehensive loss of $15.4 million for the three months ended December 31, 2020, comprising $6.4 million of net loss attributable to the Company and $9.0 million of other comprehensive loss attributable to the Company.

The Company recorded total comprehensive loss of $25.3 million for the twelve months ended December 31, 2021, comprising $23.7 million of net loss attributable to the Company and $1.6 million of other comprehensive loss attributable to the Company. The Company recorded total comprehensive income of $13.8 million for the twelve months ended December 31, 2020, comprising $16.5 million of net income attributable to the Company and $2.7 million of other comprehensive loss attributable to the Company.

## Summary of Quarterly Results

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

## Quarterly Net Income (Loss)

| In thousands Canadian $, except per share amounts | 2021 Q4 | 2021 Q3 | 2021 Q2 | 2021 Q1 | 2020 Q4 | 2020 Q3 | 2020 Q2 | 2020 Q1 |
|---|---|---|---|---|---|---|---|---|
| Revenue | $3,002 | $2,094 | $2,526 | $3,254 | $2,784 | $3,966 | $5,975 | $2,565 |
| Gross Profit $ | $700 | $558 | $813 | $828 | $855 | $727 | $1,676 | $311 |
| Gross Profit % | 23% | 27% | 32% | 25% | 31% | 18% | 28% | 12% |
| Net Income (Loss) Attributable to GLG | ($8,414) | ($6,962) | ($4,497) | ($3,832) | ($6,375) | $21,141 | $10,438 | ($8,678) |
| Basic Income (Loss) Per Share | ($0.22) | ($0.18) | ($0.12) | ($0.10) | ($0.17) | $0.55 | $0.27 | ($0.23) |

For the three months ended December 31, 2021, the Company had a net loss attributable to the Company of $8.4 million, an increase of $2.1 million over the comparable period in 2020 (net loss of $6.4 million). The $2.1 million increase in net loss attributable to the Company was driven by (1) an increase in other expenses ($13.1 million) and (2) a decrease in net gain from operations ($0.2 million), which were offset by (3) a decrease in net income attributable to non-controlling interests ($11.3 million).

For the three months ended September 30, 2021, the Company had a net loss attributable to the Company of $7.0 million, a decrease in net income of $28.1 million over the comparable period in 2020 (net income of $21.1 million). The $28.1 million decrease in net income attributable to the Company was driven by (1) a decrease in other income ($24.4 million) attributable primarily to gain in 2020 from the sale of an idle asset and (2) a decrease in net loss attributable to non-controlling interests ($3.8 million), which was offset by (3) a decrease in net loss from operations ($0.1 million).

For the three months ended June 30, 2021, the Company had a net loss attributable to the Company of $4.5 million, a decrease in net income of $14.9 million over the comparable period in 2020 (net income of $10.4 million). The $14.9 million decrease in net income attributable to the Company was driven by (1) a decrease in other income ($20.5 million) attributable primarily to debt forgiveness from the sale of an idle asset, which was offset by (2) a decrease in net income attributable to non-controlling interests ($5.4 million) and (3) a decrease in net loss from operations ($0.2 million).

For the three months ended March 31, 2021, the Company had a net loss attributable to the Company of $3.8 million, a decrease of $4.8 million or 56% over the comparable period in 2020 ($8.7 million). The $4.8 million decrease in net loss attributable to the Company was driven by (1) a decrease in other expenses ($5.0 million) and (2) a decrease in loss from operations ($1.0 million), which were offset by (3) a decrease in net loss attributable to non-controlling interests ($1.1 million).

For the three months ended December 31, 2020, the Company had a net loss attributable to the Company of $6.4 million, a decrease of $1.4 million over the comparable period in 2019 (loss of $7.8 million). The $1.4 million decrease in net loss attributable to the Company was driven by (1) an increase in other income ($12.7 million) and (2) an increase in net income from operations ($2.1 million), which were offset by (3) an increase in net income attributable to non-controlling interests ($13.4 million).

For the three months ended September 30, 2020, the Company had net income attributable to the Company of $21.1 million, an increase of $25.0 million over the comparable period in 2019 (loss of $3.9 million). The $25.0 million increase in net income attributable to the Company was driven by (1) an increase in other income ($21.6 million) attributable primarily to disposal of the Company's Runhao subsidiary, (2) an increase in net loss attributable to non-controlling interests ($2.9 million) and (3) a decrease in net loss from operations ($0.5 million).

For the three months ended June 30, 2020, the Company had net income attributable to the Company of $10.4 million, an increase of $13.2 million over the comparable period in 2019 (loss of $2.8 million). The $13.2 million increase in net income attributable to the Company was driven by (1) an increase in other income ($18.1 million) attributable primarily to debt forgiveness from the sale of an idle asset and (2) a decrease in net loss from operations ($1.6 million), which were offset by (3) an increase in net income attributable to non-controlling interests ($6.4 million).

For the three months ended March 31, 2020, the Company had a net loss attributable to the Company of $8.7 million, an increase of $3.9 million or 81% over the comparable period in 2019 ($4.8 million). The $3.9 million increase in net loss attributable to the Company was driven by (1) an increase in other expenses ($4.4 million) and (2) a decrease in net loss attributable to non-controlling interests ($0.4 million), which were offset by (3) a decrease in loss from operations ($0.9 million).

## Quarterly Basic and Diluted Income (Loss) per Share

The basic loss and diluted loss per share from operations was $0.22 for the three months ended December 31, 2021, compared with a basic and diluted net loss of $0.17 for the comparable period in 2020. For the three months ended December 31, 2021, the Company had a net loss attributable to the Company of $8.4 million, an increase of $2.1 million over the comparable period in 2020 (net loss of $6.4 million). The $2.1 million increase in net loss attributable to the Company was driven by (1) an increase in other expenses ($13.1 million) and (2) a decrease in net gain from operations ($0.2 million), which were offset by (3) a decrease in net income attributable to non-controlling interests ($11.3 million).

The basic loss and diluted loss per share from operations was $0.18 for the three months ended September 30, 2021, compared with a basic and diluted net gain of $0.55 for the comparable period in 2020. For the three months ended September 30, 2021, the Company had a net loss attributable to the Company of $7.0 million, a decrease in net income of $28.1 million over the comparable period in 2020 (net income of $21.1 million). The $28.1 million decrease in net income attributable to the Company was driven by (1) a decrease in other income ($24.4 million) attributable primarily to gain in 2020 from the sale of an idle asset and (2) a decrease in net loss attributable to non-controlling interests ($3.8 million), which was offset by (3) a decrease in net loss from operations ($0.1 million).

The basic loss and diluted loss per share from operations was $0.12 for the three months ended June 30, 2021, compared with a basic and diluted net gain of $0.27 for the comparable period in 2020. For the three months ended June 30, 2021, the Company had a net loss attributable to the Company of $4.5 million, a decrease in net income of $14.9 million over the comparable period in 2020 (net income of $10.4 million). The $14.9 million decrease in net income attributable to the Company was driven by (1) a decrease in other income ($20.5 million) attributable primarily to debt forgiveness from the sale of an idle asset, which was offset by (2) a decrease in net income attributable to non-controlling interests ($5.4 million) and (3) a decrease in net loss from operations ($0.2 million).

The basic loss and diluted loss per share from operations was $0.10 for the three months ended March 31, 2021, compared with a basic and diluted net loss of $0.23 for the comparable period in 2020. For the three months ended March 31, 2021, the Company had a net loss attributable to the Company of $3.8 million, a decrease of $4.8 million or 56% over the comparable period in 2020 ($8.7 million). The $4.8 million decrease in net loss attributable to the Company was driven by (1) a decrease in other expenses ($5.0 million) and (2) a decrease in loss from operations ($1.0 million), which were offset by (3) a decrease in net loss attributable to non-controlling interests ($1.1 million).

The basic loss and diluted loss per share from operations was $0.17 for the three months ended December 31, 2020, compared with a basic and diluted net loss of $0.20 for the comparable period in 2019. For the three months ended December 31, 2020, the Company had a net loss attributable to the Company of $6.4 million, a decrease of $1.4 million over the comparable period in 2019 (loss of $7.8 million). The $1.4 million decrease in net loss attributable to the Company was driven by (1) an increase in other income ($12.7 million) and (2) an increase in net income from operations ($2.1 million), which were offset by (3) an increase in net income attributable to non-controlling interests ($13.4 million).

The basic income and diluted income per share from operations was $0.55 for the three months ended September 30, 2020, compared with a basic and diluted net loss of $0.10 for the comparable period in 2019. For the three months ended September 30, 2020, the Company had net income attributable to the Company of $21.1 million, an increase of $25.0 million over the comparable period in 2019 (loss of $3.9 million). The $25.0 million increase in net income attributable to the Company was driven by (1) an increase in other income ($21.6 million) attributable primarily to disposal of the Company's Runhao subsidiary, (2) an increase in net loss attributable to non-controlling interests ($2.9 million) and (3) a decrease in net loss from operations ($0.5 million).

The basic income and diluted income per share from operations was $0.27 for the three months ended June 30, 2020, compared with a basic and diluted net loss of $0.07 for the comparable period in 2019. For the three months ended June 30, 2020, the Company had net income attributable to the Company of $10.4 million, an increase of $13.2 million over the comparable period in 2019 (loss of $2.8 million). The $13.2 million increase in net income attributable to the Company was driven by (1) an increase in other income ($18.1 million) attributable primarily to debt forgiveness from the sale of an idle asset and (2) a decrease in net loss from operations ($1.6 million), which were offset by (3) an increase in net income attributable to non-controlling interests ($6.4 million).

The basic loss and diluted loss per share from operations was $0.23 for the three months ended March 31, 2020, compared with a basic and diluted net loss of $0.12 for the comparable period in 2019. For the three months ended March 31, 2020, the Company had a net loss attributable to the Company of $8.7 million, an increase of $3.9 million or 81% over the comparable period in 2019 ($4.8 million). The $3.9 million increase in net loss attributable to the Company was driven by (1) an increase in other expenses ($4.4 million) and (2) a decrease in net loss attributable to non-controlling interests ($0.4 million), which were offset by (3) a decrease in loss from operations ($0.9 million).

## NON-IFRS Financial Measures

**Gross Profit Before Capacity Charges**

This non-IFRS financial measure shows the gross profit (loss) before the impact of idle capacity charges are reflected on the gross profit margin. GLG had only two of its three production facilities in operation in 2021 (with one production facility idle) and idle capacity charges have a material impact on the gross profit (loss) line in the financial statements.

Gross profit before capacity charges for the three months ended December 31, 2021, was $1.2 million or 41% of fourth quarter revenues compared to $0.9 million or 33% of fourth quarter revenues in 2020.

Gross profit before capacity charges for the twelve months ended December 31, 2021, was $4.1 million or 38% of full-year revenues compared to $5.0 million or 33% of full-year revenues in 2020. Gross profit before capacity charges for 2021 decreased from 2020 due primarily to a decrease in both stevia and monk fruit sales.

**Earnings Before Interest, Taxes and Depreciation ("EBITDA") and EBITDA Margin**

| In thousands Canadian $ | 3 Months Ended December 31 | | % Change | 12 Months Ended December 31 | | % Change |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | | 2021 | 2020 | |
| Income / (Loss) Before Income Taxes | ($8,486) | $4,818 | (276%) | ($23,870) | $28,083 | (185%) |
| Add: | | | | | | |
| Provisions for Inventory Impairment | $87 | ($87) | (200%) | $96 | ($178) | (154%) |
| Bad Debt (Recoveries for Receivables) | ($5) | $48 | (110%) | ($1) | $44 | (102%) |
| Depreciation and Amortization | $199 | ($209) | (195%) | $1,431 | $2,093 | (32%) |
| Reversal on Impairment of Property, Plant & Equipment | $0 | $0 | 0% | $0 | $0 | 0% |
| Net Interest Expense | $8,092 | $5,356 | 51% | $21,449 | $16,617 | 29% |
| Debt forgiveness | $0 | ($118) | (100%) | $0 | ($17,632) | (100%) |
| Gain on subsidiary disposal | $0 | ($8,616) | (100%) | $0 | ($30,182) | (100%) |
| Foreign Exchange Gain & Loss | $363 | ($1,140) | (132%) | $831 | $791 | 5% |
| Non-Cash Share Compensation | $0 | $45 | (100%) | $73 | $360 | (80%) |
| EBITDA | $250 | $97 | 158% | $9 | ($4) | 325% |
| EBITDA as a % of Revenue | 8% | 3% | 5% | 0% | (0%) | 0% |

EBITDA for the three months ended December 31, 2021, was $0.3 million or 8% of revenues, compared to $0.1 million or 3% of revenues for the same period in 2020. EBITDA income increased by $0.2 million for the three-month period ended December 31, 2021, relative to the comparable period in 2020, driven primarily by an increase in gross profit margins.

EBITDA for the twelve months ended December 31, 2021, was $0.0 million or nil% of revenues, compared to $0.0 million or nil% of revenues for the same period in 2020.

## Liquidity and Capital Resources

| In thousands Canadian $ | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| Cash and Cash Equivalents | $ 239 | $ 556 |
| Working Capital | $ (165,823) | $ (140,930) |
| Total Assets | $ 24,554 | $ 25,442 |
| Total Liabilities | $ 172,518 | $ 147,969 |
| Loan Payable (<1 year) | $ 102,680 | $ 94,236 |
| Loan Payable (>1 year) | $ - | $ - |
| Total Shareholder's Deficiency | $ (147,148) | $ (121,900) |

The Company has several initiatives currently underway in order to manage cash flow, including working closely with the banks to restructure its loans, negotiating the sale or repurposing of idle assets, and reducing operating expenditures including general and administrative expenses and production-related expenses. The Company also continues to work to reduce accounts receivable, negotiate with creditors for extended payment terms, and arrange financing as necessary with its Directors and other related parties.

Total loans payable (both short-term and long-term) is $102.7 million as of December 31, 2021, an increase of $8.4 million compared to the total loans payable as at December 31, 2020 ($94.2 million). The increase in short-term loans was primarily driven by an increase in accrued interest due to related parties.

Until the final debt restructuring is completed, the terms of the original loans are represented in the financial statements.

The Company continues to work with its Chinese banks on restructuring its Chinese debt in 2021. Previously, 98% of all China bank loans held by GLG's Chinese subsidiary – Anhui Runhai Biotechnology Joint Stock Company, Ltd. ("Runhai") and its wholly owned Chinese subsidiaries – had been transferred to one state-owned capital management company ("SOCMC"), China Cinda Assets Management ("Cinda"). Subsequently, in the fourth quarter of 2021, part of Cinda's debt holding (approximately 17.5%) was transferred to another SOCMC, Jiangsu Xinbao Assets Management Co. ("Xinbao").

The Company announced in September 2019 a finalized agreement with Cinda to resolve most of its bank debt over a two-year period commencing with the sale of one of its idle assets. That asset sale commenced in the second quarter of 2020, including the recording of $17.5 million in debt forgiveness related to that sale, and was finalized as of July 23, 2020. The Company also continues to negotiate with Cinda regarding the debt repayment schedule as well as the possibility of converting outstanding debt into equity in Runhai with a view to participate as an equity shareholder in the potential returns. Cinda could also be a source of possible future capital. The Company is also exploring other options to reduce or eliminate the debt.

## Cash Flows: Three Months Ended December 31, 2021 and 2020

**Cash generated by operating activities** was $0.5 million in the three-month period ended December 31, 2021, compared to $5.7 million cash generated by operating activities in the same period of 2020. Cash generated by operating activities decreased by $5.2 million year-over-year. This was the result of (1) a decrease in cash generated from operating activities before the impact of non-cash working capital of $13.5 million and (2) an increase in cash generated from non-cash working capital of $8.2 million for the three months ended December 31, 2021, relative to the comparative 2020 period.

The $8.2 million increase in cash generated from non-cash working capital was due to (1) an increase in accounts payable and accruals ($6.4 million), (2) an increase in interest payable ($1.9 million), (3) an increase in due to related parties ($0.6 million) and (4) an increase in deferred revenues ($0.3 million), which were offset by (5) a decrease in accounts receivable ($0.4 million), (6) a decrease in inventories ($0.4 million), (7) a decrease in taxes recoverable ($0.1 million) and (8) a decrease in prepaid expenses ($0.1 million).

**Cash used in investing activities** was $0.1 million during the fourth quarter of 2021, compared to $6.6 million cash used in the fourth quarter of 2020.

**Cash used in financing activities** was $0.2 million in the fourth quarter of 2021, compared to $2.1 million cash used in the fourth quarter of 2020.

## Cash Flows: Twelve Months Ended December 31, 2021 and 2020

**Cash generated by operating activities** was $0.2 million in the twelve-month period ended December 31, 2021, compared to $8.3 million used in operating activities in the same period of 2020. Cash used in operating activities decreased by $8.5 million year-over-year. This was the result of (1) an increase in cash generated from non-cash working capital of $12.5 million and (2) an increase in cash used in operating activities before the impact of non-cash working capital of $3.9 million for the twelve months ended December 31, 2021, relative to the comparative 2020 period.

The $12.5 million increase in cash generated in non-cash working capital was due to increases in (1) accounts payable and accruals ($13.1 million), (2) interest payable ($0.8 million) and (3) deferred revenues ($0.3 million), which were offset by decreases in (4) inventories ($0.9 million), (5) accounts receivable ($0.3 million), (6) taxes recoverable ($0.3 million) and (7) prepaid expenses ($0.2 million).

**Cash used in investing activities** was $0.1 million during 2021, compared to $33.1 million in cash generated in 2020.

**Cash used in financing activities** was $0.5 million in 2021, compared to $25.4 million cash used in 2021.

## Selected Annual Information

| In thousands Canadian $, except for EPS | 2021 | 2020 | 2019 |
|---|---|---|---|
| Gross Revenue | $10,876 | $15,290 | $10,150 |
| Net Income (Loss) | ($23,870) | $28,084 | ($25,017) |
| Total Assets | $24,554 | $25,442 | $36,652 |
| Non-Current Financial Liabilities | $226 | $326 | $499 |
| Basic and Diluted | ($0.62) | $0.43 | ($0.50) |
| Diluted | ($0.62) | $0.43 | ($0.50) |

Revenues decreased in 2021 relative to 2020, primarily due to a decrease in international monk fruit sales and an increased focus on direct higher-margin sales. Monk fruit sales declined due to relatively limited monk fruit market supply. The Company also focused more heavily on higher-margin direct sales rather than sales through distribution channels.

Revenues increased in 2020 relative to 2019, primarily due to increases in international stevia sales and monk fruit sales. Monk fruit sales became a larger percentage of revenues than in 2019. However, compared to the monk fruit market opportunity, the stevia market opportunity provides many more geographic markets with ingredient approval; this wider market approval combined with the improvements to the cost and taste performance of stevia make stevia the most attractive market for the Company to focus on for revenue growth, but monk fruit remains a focus for the Company as well.

Revenues decreased in 2019 relative to 2018, primarily due to a significant decrease in international stevia sales, which was largely attributable to a decrease in orders from the Company's distribution partner. The Company attributes this decrease to reduced customer demand due to existing inventories and to competitive price pressure in the global stevia market. Monk fruit sales decreased moderately in 2019 versus 2018, although monk fruit sales have made up a relatively small amount of the Company's revenues compared to stevia.

In 2019, the Company's net loss attributable to the Company decreased to $19.3 million, due primarily to a decrease in other expenses.

In 2020, the Company's net income attributable to the Company increased to $16.5 million, due primarily to the sale of the Runhao subsidiary.

In 2021, the Company's net loss attributable to the Company increased to $23.7 million, due primarily to accrued interest expenses.

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

1. Increase stevia sales primarily through its direct sales efforts.
2. Reduce production and other operating costs.
3. Restructure debt with Chinese Banks into equity into its China subsidiary or otherwise use assets to extinguish debt.
4. Exploring additional opportunities to mitigate or extinguish debt.

## Financial Resources

Cash and cash equivalents decreased by $0.3 million for the twelve months ended December 31, 2021, relative to December 31, 2020. Working capital decreased by $24.9 million from the year-end 2020 position to negative $165.8 million.

The working capital decrease of $24.9 million is attributable to an increase in current liabilities of $24.6 million and a decrease in current assets of $0.2 million. The $24.6 million increase in current liabilities was due primarily to increases in (1) interest payable ($15.7 million), (2) due to related parties ($7.1 million), (3) short-term loans ($1.3 million), (4) accounts payable and accruals ($0.3 million) and (5) deferred revenue ($0.3 million), which were offset by (6) a decrease in derivative liabilities ($0.1 million). The $0.2 million decrease in current assets was due primarily to decreases in (1) inventories ($0.8 million) and (2) cash and cash equivalents ($0.3 million), which were offset by increases in (3) accounts receivable ($0.5 million), (4) sales taxes recoverable ($0.3 million) and prepaid expenses ($0.1 million).

The Company has been working on improving its working capital deficiency situation, which was driven by the impairments to inventory, accounts receivable, sales taxes recoverable and prepaid expenses over the years 2011 - 2021. See above section on Liquidity and Capital Resources for additional details on the Company's debt restructuring progress and new short-term loans.

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

## Balance Sheet

As at December 31, 2021, in comparison to December 31, 2020, the total assets decreased by $0.9 million. This $0.9 million decrease was due to decreases in fixed assets of $0.6 million, current assets of $0.2 million and right-of-use assets of $0.1 million, which were offset by an increase in restricted cash of $0.1 million. Total liabilities increased by $24.5 million as at December 31, 2021, in comparison to December 31, 2020.

Shareholders' deficiency increased by $25.2 million due to (1) an increase in accumulated deficit ($23.7 million) and (2) a decrease in accumulated other comprehensive income ($1.6 million), which were offset by (3) an increase in share capital ($0.1 million).

## Short-Term Loans

The Company's short-term loans of $50,443,491 (2020- $49,127,718) consist of borrowings from the SOCMC and a bank in China of $49,164,924 (2020 - $48,148,236) and loans from private lenders of $1,278,567 (2020 - $979,482) as follows:

**Bank loans as at December 31, 2021**

| Loan amount in CAD | Loan amount in RMB | Maturity Date | Interest rate per annum | Lender |
|---|---|---|---|---|
| $ 598,500 | 3,000,000 | On Demand | 11.57% | China Cinda Assets Management Anhui Branch |
| 5,586,000 | 28,000,000 | On Demand | 11.57% | China Cinda Assets Management Anhui Branch |
| 1,995,000 | 10,000,000 | On Demand | 11.57% | China Cinda Assets Management Anhui Branch |
| 1,951,110 | 9,780,000 | On Demand | 11.57% | China Cinda Assets Management Anhui Branch |
| 10,288,553 | 51,571,696 | On Demand | 10.22% | China Cinda Assets Management Anhui Branch |
| 15,960,000 | 80,000,000 | On Demand | 10.22% | China Cinda Assets Management Anhui Branch |
| 3,482,767 | 17,457,477 | On Demand | 10.82% | China Cinda Assets Management Anhui Branch |
| 8,483 | 42,523 | On Demand | 10.82% | China Cinda Assets Management Anhui Branch |
| 817,950 | 4,100,000 | July 23, 2022 | 5.82% | Huishang Bank |
| 5,985,000 | 30,000,000 | On Demand | 9.09% | Jiangsu Xinbao Assets Management Co. |
| 2,491,561 | 12,489,025 | On Demand | 9.09% | Jiangsu Xinbao Assets Management Co. |
| $ 49,164,924 | 246,440,721 | | | |

During the year ended December 31, 2020, the Company repaid RMB 102,275,300 to the SOCMC pursuant to the signed restructuring agreement with the SOCMC, whereby the SOCMC agreed to forgive approximately $17.5 million (RMB 89,778,527) in debt which was recorded as gain on extinguishment of debt. The Company has fully settled the obligations previously outstanding on the loan between Runhao and the SOCMC.

In addition to the settlement of the loan between Runhao and the SOCMC described above, during April 2020, the Company entered into a number of restructuring agreements with its SOCMC lender. The agreements set out outstanding principal and interest of RMB 266,126,460 owed by Runde as of February 29, 2020. The agreements state that the SOCMC will forgive principal and interest owing on the loans, provided that payments are made in accordance with the restructuring agreements. The remaining payments are as follows:

| Repayment date | | Amount (RMB) |
|---|---|---|
| September 20, 2020 | (Unpaid) | 35,000,000 |
| December 20, 2020 | (Unpaid) | 35,000,000 |
| June 20, 2021 | (Unpaid) | 113,994,600 |
| Total | | 183,994,600 |

The Company did not make the payments as set out above in the loan restructuring agreements. During the year ended December 31, 2021, the Company entered into a settlement agreement with the SOCMC for debt held by Runde. In addition, the Company was assessed a late payment compensation totaling approximately $7.0 million related to the breach of the debt restructuring agreement with the SOCMC. This amount was included in interest expense and accrued in interest payable.

As of December 31, 2021, the debt with China Cinda Assets Management Jiangsu Branch has been transferred to Jiangsu Xinbao Assets Management Company, which is also SOCMC. Under Chinese laws, a late payment compensation could be assessed as a result of breach of debt agreements.

The assets of the Company's subsidiaries including inventory, restricted cash and property, plant and equipment have been pledged as collateral for these loans. (Notes 8, 10 and 11).

The Company continues to work with its Chinese bank and SOCMC's on restructuring its debt. To date, no payments have been demanded by the SOCMC.

**Bank loans as at December 31, 2020:**

| Loan amount in CAD | Loan amount in RMB | Maturity Date | Interest rate per annum | Lender |
|---|---|---|---|---|
| $ 584,700 | 3,000,000 | On Demand | 11.57% | China Cinda Assets Management Anhui Branch |
| 5,457,200 | 28,000,000 | On Demand | 11.57% | China Cinda Assets Management Anhui Branch |
| 1,949,000 | 10,000,000 | On Demand | 11.57% | China Cinda Assets Management Anhui Branch |
| 1,906,122 | 9,780,000 | On Demand | 11.57% | China Cinda Assets Management Anhui Branch |
| 10,051,323 | 51,571,696 | On Demand | 10.22% | China Cinda Assets Management Anhui Branch |
| 15,592,000 | 80,000,000 | On Demand | 10.22% | China Cinda Assets Management Anhui Branch |
| 3,402,462 | 17,457,477 | On Demand | 10.82% | China Cinda Assets Management Anhui Branch |
| 8,288 | 42,523 | On Demand | 10.82% | China Cinda Assets Management Anhui Branch |
| 916,030 | 4,700,000 | July 27, 2021 | 5.82% | Huishang Bank |
| 5,847,000 | 30,000,000 | On Demand | 9.09% | China Cinda Assets Management Jiangsu Branch |
| 2,434,111 | 12,489,025 | On Demand | 9.09% | China Cinda Assets Management Jiangsu Branch |
| $ 48,148,236 | 247,040,721 | | | |

**Short-term borrowing from private lenders:**

As at December 31, 2021, short-term borrowing from private lenders consisted of both US dollar and RMB denominated loans.

| | | |
|---|---|---|
| December 31, 2019 | $ | 1,139,051 |
| Advances | | 2,138,400 |
| (Repayments) | | (2,284,200) |
| Foreign currency translation | | (13,769) |
| December 31, 2020 | $ | 979,482 |
| Advances | | 359,455 |
| (Repayments) | | (64,119) |
| Foreign currency translation | | 3,749 |
| December 31, 2021 | $ | 1,278,567 |

During the year ended December 31, 2021, the Company received several unsecured loans from private lenders with outstanding principal amounts of RMB770,000 and RMB750,000, each bearing interest at 12% and 15% per annum with a due date of January 9, 2022 and September 25, 2022 respectively.

The outstanding US dollar loan with principal amount of US$769,307 is unsecured and bears interest at 11.50% per annum, compounding quarterly. The loan is due on demand.

## Financial Risk Management and Financial Instruments

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

**a) Credit risk**

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

The Company's primary credit risk is on its cash and accounts receivable. The Company has a high concentration of credit risk as two major customers made up 84% of the total accounts receivable as at December 31, 2021 (2020 – 65%). The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts. Significant management estimates are used to determine the allowance for doubtful accounts. The Company considers the probability of default on a specific account basis, which involves assessing whether there was a significant increase in credit risk. Indicators include actual or expected changes in the debtor's ability to pay based on information that is available each reporting period; monitoring past due accounts and other external factors. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk associated with the Company's accounts receivable. The Company monitors the credit quality of the financial institutions it deals with on an ongoing basis.

| | | December 31, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| **Current** | | | | |
| Accounts receivable | $ | 3,467,702 | $ | 2,929,403 |
| Allowance for doubtful accounts | | (1,254,721) | | (1,238,840) |
| | $ | 2,212,981 | $ | 1,690,563 |

**b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 27. It also manages liquidity risk by continually monitoring actual and projected cash flows to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company is exposed to liquidity risk (Note 3).

The following are the undiscounted contractual maturities of the Company's financial liabilities with the exception of the derivative liabilities as at December 31, 2021 and 2020:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| **Financial liabilities** | **0 to 12 months** | **12 to 24 months** | **0 to 12 months** | **12 to 24 months** |
| Short-term loans | $ 50,443,491 | - | $ 49,127,718 | - |
| Interest payable | 52,291,138 | - | 36,597,934 | - |
| Accounts payable and accruals | 16,609,628 | - | 16,264,485 | - |
| Due to related parties | 52,236,371 | - | 45,108,501 | - |
| | $ 171,580,628 | $ - | $ 147,098,638 | $ - |

**c) Market risk**

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

**i) Interest rate risk**

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

The Company is exposed to interest rate risk on its short-term loans and some amounts due to related parties at December 31, 2021. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2021, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of $1,024,000 (December 31, 2020 - $937,000) on profit or loss.

**ii) Foreign exchange risk**

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

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

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

| | | **December 31, 2021** | | | | |
|---|---|---|---|---|---|---|
| | | RMB balance | HK balance | | US balance | |
| Total financial assets | ¥ | 412,381 | HK$ | - | $ | 694 |
| Total financial liabilities | | (598,539,234) | | - | | (42,264) |
| Net foreign exchange risk exposure | ¥ | (598,126,853) | HK$ | - | $ | (41,570) |

| | | **December 31, 2020** | | | | |
|---|---|---|---|---|---|---|
| | | RMB balance | HK balance | | US balance | |
| Total financial assets | ¥ | 2,327,921 | HK$ | 1 | $ | 1,345 |
| Total financial liabilities | | (487,870,683) | | - | | (33,556) |
| Net foreign exchange risk exposure | ¥ | (485,542,762) | HK$ | 1 | $ | (32,211) |

As of December 31, 2021, assuming that all other variables remain constant, a change of 1% in the Canadian dollar against the RMB would have an effect on other comprehensive income (loss) approximately of $1,194,000 (2020 - $947,000).

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

The following table provides information on the Company's net foreign exchange risk exposure from its US and Canadian operations which could have an impact on the loss for the year:

| | | December 31, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| | | US$ | | US$ |
| Financial assets | | | | |
| Cash | $ | 166,047 | $ | 71,122 |
| Accounts receivable | | 1,703,380 | | 1,288,006 |
| Financial liabilities | | | | |
| Short-term loans | $ | (769,307) | $ | (769,307) |
| Interest payable | | (2,395,400) | | (1,923,172) |
| Accounts payable and accruals | | (117,320) | | (112,198) |
| Due to related parties | | (33,756,363) | | (33,645,413) |
| Net foreign exchange risk exposure | $ | (35,168,963) | $ | (35,090,962) |

As at December 31, 2021, assuming that all other variables remain constant, an increase of 1% in the Canadian dollar against the US dollar would have an effect on other comprehensive income (loss) of approximately $446,000 (2020 - $351,000).

## Lease Liabilities

| | | Office | | Land | | Production equipment | | Total |
|---|---|---|---|---|---|---|---|---|
| At December 31, 2020 | $ | 366,082 | $ | 42,309 | $ | 90,124 | $ | 498,515 |
| Recongnized in 2021 | | - | | - | | 77,365 | | 77,365 |
| Lease payments made | | (130,465) | | (9,135) | | (97,451) | | (237,051) |
| Interest expense on lease liabilities | | 49,608 | | 7,486 | | 19,936 | | 77,030 |
| | | 285,225 | | 40,660 | | 89,974 | | 415,859 |
| Less: current portion | | (97,606) | | (2,269) | | (89,974) | | (189,849) |
| Non-current portion as at December 31, 2021 | $ | 187,619 | $ | 38,391 | $ | - | $ | 226,010 |

| | | Office | | Land | | Production equipment | | Total |
|---|---|---|---|---|---|---|---|---|
| At December 31, 2019 | $ | 433,599 | $ | 43,593 | $ | 165,501 | $ | 642,693 |
| Lease payments made | | (128,040) | | (9,034) | | (99,149) | | (236,223) |
| Interest expense on lease liabilities | | 60,523 | | 7,750 | | 23,772 | | 92,045 |
| | | 366,082 | | 42,309 | | 90,124 | | 498,515 |
| Less: current portion | | (80,857) | | (1,648) | | (90,124) | | (172,629) |
| Non-current portion as at December 31, 2020 | $ | 285,225 | $ | 40,661 | $ | - | $ | 325,886 |

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current | $ 189,849 | $ 172,629 |
| Non-Current | 226,010 | 325,886 |
| | $ 415,859 | $ 498,515 |

During the year ended December 31, 2021, the Company recognized an expense of $150,625 (2020 - $154,773) relating to short term leases.

## Capital Structure

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

| | 31-Dec-21 | 31-Dec-20 |
|---|---|---|
| **Common Shares Issued** | 38,394,223 | 38,394,223 |
| **Stock Options** | - | - |
| **Total Reserved For Issuance** | - | - |
| **Fully Diluted Shares** | 38,394,223 | 38,394,223 |

## Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

## Non-Controlling Interests

Prior to December 31, 2021, the Company has a 67.08% interest in Runhai.

On July 31, 2020, the Company repurchased of 31.77% of its ownership in Runhai from certain related parties for payment of RMB 60,500,000 pursuant to the right held by the non-controlling interest to require the Company to buy out all or part of the shares. The Company’s ownership interest in Runhai increased to 98.85% from 67.08%, The non-controlling interest in Runhai is reduced to 1.15%. The ownership change was recorded as an equity transaction.

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

| | | December 31, 2021 |
|---|---|---|
| January 1, 2021 | $ | (627,818) |
| Non-controlling interest's share of earnings | | (165,894) |
| Non-controlling interest's share of other comprehensive loss | | (21,817) |
| December 31, 2021 | $ | (815,529) |

| | | December 31, 2020 |
|---|---|---|
| January 1, 2020 | $ | (28,814,093) |
| Ownership interest transferred from non-controlling interest | | 17,356,817 |
| Non-controlling interest's share of earnings | | 11,557,325 |
| Non-controlling interest's share of other comprehensive loss | | (727,867) |
| December 31, 2020 | $ | (627,818) |

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 December 31, 2021 and 2020:

| | | December 31, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| ASSETS | | | | |
| Current | $ | 3,512,918 | $ | 3,864,955 |
| Non-current | | 17,765,854 | | 18,391,937 |
| | $ | 21,278,772 | $ | 22,256,892 |
| LIABILITIES | | | | |
| Current | $ | 101,943,494 | $ | 88,174,324 |
| | $ | 101,943,494 | $ | 88,174,324 |
| Net liabilities | $ | (80,664,722) | $ | (65,917,432) |
| Non-controlling interest percentage | | 1.15% | | 1.15% |
| Non-controlling interest in net liabilities | $ | (815,529) | $ | (627,818) |

| | Year ended December 31 | | | |
|---|---|---|---|---|
| | | 2021 | | 2020 |
| Revenue | $ | 9,742,079 | $ | 14,528,612 |
| Income (Loss) for the year | | (14,425,566) | | 36,882,508 |

The following table presents the loss and comprehensive income attributable to the non-controlling interest ("NCI") for the years ended December 31, 2021 and 2020:

| | | Year ended December 31, 2021 | | Year ended December 31, 2020 |
|---|---|---|---|---|
| Profit (Loss) for the year - NCI | $ | (165,894) | $ | 11,557,325 |
| Foreign exchange translation adjustment | | (21,817) | | (727,867) |
| Comprehensive income (loss) for the year | $ | (187,711) | $ | 10,829,458 |

## Transactions with Related Parties

### a) Amount due to related parties

Amounts due to related parties are summarized as follows:

| | Note | | December 31, 2021 | | December 31, 2020 |
|---|---|---|---|---|---|
| Loans from Chief Executive Officer ("CEO") | | $ | 9,361,947 | $ | 8,318,129 |
| Loans from direct family member of CEO | | | 38,690,304 | | 32,584,980 |
| | i) | | 48,052,251 | | 40,903,109 |
| Consulting fees payable to CEO | ii) | | 3,250,093 | | 3,167,892 |
| Loan from Director of the Company | iii) | | 934,027 | | 1,037,500 |
| | | $ | 52,236,371 | $ | 45,108,501 |

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

**Loan balance as of December 31, 2021**

| | Loan amount in CAD | Date of the Loan Agreement | Maturity Date | Security | Interest rate per annum | Related Parties |
|---|---|---|---|---|---|---|
| | $ 633,963 | April 27, 2012 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 1,267,800 | October 11, 2012 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 633,900 | May 30, 2013 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 316,950 | November 15, 2013 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 764,755 | October 20, 2014 | On demand | Unsecured | Category 2 | Direct family member of CEO |
| | 183,831 | May 23, 2017 | On demand | Unsecured | Category 2 | Direct family member of CEO |
| | 2,358,108 | August 7, 2018 | On demand | Unsecured | Category 3 | Direct family member of CEO |
| | 997,500 | May 6, 2020 | On demand | Unsecured | Category 4 | Direct family member of CEO |
| | 175,560 | November 9, 2020 | On demand | Unsecured | Category 5 | Direct family member of CEO |
| **Principal** | **$ 7,332,367** | | | | | |
| **Accrued interest** | **40,719,884** | | | | | |
| | **$ 48,052,251** | | | | | |

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
Category 5: 18% simple interest

**Loan balance as of December 31, 2020**

| | Loan amount in CAD | Date of the Loan Agreement | Maturity Date | Security | Interest rate per annum | Related Parties |
|---|---|---|---|---|---|---|
| | $ 636,664 | April 27, 2012 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 1,273,200 | October 11, 2012 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 636,600 | May 30, 2013 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 318,300 | November 15, 2013 | On demand | Unsecured | Category 1 | Chairman and CEO |
| | 878,508 | October 20, 2014 | On demand | Unsecured | Category 2 | Direct family member of CEO |
| | 184,614 | May 23, 2017 | On demand | Unsecured | Category 2 | Direct family member of CEO |
| | 2,368,152 | August 7, 2018 | On demand | Unsecured | Category 3 | Direct family member of CEO |
| | 974,500 | May 6, 2020 | June 30, 2021 | Unsecured | Category 4 | Direct family member of CEO |
| | 171,512 | November 9, 2020 | November 9, 2021 | Unsecured | Category 5 | Direct family member of CEO |
| **Principal** | **$ 7,442,050** | | | | | |
| **Accrued interest** | **33,461,059** | | | | | |
| | **$ 40,903,109** | | | | | |

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
Category 5: 18% simple interest

**i.** The Company obtained loans under numerous credit facility agreements from the Company's Chairman and CEO. As at December 31, 2021, the total amount owed to the CEO under these facilities, including principal and accumulated interest is $9,361,947 (2020 - $8,318,129). As at December 31, 2021, the entire balance owed is due on demand and is therefore classified as current on the statement of financial position.

The Company also obtained loans under numerous credit facility agreements from a direct family member of the CEO. As at December 31, 2021, the total amount owed under these facilities, including principal and accumulated interest is $38,690,304 (2020 - $32,584,980). As at December 31, 2021, the entire balance owed is due on demand and is therefore classified as current on the statement of financial position.

The combined total of the above loans, including accrued interest, is $48,052,251 (2020 - $40,903,109). These loans will be repaid by either GLG or its Chinese subsidiaries to the lenders in the currency the loans were originally borrowed (either USD or RMB), or, at the lenders' 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 $247,979 (2020 - $372,340), 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:

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Risk free interest | 0.11% | 0.32% |
| Expected life of the loan | 1 year | 1 year |
| Expected foreign currency volatility | 2.71% | 3.76% |

**ii.** As of December 31, 2021, the Company has an accrued balance of $3,250,093 (2020 - $3,167,892), including 3% interest per annum compounding quarterly, in consulting fees payable to the Company's Chairman and CEO.

**iii.** On March 31 2021, the Company renewed a loan of $1,000,000 (December 31, 2020 - $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 planned repayable of $100,000 at each of June 30, 2021, and December 31, 2021, repayable in full on March 31, 2022. As of December 31, 2021, the total amount due to this related party, including interest was $934,027 (December 31, 2020 - $1,037,500).

**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 the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, senior management of the Chinese subsidiaries, and any external directors of the Company.

Remuneration of Key Management Personnel of the Company is comprised of the following:

| | | Twelve months ended December 31 | | |
|---|---|---|---|---|
| | | 2021 | | 2020 |
| Short-term employee benefits (including salaries, bonuses and fees) | $ | 706,108 | $ | 846,840 |
| Share-based benefits | $ | 72,663 | $ | 359,706 |
| Total remuneration | $ | 778,771 | $ | 1,206,546 |

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 payment, totaling approximately $1,730,000.

## Disclosure Controls and Internal Controls over Financial Reporting

The Company's disclosure controls and procedures are designed to provide reasonable assurance that relevant information relating to the Company, including its consolidated subsidiaries, is made known to senior management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. As of the end of the period covered by this report, the Company's management evaluated, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim filings ("NI 52-109"). The Company's Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2021, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports the Company files or submits to the Canadian Securities Administrators ("CSA") is recorded, processed, summarized and reported within the time periods specified therein and accumulated and reported to management to allow timely discussions regarding required disclosure.

The Company's management, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, is also responsible for establishing and maintaining internal control over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in Canada.

Management assessed the effectiveness of the Company's internal control over financial reporting, as defined in NI 52-109, as of December 31, 2021. In making this assessment, management used the criteria set forth in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2021, the Company's internal control over financial reporting were effective.

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

## Risks Related to the Company's Business

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

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

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

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

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

- Government Involvement
- Changes in the Laws and Regulations in the People's Republic of China
- The Chinese Legal and Accounting System
- Currency Controls
- Additional Compliance Costs in the People's Republic of China

- Difficulties Establishing Adequate Management, Legal and Financial Controls in the People's Republic of China
- Capital Outflow Policies in the People's Republic of China
- Jurisdictional and Enforcement Issues
- Political System in the People's Republic of China

## Additional Information

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