



# **GLG LIFE TECH CORPORATION**

## **MANAGEMENT DISCUSSION & ANALYSIS**

**For the Three and Six Months Ended June 30, 2022**

**Dated: August 15, 2022**

## Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of GLG Life Tech Corporation is dated August 15, 2022. It provides a review of the financial results for the three and six months ended June 30, 2022, 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 condensed interim consolidated financial statements and notes thereto for the six months ended June 30, 2022, as well as the annual consolidated financial statements and notes thereto and the MD&A of GLG for the year ended December 31, 2021. 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](http://www.glglifetech.com) or on the SEDAR web site for Canadian regulatory filings at [www.sedar.com](http://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 five 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.

## Corporate and Sales Developments

### Formation of Joint Venture

On April 25, 2022, the Company announced the formation of a new joint venture through its Chinese subsidiary, Anhui Runhai Biotechnology Joint Stock Company, Ltd. (“Runhai”). The joint venture, operating under the name Xinjiang Huanyu Technology Co., Ltd. (“Huanyu”), brings together Xinjiang Luxiang Sugar Industry Co. (“Luxiang”), Ltd., Xiao Gang HZ Health Industrial Park (“Xiao Gang”), and Runhai in a vertically integrated endeavor to bring a suite of consumer natural sweetener products as well as expanded business-to-business stevia sales to the domestic China market.

Huanyu will bring together upstream agricultural resources in support of downstream production for both the B2B and B2C sectors, with specialization in and integration of harvesting to bulk manufacturing to production of a variety of end customer products. Luxiang, located in Northwest China, where the soil, water, and sunlight are optimal for growing high-quality stevia leaf and other agricultural products, will produce and provide the agricultural raw materials for the joint venturers. Runhai, with its 18 years of technical expertise in manufacturing stevia products, will use this premium stevia leaf for producing its high-purity stevia extracts and other specialized stevia products – both in support of the joint venture as well as in support of GLG’s international customers. Xiaogang, with its history of producing and selling high-quality low/zero-calorie sweetener consumer products, will use raw material inputs from both Luxiang and Runhai to produce its suite of healthful consumer products. Integrating agriculture with both B2B and B2C product manufacturing streams offers Huanyu a uniquely complementary advantage in China.

Under the terms of the agreement, Luxiang, a state-owned company, will be the majority stakeholder with a 51% share. Runhai will have a 26% share and Xiao Gang will have a 23% share. Luxiang will provide working capital for Huanyu’s production needs as well as the production facilities. Runhai is providing key idle equipment from its facilities and specialized know-how in the production of stevia products leveraging a variety of steviol glycosides for sale to food and beverage companies across China. Xiao Gang has particular equipment and expertise in the natural products space that it will contribute for Huanyu’s consumer products development, production, and sales.

While Luxiang will be a major customer of Huanyu's, the joint venturers are planning on sales of their products to customers and companies throughout China, both off the shelf to consumers and to food and beverage companies looking for high-quality and innovative natural sweeteners for use in their own products.

Huanyu anticipates production commencing in 2023. In the meantime, it plans to access up to 500M RMB from government funding available to support agricultural initiatives. This funding, if received, will help the joint venturers to fund their operation. Furthermore, in Runhai's case, this funding can be used to substantially, if not entirely, resolve long-standing debt issues, as the joint venturers have as a collective goal to clear Runhai of its debts. This will put Runhai, and consequently the Company, on much more solid financial footing. Dr. Zhang, the Company's Chairman and CEO, commented "Our new joint venture offers new and greater opportunities for GLG to access the domestic markets in China as well as to improve our company's balance sheet. We are excited to partner with Luxiang Sugar and Xiaogang Health, both ambitious companies excited to bring healthful products to our Chinese populace."

Runhai will continue producing products for GLG's international customers through its active production facilities located in Qingdao and Anhui provinces. Serving GLG's customers with high-quality products remains a central focus for Runhai and for GLG; the joint venture opportunity is entirely additive to the Company's business plans.

## **2022 AGM Voting Results**

The Company held its Annual General Meeting on June 17, 2022. 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. Dr. Hong Zhao Guang opted not to run for election this year and is therefore no longer a director.

## **Company Outlook**

In recent quarters, one of the most critical items that management has focused on and continues to focus on is the development and implementation of plans to stem the losses that the Company has suffered in recent years and to ameliorate the Company's financial position. As a result of those sustained losses, 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. As a result of these efforts, management has been successful in improving the Company's cash flows in recent quarters. 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. In 2020, management also 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, although pricing has begun to rise (reflecting the increased cost of raw materials in the most recent harvest). 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's focus on maintaining positive cash flow led the Company to take decisive steps in 2021 to reduce its SG&A costs as well as its production costs. Both its North American operations and Chinese operations have significantly reduced SG&A costs. For the last several years, the Company's production capacity has been far greater than its projected order levels as it had sought rapid increases in orders for Reb A products. The Company's aim continues to be to "right-size" its Chinese operations – i.e., to optimize its staffing and production planning to meet the Company's projected production requirements while retaining the ability to accommodate growth in future order volumes – and management made significant progress in this area and continues striving to optimize staffing and production plans. As a result, this has enabled the Company to sell its goods at more competitive and/or more profitable prices although the competitive price pressures remain strong.

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. One of these options is taking shape, as the Company entered into a joint venture in China through its Runhai subsidiary, which has the potential to significantly increase revenues and overhaul the Company's balance sheet. 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, having entered into the joint venture, and continuing to optimize production efficiencies, costs, and planning, management is proceeding down the best available path to increased financial stability and improved profitability.

## 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 the condensed interim consolidated financial statements for the six-month period ended June 30, 2022.

In thousands Canadian \$, except per share amounts	3 Months Ended June 30		% Change	6 Months Ended June 30		% Change
	2022	2021		2022	2021	
Revenue	\$2,771	\$2,526	10%	\$5,514	\$5,780	(5%)
Cost of Sales	(\$1,887)	(\$1,713)	10%	(\$3,830)	(\$4,139)	(7%)
% of Revenue	(68%)	(68%)	(%)	(69%)	(72%)	2%
Gross Profit	\$884	\$813	9%	\$1,685	\$1,641	3%
% of Revenue	32%	32%	(%)	31%	28%	2%
Expenses	(\$1,031)	(\$1,132)	(9%)	(\$2,115)	(\$2,286)	(7%)
% of Revenue	(37%)	(45%)	8%	(38%)	(40%)	2%
Loss from Operations	(\$147)	(\$319)	(54%)	(\$430)	(\$645)	(33%)
% of Revenue	(5%)	(13%)	7%	(8%)	(11%)	3%
Other Expenses	(\$5,335)	(\$4,208)	27%	(\$9,336)	(\$7,741)	21%
% of Revenue	(193%)	(167%)	(26%)	(169%)	(134%)	(35%)
Net Loss before Income Taxes	(\$5,482)	(\$4,527)	21%	(\$9,766)	(\$8,386)	16%
% of Revenue	(198%)	(179%)	(19%)	(177%)	(145%)	(32%)
Net Loss	(\$5,482)	(\$4,527)	21%	(\$9,766)	(\$8,386)	16%
% of Revenue	(198%)	(179%)	(19%)	(177%)	(145%)	(32%)
Net Loss Attributable to Non-Controlling Interest (NCI)	(\$32)	(\$30)	7%	(\$64)	(\$59)	8%
Net Loss Attributable to GLG	(\$5,450)	(\$4,497)	21%	(\$9,702)	(\$8,327)	17%
% of Revenue	(197%)	(178%)	(19%)	(176%)	(144%)	(32%)
Net Loss per share (LPS, Basic & Diluted)	(\$0.14)	(\$0.12)	20%	(\$0.25)	(\$0.22)	15%
Other Comprehensive Income	\$1,758	\$38	4526%	\$2,739	\$1,035	165%
% of Revenue	63%	2%	62%	50%	18%	32%
Comprehensive Net Loss	(\$3,724)	(\$4,489)	(17%)	(\$7,027)	(\$7,351)	(4%)
Comprehensive Loss Attributable to NCI	(\$11)	(\$30)	(63%)	(\$32)	(\$51)	(37%)
Comprehensive Loss Attributable to GLG	(\$3,713)	(\$4,459)	(17%)	(\$6,995)	(\$7,300)	(4%)
% of Revenue	(134%)	(177%)	43%	(127%)	(126%)	(1%)

## Revenue

Revenue for the three months ended June 30, 2022, was \$2.8 million compared to \$2.5 million in revenue for the same period last year. Sales increased by 10% or \$0.2 million for the period ending June 30, 2022, compared to the prior period. The increase in sales is primarily attributable to increases in stevia sales both domestically in China and internationally; this increase was partly offset by a decrease in international monk fruit sales. International sales continue to predominate, making up 91% of the Company's revenues in the second quarter of 2022 (95% in second quarter of 2021).

Revenue for the six months ended June 30, 2022, was \$5.5 million compared to \$5.8 million in revenue for the same period last year. Sales decreased by 5% or \$0.3 million for the six months ending June 30, 2022, compared to the prior period. The sales decrease of \$0.3 million was driven primarily by a decrease in international monk fruit sales, with a lesser decrease in international stevia sales contributing to the overall decrease; these decreases were partly offset by an increase in domestic (China) stevia sales. International sales made up 90% of the Company's revenues in the first six months of 2022 (97% in the first six months of 2021).

## Cost of Sales

For the quarter ended June 30, 2022, the cost of sales was \$1.9 million compared to \$1.7 million in cost of sales for the same period last year (\$0.2 million or 10% increase). Cost of sales as a percentage of revenues was 68% for the second quarters in both 2021 and 2022.

For the six months ended June 30, 2022, the cost of sales was \$3.8 million compared to \$4.1 million for the same period last year (\$0.3 million or 7% decrease). Cost of sales as a percentage of revenues was 69% for the first six months of 2022, compared to 72% in the comparable period in 2021, an improvement of 3 percentage points. The improvement in cost of sales as a percentage of revenue for the six months ended June 30, 2022, compared to the prior comparable period, is primarily attributable to a continued focus on production efficiency and cost management.

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 first six months of 2022, and capacity charges of \$0.4 million were charged to cost of sales (representing 9% of cost of sales) compared to \$0.4 million charged to cost of sales in the same period of 2021 (representing 10% 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:
  - a. water and power consumption;
  - b. manufacturing overhead used in the production of stevia and monk fruit extract, including supplies, power, steam and labor cost;
  - c. net VAT paid on export sales;
  - d. duties, distribution and warehousing cost;
  - e. exchange rate changes; and
  - f. 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 June 30, 2022, was \$0.9 million, compared to a gross profit of \$0.8 million for the comparable period in 2021. The gross profit margin was 32% in the second quarters of both 2021 and 2022.



Gross profit for the six months ended June 30, 2022, was \$1.7 million, compared to a gross profit of \$1.6 million for the comparable period in 2021. The gross profit margin was 31% in the first six months of 2022 compared to 28% for the same period in 2021, an increase of 3 percentage points. This 3 percentage point increase in gross profit margin for the first six months of 2022, relative to the comparable period in 2021, is primarily attributable to a continued focus on production efficiency and cost management.

## 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 June 30		% Change	6 Months Ended June 30		% Change
	2022	2021		2022	2021	
G&A Expenses	\$863	\$848	2%	\$1,676	\$1,692	(1%)
Stock Based Compensation Expenses	\$0	\$28	(100%)	\$0	\$73	(100%)
Depreciation Expenses	\$168	\$256	(34%)	\$439	\$521	(16%)
Total	\$1,031	\$1,132	(9%)	\$2,115	\$2,286	(7%)

G&A expenses for the three months ended June 30, 2022, were \$0.9 million, an increase of \$nil compared to \$0.8 million in the same period in 2021.

Stock-based compensation for the three months ended June 30, 2022, was \$0.0 million compared to expenses of \$0.0 million in the same period in 2021. The number of common shares available for issue under the stock compensation plan is 10% of the issued and outstanding common shares. During the second quarter of 2022, there was no compensation from vesting stock-based compensation awards.

G&A-related depreciation and amortization expenses for the three months ended June 30, 2022, were \$0.2 million compared with \$0.3 million for the same quarter of 2021.

G&A expenses for the six months ended June 30, 2022, were \$1.7 million, a decrease of \$nil compared to \$1.7 million in the same period in 2021.

Stock-based compensation for the six months ended June 30, 2022, was \$0.0 million compared to expenses of \$0.1 million for the same period in 2021. The number of common shares available for issue under the stock compensation plan is 10% of the issued and outstanding common shares. During the six-month period, there was no compensation from vesting stock-based compensation awards.

G&A-related depreciation and amortization expenses for the six months ended June 30, 2022, were \$0.4 million compared with \$0.5 million for the same period in 2021, or a decrease of \$0.1 million.

## Other Income (Expenses)

In thousands Canadian \$	3 Months Ended June 30		% Change	6 Months Ended June 30		% Change
	2022	2021		2022	2021	
Other Expenses	(\$5,335)	(\$4,208)	27%	(\$9,336)	(\$7,741)	21%
% of Revenue	(193%)	(167%)	(26%)	(169%)	(134%)	(35%)

Other expenses for the three months ended June 30, 2022, was \$5.3 million, compared to other expenses of \$4.2 million for the same period in 2021, an increase in other expenses of \$1.1 million. This \$1.1 million increase in other expenses for the quarter was driven by increases in (1) interest expenses (\$0.8 million) and (2) other expenses (\$0.2 million) and (3) a decrease in foreign exchange gain (\$0.2 million), which were offset by (4) an increase in inventory recovery (\$0.1 million).

Other expenses for the six months ended June 30, 2022, was \$9.3 million, compared to other expenses of \$7.7 million for the same period in 2021, an increase in other expenses of \$1.6 million. This \$1.6 million increase in other expenses for the six-month period was driven by (1) an increase in interest expenses (\$1.6 million) and (2) a decrease in foreign exchange gain (\$0.2 million), which were offset by (3) an increase in inventory recovery (\$0.2 million).

## Foreign Exchange Gains (Losses)

Exchange rates	2022	2022	2021	2021	2021	2021	2020	2020
Rate (as compared to the Canadian \$)	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
U.S. Dollars	0.7760	0.8003	0.7888	0.7849	0.8068	0.7952	0.7854	0.7497
Chinese RMB	5.1975	5.0736	5.0125	5.0761	5.2110	5.2110	5.1308	5.0942
Exchange rates	2022	2022	2021	2021	2021	2021	2020	2020
Rate (as compared to the US \$)	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Chinese RMB	6.6975	6.3399	6.3549	6.4675	6.4586	6.5529	6.5326	6.7952

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 June 30, 2022, the exchange rate for RMB per Canadian dollar was 5.1975 compared to the exchange rate of 5.0125 as at December 31, 2021, reflecting a depreciation of the RMB against the Canadian dollar. As at June 30, 2022, the exchange rate for USD per Canadian dollar was 0.7760 compared to the exchange rate of 0.7888 as at December 31, 2021, reflecting an appreciation of the USD against the Canadian dollar. The balance of the AOCI was \$13.6 million on June 30, 2022, compared to a balance of \$10.9 million as at December 31, 2021.

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 gain was \$0.9 million for the first six months of 2022 compared to the foreign exchange gain of \$1.1 million for the comparable period in 2021. The table above shows the change in the Canadian dollar relative to the US dollar from September 30, 2020, to June 30, 2022, 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 June 30		% Change	6 Months Ended June 30		% Change
	2022	2021		2022	2021	
Net Loss	(\$5,482)	(\$4,527)	21%	(\$9,766)	(\$8,386)	16%
Net Loss Attributable to NCI	(\$32)	(\$30)	7%	(\$64)	(\$59)	8%
% of Revenue	(1%)	(1%)	0%	(1%)	(1%)	0%
Net Loss Attributable to GLG	(\$5,450)	(\$4,497)	21%	(\$9,702)	(\$8,327)	17%
% of Revenue	(197%)	(178%)	(19%)	(176%)	(144%)	(32%)

For the three months ended June 30, 2022, the Company had a net loss attributable to the Company of \$5.5 million, an increase in net loss of \$1.0 million over the comparable period in 2021 (net loss of \$4.5 million). The \$1.0 million increase in net loss attributable to the Company was driven by increases in (1) interest expenses (\$0.8 million) and (2) other expenses (\$0.2 million) and (3) a decrease in foreign exchange gain (\$0.2 million), which were offset by (4) a decrease in loss from operations (\$0.2 million) and (5) an increase in inventory recovery (\$0.1 million).

For the six months ended June 30, 2022, the Company had a net loss attributable to the Company of \$9.7 million, an increase in net loss of \$1.4 million over the comparable period in 2021 (net loss of \$8.3 million). The \$1.4 million decrease in net loss attributable to the Company was driven by (1) an increase in interest expenses (\$1.6

million) and (2) a decrease in foreign exchange gain (\$0.2 million), which were offset by (3) a decrease in loss from operations (\$0.2 million) and (4) an increase in inventory recovery (\$0.2 million).

## Comprehensive Income (Loss)

In thousands Canadian \$	3 Months Ended June 30		% Change	6 Months Ended June 30		% Change
	2022	2021		2022	2021	
Net Loss Attributable to GLG	(\$5,450)	(\$4,497)	21%	(\$9,702)	(\$8,327)	17%
Other Comprehensive Income	\$1,758	\$38	4526%	\$2,739	\$1,035	165%
Total Comprehensive Loss	(\$3,724)	(\$4,489)	(17%)	(\$7,027)	(\$7,351)	(4%)
Comprehensive Loss Attributable to NCI	(\$11)	(\$30)	(63%)	(\$32)	(\$51)	(37%)
Comprehensive Loss Attributable to GLG	(\$3,713)	(\$4,459)	(17%)	(\$6,995)	(\$7,300)	(4%)
% of Revenue	(134%)	(177%)	43%	(127%)	(126%)	(1%)

The Company recorded total comprehensive loss of \$3.7 million for the three months ended June 30, 2022, comprising \$5.5 million of net loss attributable to the Company and \$1.8 million of other comprehensive income attributable to the Company. The Company recorded total comprehensive loss of \$4.5 million for the three months ended June 30, 2021, comprising \$4.5 million of net loss attributable to the Company and \$nil of other comprehensive income attributable to the Company.

The Company recorded a total comprehensive loss of \$7.0 million for the six months ended June 30, 2022, comprising \$9.7 million of net loss attributable to the Company and \$2.7 million of other comprehensive income attributable to the Company. The Company recorded a total comprehensive loss of \$7.3 million for the six months ended June 30, 2021, comprising \$8.3 million of net loss attributable to the Company and \$1.0 million of other comprehensive income 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 Loss

In thousands Canadian \$, except per share amounts	2022	2022	2021	2021	2021	2021	2020	2020
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$2,771	\$2,744	\$3,002	\$2,094	\$2,526	\$3,254	\$2,784	\$3,966
Gross Profit \$	\$884	\$800	\$700	\$558	\$813	\$828	\$855	\$727
Gross Profit %	32%	29%	23%	27%	32%	25%	31%	18%
Net Income (Loss) Attributable to GLG	(\$5,450)	(\$4,252)	(\$8,414)	(\$6,962)	(\$4,497)	(\$3,832)	(\$6,375)	\$21,141
Basic Income (Loss) Per Share	(\$0.14)	(\$0.11)	(\$0.22)	(\$0.18)	(\$0.12)	(\$0.10)	(\$0.17)	\$0.55

For the three months ended June 30, 2022, the Company had a net loss attributable to the Company of \$5.5 million, an increase in net loss of \$1.0 million over the comparable period in 2021 (net loss of \$4.5 million). The \$1.0 million increase in net loss attributable to the Company was driven by increases in (1) interest expenses (\$0.8 million) and (2) other expenses (\$0.2 million) and (3) a decrease in foreign exchange gain (\$0.2 million), which were offset by (4) a decrease in loss from operations (\$0.2 million) and (5) an increase in inventory recovery (\$0.1 million).

For the three months ended March 31, 2022, the Company had a net loss attributable to the Company of \$4.3 million, an increase of \$0.4 million or 11% over the comparable period in 2021 (\$3.8 million). The \$0.4 million increase in net loss attributable to the Company was driven by (1) an increase in interest expenses (\$0.8 million), which was offset by increases in (2) other income (\$0.2 million) and (3) recovery of earlier inventory provisions (\$0.1 million).

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).

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

The basic loss and diluted loss per share from operations was \$0.14 for the three months ended June 30, 2022, compared with a basic and diluted net loss of \$0.12 for the comparable period in 2021. For the three months ended June 30, 2022, the Company had a net loss attributable to the Company of \$5.5 million, an increase in net loss of \$1.0 million over the comparable period in 2021 (net loss of \$4.5 million). The \$1.0 million increase in net loss attributable to the Company was driven by increases in (1) interest expenses (\$0.8 million) and (2) other expenses (\$0.2 million) and (3) a decrease in foreign exchange gain (\$0.2 million), which were offset by (4) a decrease in loss from operations (\$0.2 million) and (5) an increase in inventory recovery (\$0.1 million).

The basic loss and diluted loss per share from operations was \$0.11 for the three months ended March 31, 2022, compared with a basic and diluted net loss of \$0.10 for the comparable period in 2021. For the three months ended March 31, 2022, the Company had a net loss attributable to the Company of \$4.3 million, an increase of \$0.4 million or 11% over the comparable period in 2021 (\$3.8 million). The \$0.4 million increase in net loss attributable to the Company was driven by (1) an increase in interest expenses (\$0.8 million), which was offset by increases in (2) other income (\$0.2 million) and (3) recovery of earlier inventory provisions (\$0.1 million).

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).

## 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 production facilities in operation in the first six months of 2022 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 June 30, 2022, was \$1.1 million or 40% of second quarter revenues compared to \$1.0 million or 40% of second quarter revenues in 2021.

Gross profit before capacity charges for the six months ended June 30, 2022, was \$2.0 million or 37% of six-month revenues compared to \$2.1 million or 36% of six-month revenues in 2021.

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

In thousands Canadian \$	3 Months Ended June 30		% Change	6 Months Ended June 30		% Change
	2022	2021		2022	2021	
Loss Before Income Taxes	(\$5,482)	(\$4,527)	21%	(\$9,766)	(\$8,386)	16%
Add:						
Provisions for Inventory Impairment (Recovery)	(\$74)	(\$3)	2367%	(\$205)	\$9	(2378%)
Bad Debt Provision (Recovery)	(\$1)	\$4	(125%)	(\$1)	\$4	(125%)
Other Income (Loss)	\$246	\$0	0%	(\$36)	\$0	0%
Depreciation and Amortization	\$348	\$405	(14%)	\$725	\$824	(12%)
Net Interest Expense	\$5,163	\$4,383	18%	\$10,289	\$8,669	19%
Foreign Exchange Gain	(\$71)	(\$258)	(72%)	(\$900)	(\$1,108)	(19%)
Non-Cash Share Compensation	\$0	\$28	(100%)	\$0	\$73	(100%)
Adj. EBITDA	\$129	\$32	303%	\$106	\$85	(25%)
Adj. EBITDA as a % of Revenue	5%	1%	3%	2%	1%	0%

Adjusted EBITDA for the three months ended June 30, 2022, was \$0.1 million or 5% of revenues, compared to \$nil or 1% of revenues for the same period in 2021. Adjusted EBITDA income increased by \$0.1 million for the three-month period ended June 30, 2022, relative to the comparable period in 2021, driven primarily by an increase in gross profit.

Adjusted EBITDA for the six months ended June 30, 2022, was \$0.1 million or 2% of revenues, compared to \$0.1 million or 1% of revenues for the same period in 2021.

## Liquidity and Capital Resources

In thousands Canadian \$	30-Jun-22	31-Dec-21
Cash and Cash Equivalents	\$ 241	\$ 239
Working Capital	\$ (171,154)	\$ (165,823)
Total Assets	\$ 22,979	\$ 24,554
Total Liabilities	\$ 177,970	\$ 172,518
Loan Payable (<1 year)	\$ 103,499	\$ 102,680
Loan Payable (>1 year)	\$ -	\$ -
Total Shareholder's Deficiency	\$ (154,143)	\$ (147,148)

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 \$103.5 million as of June 30, 2022, an increase of \$0.8 million compared to the total loans payable as at December 31, 2021 (\$102.7 million). The increase in loans payable was primarily driven by an increase in accrued interest due to related parties that was offset by foreign exchange impacts due to the depreciation of the RMB against the Canadian dollar.

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 2022. 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 has also been exploring other options to reduce or eliminate the debt. This includes the Company's formation of a joint venture, through its Chinese Subsidiary, Runhai, as discussed in the Company's April 2022 press release.

### Cash Flows: Three Months Ended June 30, 2022 and 2021

**Cash generated by operating activities** was \$0.1 million in the three-month period ended June 30, 2022, compared to \$0.1 million cash used in operating activities in the same period of 2021. Cash generated by operating activities increased by \$0.2 million year-over-year. This was the result of (1) an increase in cash



generated in non-cash working capital of \$0.4 million for the three months ended June 30, 2021, and (2) an increase in cash used in operating activities before the impact of non-cash working capital of \$0.3 million, relative to the comparative 2021 period.

The \$0.4 million increase in cash generated by non-cash working capital was due to increases in cash generated in (1) inventories (\$0.6 million), (2) interest payable (\$0.4 million) and (3) due to related parties (\$0.3 million), which were offset by increases in cash used by (4) accounts receivable (\$0.8 million), (5) prepaid expenses (\$0.1 million) and (6) deferred revenue (\$0.1 million).

**Cash generated by investing activities** was \$0.0 million during the second quarter of 2022, compared to \$0.0 million in cash used in the second quarter of 2021.

**Cash used in financing activities** was \$0.0 million in the second quarter of 2022, compared to \$0.2 million in cash used in the second quarter of 2021.

### **Cash Flows: Six Months Ended June 30, 2022 and 2021**

**Cash generated by operating activities** was \$0.9 million in the six-month period ended June 30, 2022, compared to \$0.3 million cash generated by operating activities in the same period of 2021. Cash generated by operating activities increased by \$0.6 million year-over-year. This was the result of (1) an increase in cash generated in non-cash working capital of \$1.5 million and (2) an increase in cash used in operating activities before the impact of non-cash working capital of \$0.9 million for the six months ended June 30, 2022, relative to the comparative 2021 period.

The \$1.5 million increase in cash generated in non-cash working capital was due to increases in cash generated in (1) interest payable (\$1.0 million), (2) inventories (\$0.7 million), (3) due to related parties (\$0.5 million), (4) accounts payable and accruals (\$0.2 million) and (5) taxes recoverable (\$0.1 million), which were offset by increases in cash used in (6) accounts receivable (\$0.5 million), (7) deferred revenue (\$0.3 million) and (8) prepaid expenses (\$0.1 million).

**Cash used in investing activities** was \$0.0 million during the first six months of 2022, compared to \$0.0 million cash used in the first six months of 2021.

**Cash used in financing activities** was \$0.5 million in the first six months of 2022, compared to \$0.4 million cash used in the first six months of 2021. The \$0.5 million in cash used was driven primarily by repayment of short-term loans and net repayment to related parties.

### **Financial Resources**

Cash and cash equivalents changed by \$nil for the six months ended June 30, 2022, relative to December 31, 2021. Working capital decreased by \$5.3 million from the year-end 2021 position to negative \$171.2 million.

The working capital decrease of \$5.3 million is attributable to an increase in current liabilities of \$5.3 million. The \$5.3 million increase in current liabilities was due to increases in (1) interest payable (\$4.5 million), (2) due to related parties (\$2.9 million) and (3) derivative liabilities (\$0.3 million), which were offset by decreases in (4) short-term loans (\$2.1 million), (5) deferred revenues (\$0.3 million) and (6) accounts payable and accruals (\$0.1 million). Current assets changed by \$nil million from the year-end 2021 position to June 30, 2022, as decreases in (1) inventories (\$0.7 million) and (2) sales tax recoverable (\$0.1 million) were offset primarily by increases in (3) accounts receivable (\$0.4 million) and (4) prepaid expenses (\$0.3 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 June 30, 2022, in comparison to December 31, 2021, the total assets decreased by \$1.6 million. This \$1.6 million decrease was due to decreases in fixed assets of \$1.6 million. Total liabilities increased by \$5.5 million as at June 30, 2022, in comparison to December 31, 2021.

Shareholders' deficiency increased by \$7.0 million due to (1) an increase in accumulated deficit (\$9.7 million), which was offset by (2) an increase in accumulated other comprehensive income (\$2.7 million).

## Short-Term Loans

The Company's short-term loans of \$48,329,564 (December 31, 2021 - \$50,443,491) consist of borrowings from a SOCMC and a bank in China of \$47,338,235 (December 31, 2021 - \$49,164,924) and loans from private lenders of \$991,329 (December 31, 2021 - \$1,278,567) as follows:

### Bank loans as at June 30, 2022:

Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
\$ 577,200	3,000,000	On Demand	11.57%	China Cinda Assets Management Anhui Branch
5,387,200	28,000,000	On Demand	11.57%	China Cinda Assets Management Anhui Branch
1,924,000	10,000,000	On Demand	11.57%	China Cinda Assets Management Anhui Branch
1,881,672	9,780,000	On Demand	11.57%	China Cinda Assets Management Anhui Branch
9,922,394	51,571,696	On Demand	10.22%	China Cinda Assets Management Anhui Branch
15,392,000	80,000,000	On Demand	10.22%	China Cinda Assets Management Anhui Branch
3,358,819	17,457,477	On Demand	10.82%	China Cinda Assets Management Anhui Branch
8,181	42,523	On Demand	10.82%	China Cinda Assets Management Anhui Branch
711,880	3,700,000	July 23, 2022	5.82%	Huishang Bank
5,772,000	30,000,000	On Demand	9.09%	Jiangsu Xinbao Assets Management Co.
2,402,889	12,489,025	On Demand	9.09%	Jiangsu Xinbao Assets Management Co.
<b>\$ 47,338,235</b>	<b>246,040,721</b>			

During the six months ended June 30, 2022, the Company repaid an RMB 400,000 or \$78,520 bank loan pursuant to the signed loan agreement with the local bank.

The Company entered into a number of restructuring agreements with its SOCMC lender in April 2020 for the loan settlement. The Company did not make scheduled payments to the SOCMC that were due under the payment schedule of the restructuring agreement in 2020. 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 related to the breach of the debt restructuring agreement with the SOCMC. This amount was included in interest expense and accrued in interest payable.

The assets of the Company's subsidiaries including inventory, restricted cash and property, plant and equipment have been pledged as collateral for these loans (see Notes 6, 7 and 8).

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.

The Company is renewing a bank loan in China with principal of RMB3,700,000 or \$711,880, which is due on July 23, 2022.

**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.
<b>\$ 49,164,924</b>	<b>246,440,721</b>			

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

December 31, 2020	\$	979,482
Advances		359,455
(Repayments)		(64,119)
Foreign currency translation		3,749
December 31, 2021	\$	1,278,567
Advances		-
(Repayments)		(298,376)
Foreign currency translation		11,138
June 30, 2022	\$	991,329

During the six months ended June 30, 2022, the Company repaid RMB 1,520,000 or \$298,376 in short-term loans to the private lenders.

As at June 30, 2022, short-term borrowing from private lenders consisted of one US dollar denominated loan. The US dollar loan is unsecured and bears interest at 11.50% per annum, compounding quarterly. The loan is due on demand.

**Financial and Other Instruments**

The Company's financial instruments comprise cash and cash equivalents (classified as "held-for-trading"), accounts receivable and certain other assets that are financial instruments (classified as "loans and receivables"), and short-term loans, accounts payable, interest payable, advance from customer, due to related party, and non-current bank loans (classified as "other financial liabilities"). The Company currently does not have any hedge instruments.

As at June 30, 2022, the Company recorded cash and cash equivalents at fair value. Recorded amounts for accounts receivable, accounts payable and accrued liabilities, short-term loans, interest payable, advances from customers, and due to related party approximate their fair values due to the short-term nature of these instruments.

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's primary credit risk is on its cash and cash equivalents, restricted cash and accounts receivable.

The Company limits its exposure to credit risk by placing its cash and cash equivalents with various financial institutions. Given the current economic environment, the Company monitors the credit quality of the financial institutions it deals with on an ongoing basis.

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

The Company has a high concentration of credit risk as the majority of accounts receivable was owed by fewer than ten customers. However, the Company believes that it does not require collateral to support the carrying value of these financial instruments. The carrying amount of financial assets represents the maximum credit exposure. The Company reviews financial assets, including past due accounts, on an ongoing basis with the objective of identifying potential events or circumstances which could delay or prevent the collection of funds on a timely basis. Based on default rates on customers with receivable balances at June 30, 2022, the Company believes that there are minimal requirements for an allowance for doubtful accounts against its accounts

receivable.

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 primarily in US dollars, Chinese Renminbi ("RMB"), Canadian dollars and Hong Kong dollars. The Company is exposed to currency risk as the functional currency of its subsidiaries is other than Canadian dollars.

The majority of the Company's assets are held in subsidiaries whose functional currency is the RMB. The RMB is not a freely convertible currency. Many foreign currency exchange transactions involving RMB, including foreign exchange transactions under the Company's capital account, are subject to foreign exchange controls and require the approval of the PRC 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 when 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.

All of the Company's operations in China are considered self-sustaining operations. The assets and liabilities of the self-sustaining operations are translated at exchange rates prevailing at the balance sheet date.

See the Company's December 31, 2021, year-end consolidated financial statements for further information on its financial and other instruments.

## 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, 2021	\$ 285,225	\$ 40,660	\$ 89,974	\$ 415,859
Recongnized in 2022	118,418	-	-	118,418
Lease payments made	(66,930)	(4,704)	(48,725)	(120,359)
Interest expense on lease liabilities	19,945	3,620	5,414	28,979
	356,658	39,576	46,663	442,897
Less: current portion	(141,145)	(2,482)	(46,663)	(190,290)
Non-current portion as at June 30, 2022	\$ 215,513	\$ 37,094	\$ -	\$ 252,607

  

	June 30, 2022	December 31, 2021
Current	\$ 190,290	\$ 189,849
Non-Current	252,607	226,010
	\$ 442,897	\$ 415,859

As at June 30, 2022, the recognized liabilities from the new office lease is \$118,418.

## Capital Structure

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

	30-Jun-22	31-Dec-21
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, 2019, the Company had 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 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 June 30, 2022, and December 31, 2021:

	June 30, 2022	December 31, 2021
<b>ASSETS</b>		
Current	\$ 3,324,351	\$ 3,512,918
Non-current	16,229,490	17,765,854
	<b>\$ 19,553,841</b>	<b>\$ 21,278,772</b>
<b>LIABILITIES</b>		
Current	\$ 103,026,944	\$ 101,943,494
	<b>\$ 103,026,944</b>	<b>\$ 101,943,494</b>
Net liabilities	\$ (83,473,103)	\$ (80,664,722)
Non-controlling interest percentage	1.15%	1.15%
Non-controlling interest in net liabilities	\$ (847,719)	\$ (815,529)

The following table presents the loss and comprehensive income attributable to the non-controlling interest ("NCI") for the years ended June 30, 2022 and 2021:

	Six months ended June 30	
	2022	2021
Loss for the year - NCI	\$ (64,098)	\$ (58,694)
Foreign exchange translation adjustment	31,908	8,219
Comprehensive loss for the year	<b>\$ (32,190)</b>	<b>\$ (50,475)</b>

## Transactions with Related Parties

### a) Amount due to related parties

Amounts due to related parties are summarized as follows:

	Note	June 30, 2022	December 31, 2021
Loans from Chief Executive Officer ("CEO")		\$ 10,160,152	\$ 9,361,947
Loans from direct family member of CEO		40,767,955	38,690,304
	i)	50,928,107	48,052,251
Consulting fees payable to CEO	ii)	3,341,673	3,250,093
Loan from Director of the Company	iii)	900,000	934,027
		<b>\$ 55,169,780</b>	<b>\$ 52,236,371</b>

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

**Loan balance as of June 30, 2022**

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	\$ 644,364	April 27, 2012	On demand	Unsecured	Category 1	Chairman and CEO
	1,288,600	October 11, 2012	On demand	Unsecured	Category 1	Chairman and CEO
	644,300	May 30, 2013	On demand	Unsecured	Category 1	Chairman and CEO
	322,150	November 15, 2013	On demand	Unsecured	Category 1	Chairman and CEO
	777,302	October 20, 2014	On demand	Unsecured	Category 2	Direct family member of CEO
	186,847	May 23, 2017	On demand	Unsecured	Category 2	Direct family member of CEO
	2,396,797	August 7, 2018	On demand	Unsecured	Category 3	Direct family member of CEO
	929,950	May 6, 2020	On demand	Unsecured	Category 4	Direct family member of CEO
	134,958	November 9, 2020	On demand	Unsecured	Category 5	Direct family member of CEO
<b>Principal</b>	<b>\$ 7,325,268</b>					
<b>Accrued interest</b>	<b>43,602,839</b>					
	<b>\$ 50,928,107</b>					

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, 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
<b>Principal</b>	<b>\$ 7,332,367</b>					
<b>Accrued interest</b>	<b>40,719,884</b>					
	<b>\$ 48,052,251</b>					

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 June 30, 2022, the total amount owed to the CEO under these facilities, including principal and accumulated interest is \$10,160,152 (December 31, 2021 - \$9,361,947). As at June 30, 2022, the entire balance owed is due within 12 months and is therefore classified as current on the statement of financial position.

The Company also obtained loans under numerous credit facility agreements from a direct family member of the CEO. As at June 30, 2022, the total amount owed under these facilities, including principal and accumulated interest is \$40,767,955 (December 31, 2021 - \$38,690,304). As at June 30, 2022, the entire balance owed is due within 12 months and is therefore classified as current on the statement of financial position.

The combined total of the above loans, including the accrued interest, is \$50,928,107 (December 31, 2021 - \$48,052,251). These loans will be repaid by either GLG or its Chinese subsidiaries to the lender in the currency the loans were originally borrowed (either USD or RMB), or, at the lender's discretion, in either USD or RMB, depending on the terms of the specific credit facility. The terms of each individual loan are disclosed in the table above.

Some of 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 \$565,701 (December 31, 2021 - \$247,979), 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:

	June 30, 2022	December 31, 2021
Risk free interest	0.94%	0.11%
Expected life of the loan	1 year	1 year
Expected foreign currency volatility	3.29%	2.71%

- ii. As of June 30, 2022, the Company has accrued \$3,341,673 (December 31, 2021 - \$3,250,093), including 3% interest per annum compounding quarterly, in consulting fees to the Company's Chairman and CEO.
- iii. As of June 30, 2022, the Company has a loan of \$900,000 (December 31, 2021 - \$934,027 including unpaid interest \$34,027) from a Director of the Company originally borrowed to provide working capital required for Monk Fruit extracts. The loan has been renewed in May 2022 for one year, bearing interest at 15% per annum and repayable in full on March 31, 2023.

#### **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 of the Company is comprised of the following amounts:



		Six months ended June 30	
		2022	2021
Short-term employee benefits (including salaries, bonuses and fees)	\$	361,721	\$ 347,251
Share-based benefits		-	72,663
Total remuneration	\$	361,721	\$ 419,914

Certain executive officers are subject to termination benefits. Upon resignation at the Company's request or in the event of a change in control, they are entitled to termination benefits equal to 36 months of gross salary, totaling approximately \$1,779,000.

Key management did not exercise stock options granted under the Company's stock option plan in the six months ended June 30, 2022.

## 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 June 30, 2022, 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 June 30, 2022. 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 June 30, 2022, 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](http://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](http://www.sedar.com)). Additional information relating to the Company is also available on our website ([www.glglifetech.com](http://www.glglifetech.com)).