



# **GLG LIFE TECH CORPORATION**

## **MANAGEMENT DISCUSSION & ANALYSIS**

**For the Three and Six Months Ended June 30, 2023**

**Dated: August 14, 2023**

## Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of GLG Life Tech Corporation is dated August 14, 2023. It provides a review of the financial results for the three and six months ended June 30, 2023, 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, 2023, as well as the annual consolidated financial statements and notes thereto and the MD&A of GLG for the year ended December 31, 2022. 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, 2022. 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.

## Corporate and Sales Developments

### 2023 AGM Voting Results

The Company held its Annual and Special General Meeting on June 16, 2023. 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.

### 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. 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 has negotiated CAD \$1 million revolving loan facilities with a third party for working capital purposes. 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/or 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 highly 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 and 2022 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. 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 2022 and the condensed interim consolidated financial statements for the six-month period ended June 30, 2023.

In thousands Canadian \$, except per share amounts	3 Months Ended June 30		% Change	6 Months Ended June 30		% Change
	2023	2022		2023	2022	
Revenue	\$2,004	\$2,771	(28%)	\$3,561	\$5,514	(35%)
Cost of Sales	(\$1,355)	(\$1,887)	28%	(\$2,518)	(\$3,830)	34%
% of Revenue	(68%)	(68%)	0%	(71%)	(69%)	(1%)
Gross Profit	\$650	\$884	(26%)	\$1,043	\$1,685	(38%)
% of Revenue	32%	32%	1%	29%	31%	(1%)
Expenses	(\$1,020)	(\$1,031)	(1%)	(\$2,052)	(\$2,115)	(3%)
% of Revenue	(51%)	(37%)	(14%)	(58%)	(38%)	(20%)
Loss from Operations	(\$370)	(\$147)	(152%)	(\$1,009)	(\$430)	(135%)
% of Revenue	(18%)	(5%)	(13%)	(28%)	(8%)	(21%)
Other Expenses	(\$2,350)	(\$5,335)	56%	(\$8,160)	(\$9,336)	13%
% of Revenue	(117%)	(193%)	75%	(229%)	(169%)	(60%)
Net Loss before Income Taxes	(\$2,720)	(\$5,482)	50%	(\$9,169)	(\$9,766)	6%
% of Revenue	(136%)	(198%)	62%	(257%)	(177%)	(80%)
Net Loss	(\$2,720)	(\$5,482)	50%	(\$9,169)	(\$9,766)	6%
% of Revenue	(136%)	(198%)	62%	(257%)	(177%)	(80%)
Net Loss Attributable to Non-Controlling Interest (NCI)	(\$37)	(\$32)	(16%)	(\$78)	(\$64)	(22%)
Net Loss Attributable to GLG	(\$2,683)	(\$5,450)	51%	(\$9,091)	(\$9,702)	6%
% of Revenue	(134%)	(197%)	63%	(255%)	(176%)	(79%)
Net Loss per share (LPS, Basic & Diluted)	(\$0.07)	(\$0.14)	51%	(\$0.24)	(\$0.25)	5%
Other Comprehensive Income	\$7,551	\$1,758	330%	\$7,529	\$2,739	175%
% of Revenue	377%	63%	313%	211%	50%	162%
Comprehensive Net Income (Loss)	\$4,831	(\$3,724)	230%	(\$1,640)	(\$7,027)	77%
Comprehensive Income (Loss) Attributable to NCI	\$51	(\$11)	564%	\$6	(\$32)	119%
Comprehensive Income (Loss) Attributable to GLG	\$4,780	(\$3,713)	229%	(\$1,646)	(\$6,995)	76%
% of Revenue	239%	(134%)	373%	(46%)	(127%)	81%

## Revenue

Revenue for the three months ended June 30, 2023, was \$2.0 million compared to \$2.8 million in revenue for the same period last year. Sales decreased by 28% or \$0.8 million for the period ending June 30, 2023, compared to the prior period. The decrease in sales is primarily attributable to decreases in stevia sales both domestically in China and internationally, and to a lesser degree a decrease in monk fruit sales. International sales continue to predominate, making up over 99% of the Company's revenues in the second quarter of 2023 (91% in second quarter of 2022).

Revenue for the six months ended June 30, 2023, was \$3.6 million compared to \$5.5 million in revenue for the same period last year. Sales decreased by 35% or \$2.0 million for the six months ending June 30, 2023, compared to the prior period. The sales decrease of \$2.0 million was driven primarily by a decrease in international stevia and monk fruit sales, with an additional decrease in domestic (China) stevia sales contributing to the overall decrease. The decrease in stevia sales was driven in part by a temporary slow-down in orders in the first quarter from one of the Company's largest customers and the reduction in monk fruit sales and other stevia revenues was driven by increasingly competitive market pricing for these products. International sales made up over 99% of the Company's revenues in the first six months of 2023 (90% in the first six months of 2022).

## Cost of Sales

For the quarter ended June 30, 2023, the cost of sales was \$1.4 million compared to \$1.9 million in cost of sales for the same period last year (\$0.5 million or 28% decrease). Cost of sales as a percentage of revenues was 68% for the second quarters in both 2022 and 2023.

For the six months ended June 30, 2023, the cost of sales was \$2.5 million compared to \$3.8 million for the same period last year (\$1.3 million or 34% decrease). Cost of sales as a percentage of revenues was 71% for the first six months of 2023, compared to 69% in the comparable period in 2022, an increase of 2 percentage points. The increase in cost of sales as a percentage of revenue for the six months ended June 30, 2023, compared to the prior comparable period, is primarily attributable to an increase in idle capacity charges.

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 2023, and capacity charges of \$0.4 million were charged to cost of sales (representing 16% of cost of sales) compared to \$0.4 million charged to cost of sales in the same period of 2022 (representing 9% 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. duties, distribution and warehousing cost;
  - d. exchange rate changes; and
  - e. 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, 2023, was \$0.6 million, compared to a gross profit of \$0.9 million for the comparable period in 2022. The gross profit margin was 32% in the second quarters of both 2022 and 2023.

Gross profit for the six months ended June 30, 2023, was \$1.0 million, compared to a gross profit of \$1.7 million for the comparable period in 2022. The gross profit margin was 29% in the first six months of 2023 compared to 31% for the same period in 2022, a decrease of 2 percentage points. This 2 percentage point decrease in

gross profit margin for the first six months of 2023, relative to the comparable period in 2022, is primarily attributable to an increase in idle capacity charges.

## 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
	2023	2022		2023	2022	
G&A Expenses	\$827	\$863	(4%)	\$1,656	\$1,676	(1%)
Depreciation Expenses	\$193	\$168	15%	\$396	\$439	(10%)
<b>Total</b>	<b>\$1,020</b>	<b>\$1,031</b>	<b>(1%)</b>	<b>\$2,052</b>	<b>\$2,115</b>	<b>(3%)</b>

G&A expenses for the three months ended June 30, 2023, were \$0.8 million, a decrease of \$nil compared to \$0.9 million in the same period in 2022. G&A-related depreciation and amortization expenses for the three months ended June 30, 2023, were \$0.2 million compared with \$0.2 million for the same quarter of 2022.

G&A expenses for the six months ended June 30, 2023, were \$1.7 million, a decrease of \$nil compared to \$1.7 million in the same period in 2022. G&A-related depreciation and amortization expenses for the six months ended June 30, 2023, were \$0.4 million compared with \$0.4 million for the same period in 2022.

## Other Income (Expenses)

In thousands Canadian \$	3 Months Ended June 30		% Change	6 Months Ended June 30		% Change
	2023	2022		2023	2022	
Other Expenses	(\$2,350)	(\$5,335)	56%	(\$8,160)	(\$9,336)	13%
% of Revenue	(117%)	(193%)	75%	(229%)	(169%)	(60%)

Other expenses for the three months ended June 30, 2023, was \$2.4 million, compared to other expenses of \$5.3 million for the same period in 2022, a decrease in other expenses of \$3.0 million. This \$3.0 million decrease in other expenses for the quarter was driven by (1) an increase in foreign exchange gain (\$3.9 million) and (2) a decrease in other expenses (\$0.2 million), which were offset by (3) an increase in interest expenses (\$1.1 million) and (4) a decrease in inventory recovery (\$0.1 million).

Other expenses for the six months ended June 30, 2023, was \$8.2 million, compared to other expenses of \$9.3 million for the same period in 2022, a decrease in other expenses of \$1.2 million. This \$1.2 million decrease in other expenses for the six-month period was driven by (1) an increase in foreign exchange gain (\$2.8 million), which was offset by (2) an increase in interest expenses (\$1.2 million), (3) an increase in other expenses (\$0.2 million) and (4) a decrease in inventory recovery (\$0.2 million).

## Foreign Exchange Gains (Losses)

Exchange rates	2023	2023	2022	2022	2022	2022	2021	2021
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	0.7553	0.7389	0.7383	0.7296	0.7760	0.8003	0.7888	0.7849
Chinese RMB	5.4795	5.0761	5.0942	5.2002	5.1975	5.0736	5.0125	5.0761
Exchange rates	2023	2023	2022	2022	2022	2022	2021	2021
Rate (as compared to the US \$)	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep
Chinese RMB	7.2548	6.8695	6.8996	7.1279	6.6975	6.3399	6.3549	6.4675



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, 2023, the exchange rate for RMB per Canadian dollar was 5.4795 compared to the exchange rate of 5.0942 as at December 31, 2022, reflecting a depreciation of the RMB against the Canadian dollar. As at June 30, 2023, the exchange rate for USD per Canadian dollar was 0.7553 compared to the exchange rate of 0.7383 as at December 31, 2022, reflecting an depreciation of the USD against the Canadian dollar. The balance of the AOCI was \$18.9 million on June 30, 2023, compared to a balance of \$11.5 million as at December 31, 2022.

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 \$3.7 million for the first six months of 2023 compared to the foreign exchange gain of \$0.9 million for the comparable period in 2022. The table above shows the change in the Canadian dollar relative to the US dollar from September 30, 2021, to June 30, 2023, 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
	2023	2022		2023	2022	
Net Loss	(\$2,720)	(\$5,482)	50%	(\$9,169)	(\$9,766)	6%
Net Loss Attributable to NCI	(\$37)	(\$32)	(16%)	(\$78)	(\$64)	(22%)
% of Revenue	(2%)	(1%)	(1%)	(2%)	(1%)	(1%)
Net Loss Attributable to GLG	(\$2,683)	(\$5,450)	51%	(\$9,091)	(\$9,702)	6%
% of Revenue	(134%)	(197%)	63%	(255%)	(176%)	(79%)

For the three months ended June 30, 2023, the Company had a net loss attributable to the Company of \$2.7 million, a decrease in net loss of \$2.8 million over the comparable period in 2022 (net loss of \$5.5 million). The \$2.8 million decrease in net loss attributable to the Company was driven by (1) a decrease in other expenses (\$3.0 million), which was offset by (2) an increase in loss from operations (\$0.2 million).

For the six months ended June 30, 2023, the Company had a net loss attributable to the Company of \$9.1 million, a decrease in net loss of \$0.6 million over the comparable period in 2022 (net loss of \$9.7 million). The \$0.6 million decrease in net loss attributable to the Company was driven by (1) a decrease in other expenses (\$1.2 million), which was offset by (2) an increase in loss from operations (\$0.6 million).

## Comprehensive Income (Loss)

In thousands Canadian \$	3 Months Ended June 30		% Change	6 Months Ended June 30		% Change
	2023	2022		2023	2022	
Net Loss Attributable to GLG	(\$2,683)	(\$5,450)	51%	(\$9,091)	(\$9,702)	6%
Other Comprehensive Income	\$7,551	\$1,758	330%	\$7,529	\$2,739	175%
Total Comprehensive Income (Loss)	\$4,831	(\$3,724)	230%	(\$1,640)	(\$7,027)	77%
Comprehensive Income (Loss) Attributable to NCI	\$51	(\$11)	564%	\$6	(\$32)	119%
Comprehensive Income (Loss) Attributable to GLG	\$4,780	(\$3,713)	229%	(\$1,646)	(\$6,995)	76%
% of Revenue	239%	(134%)	373%	(46%)	(127%)	81%

The Company recorded total comprehensive income of \$4.8 million for the three months ended June 30, 2023, comprising \$2.7 million of net loss attributable to the Company and \$7.5 million of other comprehensive income attributable to the Company. 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 a total comprehensive loss of \$1.6 million for the six months ended June 30, 2023, comprising \$9.1 million of net loss attributable to the Company and \$7.5 million 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.

## 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	2023 Q2	2023 Q1	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3
Revenue	\$2,004	\$1,557	\$3,037	\$2,370	\$2,771	\$2,744	\$3,002	\$2,094
Gross Profit \$	\$650	\$393	\$734	\$770	\$884	\$800	\$700	\$558
Gross Profit %	32%	25%	24%	32%	32%	29%	23%	27%
Net Income (Loss) Attributable to GLG	(\$2,683)	(\$6,407)	(\$15,827)	(\$7,522)	(\$5,450)	(\$4,252)	(\$8,414)	(\$6,962)
Basic Income (Loss) Per Share	(\$0.07)	(\$0.17)	(\$0.41)	(\$0.20)	(\$0.14)	(\$0.11)	(\$0.22)	(\$0.18)

For the three months ended June 30, 2023, the Company had a net loss attributable to the Company of \$2.7 million, a decrease in net loss of \$2.8 million over the comparable period in 2022 (net loss of \$5.5 million). The \$2.8 million decrease in net loss attributable to the Company was driven by (1) a decrease in other expenses (\$3.0 million), which was offset by (2) an increase in loss from operations (\$0.2 million).

For the three months ended March 31, 2023, the Company had a net loss attributable to the Company of \$6.4 million, an increase of \$2.2 million or 51% over the comparable period in 2022 (\$4.3 million). The \$2.2 million increase in net loss attributable to the Company was driven by increases in (1) other expenses (\$1.8 million) and (2) operating loss (\$0.4 million).

For the three months ended December 31, 2022, the Company had a net loss attributable to the Company of \$15.8 million, an increase of \$7.4 million over the comparable period in 2021 (net loss of \$8.4 million). The \$7.4 million increase in net loss attributable to the Company was driven by the \$7.5 million increase in other expenses.

For the three months ended September 30, 2022, the Company had a net loss attributable to the Company of \$7.5 million, an increase in net loss of \$0.6 million over the comparable period in 2021 (net loss of \$7.0 million). The \$0.6 million increase in net loss attributable to the Company was driven by increases in (1) interest expenses (\$0.6 million) and (2) foreign exchange loss (\$0.4 million), which were offset by (3) a decrease in loss from operations (\$0.4 million).

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).

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

The basic loss and diluted loss per share from operations was \$0.07 for the three months ended June 30, 2023, compared with a basic and diluted net loss of \$0.14 for the comparable period in 2022. For the three months ended June 30, 2023, the Company had a net loss attributable to the Company of \$2.7 million, a decrease in net loss of \$2.8 million over the comparable period in 2022 (net loss of \$5.5 million). The \$2.8 million decrease in net loss attributable to the Company was driven by (1) a decrease in other expenses (\$3.0 million), which was offset by (2) an increase in loss from operations (\$0.2 million).

The basic loss and diluted loss per share from operations was \$0.17 for the three months ended March 31, 2023, compared with a basic and diluted net loss of \$0.11 for the comparable period in 2022. For the three months ended March 31, 2023, the Company had a net loss attributable to the Company of \$6.4 million, an increase of \$2.2 million or 51% over the comparable period in 2022 (\$4.3 million). The \$2.2 million increase in net loss attributable to the Company was driven by increases in (1) other expenses (\$1.8 million) and (2) operating loss (\$0.4 million).

The basic loss and diluted loss per share from operations was \$0.41 for the three months ended December 31, 2022, compared with a basic and diluted net loss of \$0.22 for the comparable period in 2021. For the three months ended December 31, 2022, the Company had a net loss attributable to the Company of \$15.8 million, an increase of \$7.4 million over the comparable period in 2021 (net loss of \$8.4 million). The \$7.4 million increase in net loss attributable to the Company was driven by the \$7.5 million increase in other expenses.

The basic loss and diluted loss per share from operations was \$0.20 for the three months ended September 30, 2022, compared with a basic and diluted net loss of \$0.18 for the comparable period in 2021. For the three months ended September 30, 2022, the Company had a net loss attributable to the Company of \$7.5 million, an increase in net loss of \$0.6 million over the comparable period in 2021 (net loss of \$7.0 million). The \$0.6 million increase in net loss attributable to the Company was driven by increases in (1) interest expenses (\$0.6 million) and (2) foreign exchange loss (\$0.4 million), which were offset by (3) a decrease in loss from operations (\$0.4 million).

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).

## **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 the first six months of 2023 (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 June 30, 2023, was \$0.8 million or 42% of second quarter revenues compared to \$1.1 million or 40% of second quarter revenues in 2022.

Gross profit before capacity charges for the six months ended June 30, 2023, was \$1.4 million or 40% of six-month revenues compared to \$2.0 million or 37% of six-month revenues in 2022.

## 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
	2023	2022		2023	2022	
Loss Before Income Taxes	(\$2,720)	(\$5,482)	50%	(\$9,169)	(\$9,766)	6%
Add:						
Provisions for Inventory Impairment (Recovery)	(\$7)	(\$74)	(91%)	(\$35)	(\$205)	(83%)
Bad Debt Provision	(\$1)	(\$1)	0%	(\$1)	(\$1)	0%
Other Income (Loss)	\$0	(\$282)	(100%)	\$0	(\$36)	(100%)
Depreciation and Amortization	\$330	\$348	(5%)	\$677	\$725	(7%)
Net Interest Expense	\$6,236	\$5,163	21%	\$11,495	\$10,289	12%
Foreign Exchange Loss (Gain)	(\$3,988)	(\$71)	5517%	(\$3,677)	(\$900)	309%
Adj. EBITDA	(\$150)	(\$399)	62%	(\$710)	\$106	(770%)
Adj. EBITDA as a % of Revenue	(7%)	(14%)	7%	(20%)	2%	(22%)

Adjusted EBITDA for the three months ended June 30, 2023, was negative \$0.2 million or negative 7% of revenues, compared to negative \$0.4 million or negative 14% of revenues for the same period in 2022. Adjusted EBITDA loss decreased by \$0.2 million for the three-month period ended June 30, 2023, relative to the comparable period in 2022.

Adjusted EBITDA for the six months ended June 30, 2023, was negative \$0.7 million or negative 20% of revenues, compared to \$0.1 million or 2% of revenues for the same period in 2022.

## Liquidity and Capital Resources

In thousands Canadian \$	30-Jun-23		31-Dec-22	
Cash and Cash Equivalents	\$	795	\$	245
Working Capital	\$	(194,623)	\$	(196,140)
Total Assets	\$	20,881	\$	22,947
Total Liabilities	\$	203,182	\$	203,608
Loan Payable (<1 year)	\$	112,102	\$	114,590
Loan Payable (>1 year)	\$	1,642	\$	491
Total Shareholder's Deficiency	\$	(181,243)	\$	(179,597)

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 private or related parties.

Total loans payable (both short-term and long-term) is \$113.7 million as of June 30, 2023, a decrease of \$1.4 million compared to the total loans payable as at December 31, 2022 (\$115.1 million). 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 2023. 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 continues to explore other options to reduce or eliminate the debt.

### **Cash Flows: Three Months Ended June 30, 2023 and 2022**

**Cash generated by operating activities** was \$3.8 million in the three-month period ended June 30, 2023, compared to \$0.1 million cash generated by operating activities in the same period of 2022. Cash generated by operating activities increased by \$3.7 million year-over-year. This was the result of (1) an increase in cash generated in non-cash working capital of \$1.9 million for the three months ended June 30, 2023, and (2) an increase in cash generated by operating activities before the impact of non-cash working capital of \$1.8 million, relative to the comparative 2022 period.

The \$1.8 million increase in cash generated by non-cash working capital was due to increases in cash generated in (1) interest accruals (\$1.1 million), (2) accounts receivable (\$0.9 million) and (3) deferred revenue (\$0.1 million), which were offset by decreases in (4) accounts payable and accruals (\$0.1 million) and (5) inventories (\$0.1 million).

**Cash generated by investing activities** was \$0.0 million during the second quarter of 2023, compared to \$0.0 million in cash used in the second quarter of 2022.

**Cash generated by financing activities** was \$0.4 million in the second quarter of 2023, compared to \$nil million in cash used in the second quarter of 2022.

### **Cash Flows: Six Months Ended June 30, 2023 and 2022**

**Cash generated by operating activities** was \$3.6 million in the six-month period ended June 30, 2023, compared to \$0.9 million cash generated by operating activities in the same period of 2022. Cash generated by operating activities increased by \$2.7 million year-over-year. This was the result of (1) an increase in cash generated in non-cash working capital of \$2.3 million and (2) an increase in cash used in operating activities before the impact of non-cash working capital of \$0.4 million for the six months ended June 30, 2023, relative to the comparative 2022 period.

The \$2.3 million increase in cash generated in non-cash working capital was due to increases in cash generated in (1) accounts receivable (\$1.8 million), (2) interest accruals (\$1.3 million), (3) accounts payable and accruals (\$0.4 million), (4) deferred revenue (\$0.3 million) and (5) taxes recoverable (\$0.1 million) and (6) a decrease in prepaid expenses (\$0.2 million), which were offset by (7) a decrease in inventories (\$1.7 million).

**Cash used in investing activities** was \$0.0 million during the first six months of 2023, compared to \$0.0 million cash used in the first six months of 2022.

**Cash generated by financing activities** was \$0.5 million in the first six months of 2023, compared to \$0.5 million cash used in the first six months of 2022, an increase of \$1.0 million. The \$1.0 million increase in cash generated by financing activities was driven primarily by (1) the issuance of long-term loans and other loan proceeds (\$2.0 million), which was offset by (2) an increase in repayment of other loans (\$1.0 million).

## Financial Resources

Cash and cash equivalents increased by \$0.6 million for the three months ended June 30, 2023, relative to December 31, 2022. Working capital increased by \$1.5 million from the year-end 2022 position to negative \$194.6 million.

The working capital increase of \$1.5 million is attributable to an decrease in current liabilities of \$1.7 million, which was offset by a decrease in current assets of \$0.2 million. The \$1.7 million decrease in current liabilities was due to decreases in (1) term loans – current portion (\$3.2 million) and (2) accounts payable and accruals (\$0.4 million), which were offset by increases in (3) interest payable (\$1.1 million), (4) due to related parties (\$0.5 million), (5) other loans payable (\$0.2 million) and (6) advances from customers and lease liabilities – current portion (\$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 - 2022. 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, 2023, in comparison to December 31, 2022, the total assets decreased by \$2.1 million. This \$2.1 million decrease was due primarily to decreases in fixed assets of \$2.1 million. Total liabilities decreased by \$0.4 million as at June 30, 2023, in comparison to December 31, 2022.

Shareholders' deficiency increased by \$1.6 million due to (1) an increase in accumulated deficit (\$9.1 million), which was offset by (2) an increase in accumulated other comprehensive income (\$7.4 million).

## Term Loans and Interest Payable

The Company's term loans of \$44,480,856 (December 31, 2022 - \$48,219,274) consist of borrowings from the SOCMC and a bank in China as follows:

The following table presents the principal amount of each term loan.

	<b>Runde-Cinda (i)</b>	<b>Runhai-Cinda (ii)</b>	<b>Runyang-Xinbao (iii)</b>	<b>Runhai-Bank (iv)</b>	<b>TOTAL</b>
<b>Balance, December 31, 2021</b>	<b>\$ 36,379,163</b>	<b>\$ 3,491,250</b>	<b>\$ 8,476,560</b>	<b>\$ 817,950</b>	<b>\$ 49,164,923</b>
Addition					-
Repayment				(154,880)	(154,880)
FX impact	(583,525)	(56,000)	(135,964)	(15,280)	(790,769)
<b>Balance, December 31, 2022</b>	<b>\$ 35,795,638</b>	<b>\$ 3,435,250</b>	<b>\$ 8,340,596</b>	<b>\$ 647,790</b>	<b>\$ 48,219,274</b>
Addition	-	-	-	-	-
Repayment	-	-	-	(1,946)	(1,946)
FX impact	(2,516,454)	(241,500)	(586,349)	(45,419)	(3,389,722)
<b>Balance, June 30, 2023</b>	<b>\$ 33,279,184</b>	<b>\$ 3,193,750</b>	<b>\$ 7,754,247</b>	<b>\$ 600,425</b>	<b>\$ 44,827,606</b>
<b>Long term</b>				<b>346,750</b>	<b>346,750</b>
<b>Current</b>	<b>\$ 33,279,184</b>	<b>\$ 3,193,750</b>	<b>\$ 7,754,247</b>	<b>\$ 253,675</b>	<b>\$ 44,480,856</b>



The following table presents the interest expenses and late payment compensation of each term loan.

	<b>Runde-Cinda (i)</b>	<b>Runhai-Cinda (ii)</b>	<b>Runyang-Xinbao (iii)</b>	<b>Runhai-Bank (iv)</b>	<b>TOTAL</b>
<b>Balance, December 31, 2021</b>	<b>\$ 29,601,343</b>	<b>\$ 6,726,658</b>	<b>\$ 12,335,201</b>	<b>\$ 1,587</b>	<b>\$ 48,664,789</b>
Interest & late payment compensation accrued	11,509,304	1,960,686	9,823,713	41,997	23,335,700
Interest paid	-	-	-	(32,341)	(32,341)
FX impact	(314,296)	(80,553)	(60,854)	109	(455,594)
<b>Balance, December 31, 2022</b>	<b>\$ 40,796,351</b>	<b>\$ 8,606,791</b>	<b>\$ 22,098,060</b>	<b>\$ 11,352</b>	<b>\$ 71,512,554</b>
Interest & late payment compensation accrued	4,303,167	767,833	1,410,893	18,771	6,500,664
Interest paid	-	-	-	(18,690)	(18,690)
FX impact	(3,135,572)	(652,805)	(1,641,234)	(803)	(5,430,414)
<b>Balance, June 30, 2023</b>	<b>\$ 41,963,946</b>	<b>\$ 8,721,819</b>	<b>\$ 21,867,719</b>	<b>\$ 10,630</b>	<b>\$ 72,564,114</b>

- i. The Company's subsidiary Runde has numerous loans with Cinda. \$9,267,350 (RMB 50,780,000) of loans bear interest at 11.57% per annum and \$24,011,834 (RMB 131,571,696) of loans bear interest at 10.22% per annum. As at June 30, 2023, the Runde-Cinda loans are due on demand.

During the year ended December 31, 2021, the Company entered into a settlement agreement with Cinda for the Runde-Cinda loans. The Company was assessed a late payment compensation due to the breach of the debt restructuring agreement with Cinda. This amount was included in interest expense and interest payable.

- ii. The Company's subsidiary Runhai has numerous loans with Cinda. \$3,193,750 (RMB 17,500,000) of loans are due on demand at June 30, 2023, and bear interest at 10.82% per annum.
- iii. The Company's subsidiary Runyang has numerous loans with Cinda in the amount of \$7,754,247 (RMB 42,489,025). During the year ended December 31, 2021, these loans have been transferred to Xinbao. The Company was assessed a late payment compensation due to the breach of the debt restructuring agreement with Cinda. This amount was included in interest expense and interest payable. The loan bears interest at 9.09% per annum.
- iv. By the year ended December 31, 2022, Runhai borrowed a loan of \$647,790 (RMB 3,300,000) from a local bank. During the year ended December 31, 2022, Runhai restructured the loan with a repayment schedule over three years. The loan bears interest at 5.82% per annum and is due between February 2023 to August 2025. For the period ended June 30, 2023, the Company repaid \$1,946 (RMB 10,000).

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 6, 7 and 8). As of the reporting date, all term loans have

been in default, and Cinda and Xinbao have the right to collect all the principal, accrued interest and late payment compensation, as well as the right to take possession of the pledged assets. If lenders take possession of the pledged assets, the Company will no longer be able to continue its operations. The Company has been negotiating with Cinda and Xinbao to arrange for debt repayment plans; no consensus has been reached as of the reporting date.

## Other Loans Payable

The following table presents the other loans payable.

	Ms. Yuen (i)	Others (ii)	TOTAL
<b>Balance, December 31, 2021</b>	\$ 38,690,303	\$ 4,904,917	\$ 43,595,220
Addition	448,871	-	448,871
Interest expense	6,454,219	652,465	7,106,684
Repayment	(330,291)	(300,724)	(631,015)
FX impact	272,260	131,650	403,910
<b>Balance, December 31, 2022</b>	\$ 45,535,362	\$ 5,388,308	\$ 50,923,670
Addition	2,038,754	-	2,038,754
Interest expense	3,630,664	370,469	4,001,133
Repayment	(1,336,720)	-	(1,336,720)
FX impact	(2,952,531)	(239,620)	(3,192,151)
<b>Balance, June 30, 2023</b>	\$ 46,915,529	\$ 5,519,157	\$ 52,434,686
<b>Long term</b>	<b>1,295,324</b>		<b>1,295,324</b>
<b>Current</b>	<b>\$ 45,620,205</b>	<b>\$ 5,519,157</b>	<b>\$ 51,139,362</b>

The Company has obtained loans under numerous credit facility agreements from a private lender, Ms. Yuen, in USD and RMB.

As at June 30, 2023, the unsecured loans from Ms. Yuen bear annual interest at

- i. 18% and 20% per annum, compounding quarterly,
- ii. China 10-year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in RMB, compounding quarterly,
- iii. 15% & 20% per annum, simple interest.

In June, 2023, the Company negotiated and consolidated one \$2,372,500 or RMB 13,000,000 loan facility agreement with Ms. Yuen, bearing interest at 8% per annum for 18 months. The new loan is guaranteed by the

Company and pledged with its major customer's account receivables. As of June 30, 2023, the Company has withdrawn \$1,908,948 or RMB 9,809,600 of loan facility.

During the six months ended June 30, 2023, \$1,336,720 in loans have been repaid towards prior loans from Ms. Yuen. As of the reporting date, the remaining \$45,090,152 loans and interest from Ms. Yuen have been in default and are due on demand. If Mrs. Yuen were to call the loans, it is highly likely that the Company would no longer be able to continue its operations.

The Company obtained numerous loans from other private lenders in USD and RMB. The USD loans from other private lenders are unsecured and due on demand with interest at 11.50% per annum, compounding quarterly; the RMB loans from other private lenders are unsecured and due on demand with interest 1) at 20% annum, compounding quarterly, and 2) at 12% to 15% annum, simple interest. As of June 30, 2023, the outstanding principal of these loans are \$1,018,562 (December 31, 2022 – \$1,041,919).

## Lease Liabilities

	Office	Land	Production equipment	Total
At December 31, 2022	\$ 290,967	\$ 38,391	\$ -	\$ 329,358
Recognized in 2023	-	-	343,811	343,811
Lease payments made	(91,407)	(4,704)	(49,075)	(145,186)
Interest expense on lease liabilities	19,770	3,407	25,046	48,223
As at June 30, 2023	219,330	37,094	319,782	576,206
Less: current portion	(156,756)	(2,967)	(53,783)	(213,506)
Non-current portion as at June 30, 2023	\$ 62,574	\$ 34,127	\$ 265,999	\$ 362,700

	Office	Land	Production equipment	Total
At December 31, 2021	\$ 285,225	\$ 40,660	\$ 89,974	\$ 415,859
Recognized in 2022	118,418	-	-	118,418
Lease payments made	(156,017)	(9,407)	(97,451)	(262,875)
Interest expense on lease liabilities	43,341	7,138	7,477	57,956
	290,967	38,391	-	329,358
Less: current portion	(149,556)	(2,713)	-	(152,269)
Non-current portion as at December 31, 2022	\$ 141,411	\$ 35,678	\$ -	\$ 177,089

	June 30, 2023	December 31, 2022
Current	\$ 213,506	\$ 152,269
Non-Current	362,700	177,089
	\$ 576,206	\$ 329,358

As at June 30, 2023, the recognized liabilities from the new production line lease is \$343,811.

## Capital Structure

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

	30-Jun-23	31-Dec-22
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

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

	June 30, 2023
January 1, 2023	\$ (1,063,324)
Non-controlling interest's share of earnings	(78,400)
Non-controlling interest's share of other comprehensive loss	83,793
June 30, 2023	\$ (1,057,931)
	December 31, 2022
January 1, 2022	\$ (815,529)
Non-controlling interest's share of earnings	(257,709)
Non-controlling interest's share of other comprehensive loss	9,914
December 31, 2022	\$ (1,063,324)

## Related Parties Transactions and Balances

### a) Amount due to related parties

Amounts due to related parties are summarized as follows:

	Loan from CEO (i)	Loan from Director (ii)	Consulting fee payable to CEO (iii)	Total
<b>Balance, December 31, 2021</b>	<b>\$ 9,361,947</b>	<b>\$ 934,028</b>	<b>\$ 3,250,093</b>	<b>\$ 13,546,068</b>
Additions - Non cash			456,555	456,555
Interest expense	1,416,618	135,000	100,755	1,652,373
Payments		(169,028)	(467,829)	(636,857)
FX impact	693,206		226,432	919,638
<b>Balance, December 31, 2022</b>	<b>\$ 11,471,771</b>	<b>\$ 900,000</b>	<b>\$ 3,566,006</b>	<b>\$ 15,937,777</b>
Additions - Non cash	-	-	232,444	232,444
Interest expense	844,053	66,945	52,975	963,973
Payments	-	(66,945)	(232,537)	(299,482)
FX impact	(272,209)	-	(80,963)	(353,172)
<b>Balance, June 30, 2023</b>	<b>\$ 12,043,615</b>	<b>\$ 900,000</b>	<b>\$ 3,537,925</b>	<b>\$ 16,481,540</b>

- i. The Company obtained loans under numerous credit facility agreements from the Company's Chairman and CEO in USD and RMB. For the loans borrowed in USD, the interest rate is US 10-year benchmark government bond rate plus 1100 basis points per annum. For the loans borrowed in RMB, the interest rate is the Chinese 10-year benchmark government bond rate plus 1100 basis points per annum, compounding quarterly. The loans from the CEO are unsecured and due on demand. As of June 30, 2023, the outstanding principal of these loans was \$2,979,066 (December 31, 2022 - \$3,047,468).

These loans provide a repayment option to the lenders in either RMB or USD using a foreign exchange rate specified in each credit facility.

- ii. The Company obtained a loan from one of its directors. The loan is secured by expected proceeds from monk fruit sales, bearing interest at 15% per annum. As of June 30, 2023, the outstanding principal of the loan was \$900,000 (December 31, 2022 - \$900,000). The loan is expired as of March 31, 2023, and is under review for renewal.
- iii. As of June 30, 2023, the consulting fee payable to the Company's Chairman and CEO was \$3,537,925 (December 31, 2022 - \$3,566,006), which bears interest at 3% per annum compounding quarterly.

### 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	
	2023	2022
Short-term employee benefits (including salaries, bonuses and fees)	\$ 378,949	\$ 361,721
Share-based benefits	-	-
<b>Total remuneration</b>	<b>\$ 378,949</b>	<b>\$ 361,721</b>

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 \$1,828,000.

## 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 June 30, 2023, 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, 2023. 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, 2023, 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)).