



# **GLG LIFE TECH CORPORATION**

## **MANAGEMENT DISCUSSION & ANALYSIS**

**For the Three and Twelve Months Ended December 31, 2014**

**Dated: March 31, 2015**

## Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of GLG Life Tech Corporation is dated March 31, 2015, which is the date of filing of this document. It provides a review of the financial results for the three and twelve months ended December 31, 2014, compared to the same periods in the prior year.

This MD&A relates to the consolidated financial condition and results of operations of GLG Life Tech Corporation ("we," "us," "our," "GLG" or the "Company") together with GLG's subsidiaries in the People's Republic of China ("China") and other jurisdictions. As used herein, the word "Company" means, as the context requires, GLG and its subsidiaries. The common shares of GLG are listed on the Toronto Stock Exchange (the "Exchange") under the symbol "GLG". Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars and determined on the basis of International Financial Reporting Standards ("IFRS"). This MD&A should be read in conjunction with the annual consolidated financial statements and notes thereto. Additional information relating to GLG Life Tech Corporation including GLG's Annual Information Form can be found on GLG's web site at [www.glglifetech.com](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 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, 2014. 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, last year was our inaugural year in the Monk fruit extract market, commencing with the announcement in July 2014 of a significant contract to supply a global leader in the food industry with our Monk fruit extract products. 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, but 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 our five wholly-owned subsidiaries in China. Our stevia operations in China include four 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 and 1,500 metric tons of RA 97, our best-selling high-grade stevia product, and 130 metric tons of high-purity Monk fruit extract.

Revenues were \$7.5 million for the quarter ended December 31, 2014, compared to \$4.1 million for the quarter ended December 31, 2013. We had a net loss attributable to the Company of \$17.9 million for the quarter ended December 31, 2014, compared to a net loss of \$3.4 million for the comparable quarter in 2013.

Revenues were \$20.0 million for the year ended December 31, 2014, compared to \$16.0 million for the year ended December 31, 2013. We had a net loss attributable to the Company of \$32.6 million for the year ended December 31, 2014, compared to a net loss of \$26.4 million for the comparable period in 2013.

## **Summary of Significant Accounting Policies**

The Company's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control. A summary of the Company's significant accounting policies is included in Note 4 of the Company's annual consolidated financial statements for the period ended December 31, 2014 (the "Financial Statements").

The preparation of financial statements in conformity with generally accepted accounting principles requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to our financial statements.

We believe that our application of accounting policies, and the estimates inherently required therein, are reasonable. Our accounting policies and estimates are periodically re-evaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

### **Basis of presentation**

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on a historical costs basis except for biological assets, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting. These consolidated financial statements are presented in Canadian dollars, except when otherwise indicated.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 31, 2015, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2014, could result in restatement of these consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

### **Business combinations**

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer

measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date. Acquisition costs are expensed in the period that they are incurred.

### **Functional currency**

The functional currency is the currency of the primary economic environment in which the entity operates. The Company has determined that none of its subsidiaries operates in a hyper inflationary economic environment. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21. For the analysis of the parent entity, the primary determining factors regarding revenue and labour, material and other costs were inconclusive. As a result, the secondary factors were considered. The secondary factors indicated that CAD will be the primary currency in the future for financing activities. Therefore, the functional currency for GLG Canada is CAD. The reporting currency for the Company is CAD.

Foreign currency transactions are translated into the functional currency of the respective currency of the entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates as at the date when fair value was determined. Gain and losses are recorded in the statement of operation.

The results and financial position of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each statement of financial position presented are translated at the rate of exchange in effect as at the date of statement of financial position; (ii) income and expense items for each statement of operations are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income.

### **Basis of consolidation**

These consolidated financial statements include the following:

	Jurisdiction of incorporation	Ownership Interest		Functional Currency
		2014	2013	
<b><u>Subsidiaries</u></b>				
Agricultural High Tech Developments Limited	Marshall Islands	100%	100%	HKD
Anhui Bengbu HN Stevia High Tech Development Company Limited	China	100%	100%	RMB
Chuzhou Runhai Stevia High Tech Company Limited	China	100%	100%	RMB
Dongtai Runyang Stevia High Tech Company Limited	China	100%	100%	RMB
Qingdao Runde Biotechnology Company Limited	China	100%	100%	RMB
Qingdao Runhao Stevia High Tech Company Limited	China	100%	100%	RMB
GLG Life Tech US, Inc.	USA	100%	100%	USD
0833416 BC Limited (formerly "GLG Weider Sweet Naturals Corporation")	Canada	55%	55%	USD

Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. Control is achieved when the Company is exposed or has rights to variable returns

from its involvement with these subsidiaries, and has the ability to use its power to affect the amount of these returns.

All intercompany transactions and balances are eliminated on consolidation.

## **Financial instruments**

### ***Fair value measurement***

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

### ***Financial assets***

The Company determines the classification of its financial assets at initial recognition, depending on the nature and purpose of the financial asset. All financial assets, except financial assets at fair value through profit or loss (“FVTPL”), are recognized initially at fair value plus directly attributable transaction costs. The Company has not designated any of its financial assets as FVTPL. A financial asset is derecognized when the rights to receive cash flows from the asset have expired.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the reliability of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company’s financial assets include cash and cash equivalents, short term investments and accounts receivable. The Company classifies these financial assets as “loans and receivables”. The carrying value of short term investments and accounts receivable approximates their fair value due to their immediate or short term to maturity, or their ability for liquidation at comparable amounts. Cash and cash equivalents and short term investments are recorded at fair value based on level 1 inputs.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

The effective interest method is a method of calculating the amortized cost of a financial asset/liability and of

allocating interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial asset/liability to its fair value.

### ***Financial liabilities***

The Company determines the classification of its financial liabilities at initial recognition, depending on the nature and purpose of the financial liability. All financial liabilities, except financial liabilities at FVTPL, are recognized initially at fair value plus directly attributable transaction costs. The Company has not designated any of its financial liabilities as FVTPL. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

The Company's financial liabilities include short term loans, accounts payables and accruals, interest payable, long-term loans, convertible notes, liabilities on derivatives and, amounts due to related parties. The Company classifies these financial liabilities as "Other financial liabilities". The carrying value of short-term loans, accounts payable and accruals, interest payable and amounts due to related parties approximate their fair value due to their immediate or short term to maturity.

The company's long-term loans, convertible notes and long term amounts due to related parties are recorded at amortized cost. The liabilities on derivatives are recorded at fair value using level 2 inputs. See note 13 in the financial statements for details on the assumptions for the level 2 fair value determination.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

### **Impairment**

The component parts of compound instruments (convertible notes) issued by the Company is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity component in proportion to the allocation of the gross proceeds.

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date of impairment is reversed and does not exceed what the amortized cost would have been had the impairment not been recognized.

#### **Non-financial assets with finite useful lives**

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell (“FVLCS”) and value in use (“VIU”). FVLCS is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties less the costs of disposal or current replacement cost method which is valuation technique that reflects the amounts that could be required to replace the service capacity of the assets. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For assets that do not generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit (“CGU”) to which the asset belongs. Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and deposits held with banks readily convertible into cash and purchased with original maturities of three months or less.



### **Short term investments**

Short term investments consist of government investment certificates with original maturities between three and twelve months.

### **Accounts receivable and concentration of credit risks**

Accounts receivable are stated at amortized cost less any impairment. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on historical write-off experience and customer economic data.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales and has a high concentration of credit risk as the accounts receivable are made up of a small number of customers. It is the Company's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. Each new customer is analyzed individually for creditworthiness. A review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. The executive management determines concentrations of credit risk frequently by monitoring the creditworthiness rating of existing customers and through a review of the trade receivables' ageing analysis. Over-due balances are reviewed for collectability and allowance for doubtful amounts, where appropriate, will be provided. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made only with payment in advance.

However, based on current facts and circumstances, the Company believes that it does not require collateral to support the carrying value of the accounts receivable.

### **Inventory**

Raw materials, work-in-progress and finished goods are measured at the lower of cost, determined on a weighted average basis and net realizable value.

The cost of raw materials is comprised of the purchase price, applicable taxes and other costs incurred in bringing inventory to their present location and condition. The cost of finished goods includes cost of materials and cost of conversion. The cost of conversion includes costs directly related to the units of production, such as direct labour, and fixed and variable production overheads, based on normal operating capacity.

The net realizable value of inventory is generally considered to be the selling price in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale.

The amount of any impairment of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any impairment of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

### **Property, plant and equipment**

#### *Recognition and measurement*

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Land use rights have been accounted for as an asset in the consolidated financial statements. However, all lands in China are owned by the Chinese government (the "Government"). In accordance with the terms as established by Chinese law, the Government may sell the right to use the land for a specific period of time. If in the public interest there is a need to re-develop the land, the Government may revoke the right at any time. The purpose of the land use is restricted. In the event that the land is used for purposes outside the scope of the purpose for which they were granted, the Government could revoke such rights. Land use rights are recorded at cost less accumulated amortization and are amortized over 50 years.

### ***Subsequent costs***

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Subsequent costs other than maintenance and repairs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

### ***Gains and losses***

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profits or loss.

### ***Amortization***

Amortization is calculated using the straight line method over the estimated useful lives of the assets as follows:

Ion exchange resin equipment - 15 years

Buildings - 20 years

Manufacturing equipment - 10 years

Motor vehicles, computer equipment, computer software, furniture and fixtures – 5 years

Amortization is provided over the term of the lease on leasehold and land use rights. Amortization is not provided for construction in progress until the assets are ready for use.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### *Capitalization of interest*

Interest on long term debt associated with the construction of long term assets is capitalized into property, plant and equipment, where the borrowing cost is attributable to the acquisition, construction or production of a qualifying asset until the facilities are substantially completed.

For funds borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization would be the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

For non-specific funds borrowed and being used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization would be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period. The capitalization rate for the year ended December 31, 2014, was nil %.

### **Biological assets**

The biological assets of the Company are bearer biological assets consisting of mother and father stevia plants that are cultivated and developed for their active ingredient (steviol glycosides) content in their leaves. Expenditures incurred in planting and developing stevia seedlings up to maturity are recognized directly in the profit or loss. Biological assets are stated at fair value less any accumulated impairment losses. Fair value is determined by net present value of future cash flows generated by the related assets. Any gain or loss on fair value adjustment is recognized in profit or loss. Upon disposal or retirement of biological assets, the difference between the disposal proceeds and the carrying value of such biological assets are recognized in profit or loss accordingly.

### **Revenue recognition**

Revenue from all product sales of the Company is recognized when products are shipped to customers and ownership is transferred to customers, when the price is fixed or determinable and when the ultimate collection is reasonably assured. Customer prepayments are recorded as advances from customers and revenue is not recognized until the shipment of goods occurs. Shipping and handling costs related to product sales are included in cost of sales.

### **Share-based payments**

The Company grants stock options and restricted shares to employees, directors, and consultants pursuant to the Stock Option and Restricted Share Plan. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility and expected life of the option. The Company estimates forfeitures at the grant date and revises the estimate as necessary if subsequent information indicates that actual forfeitures differ significantly from the original estimate. Changes in these assumptions can materially affect the fair value estimate.

### **Provisions**

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions may represent obligations associated with the retirement of reclamation of mineral property or other assets. Provisions are not recognized for future operating losses.

### **Comprehensive income**

Comprehensive income is comprised of net earnings for the period and other comprehensive income. Included in accumulated other comprehensive income are foreign exchange amounts resulting from the translation of certain subsidiaries' functional currency to the Company's presentation currency.

### **Earnings per share**

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the period.

Diluted net earnings per share is computed similar to basic net earnings per shares, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants at the beginning of the reporting period, if dilutive. The number of additional shares is calculated assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to repurchase common shares at the average market price during the reporting period. Stock options and warrants are dilutive when the market price of the common shares at the end of the period exceeds the exercise price of the options and warrants and when the Company generates net earnings.

### **Income taxes**

Deferred taxes result from differences between the financial statement and tax bases of our assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. The effects of future changes in income tax laws or rates are not anticipated.

The Company is subject to income taxes in Canada and in other foreign jurisdictions. The calculation of our tax provision involves the application of complex tax laws and requires significant judgment and estimates. The

deferred tax asset for each jurisdiction at each reporting date will be assessed for the possibility if the asset can be realized. The ultimate realization of deferred tax asset is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. All available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies will be considered. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company accounts for income taxes under the asset and liability method which includes the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this approach, deferred taxes are recorded for the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year.

### **Change in accounting policies**

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards with a date of initial application of January 1, 2014:

#### *IFRS 10, IFRS 12 and IAS 27*

(2011) Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities

#### *IFRS 13*

A framework for measuring fair value and new required disclosures of property, plant and equipment, inventory and biological assets.

#### *IAS 32 Amendments*

Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities

#### *IAS 39 Amendments*

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounts

#### *IAS 36, Impairment of assets*

IAS 36 was amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

## **New standards, amendments and interpretations not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are not yet effective as of December 31, 2014 and have not been applied in preparing these financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

### *IFRS 9, Financial instruments*

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The mandatory date of adoption for this standard has not been determined. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

### *IFRS 15, Revenue from contracts with customers*

The IASB has replaced IAS 18, Revenue in its entirety with IFRS 15 - Revenue from contracts with customers ("IFRS 15") which is intended to establish a new control-based revenue recognition model and change the basis for deciding whether revenue is to be recognized over time or at a point in time. IFRS 15 is effective for annual periods commencing on or after January 1, 2017. We are currently evaluating the impact the standard is expected to have on our consolidated financial statements.

### *Annual improvements 2012*

Annual improvements 2012 are amendments that include changes from the 2010-12 cycle of annual improvements project that affect seven standards: IFRS 2, "Share based payments"; IFRS 3, "Business combinations"; IFRS 8, "Operating segments"; IFRS 13, "Fair value measurement"; IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets"; Consequential amendments to IFRS 9, "Financial instruments", IAS 37, "Provisions, contingent liabilities and contingent assets"; and IAS 39, "Financial instruments – Recognition and measurement". The amendment is effective to the Company as of January 1, 2015. The Company will incorporate the amendments into the accounting policies for the year ended December 31, 2015.

### *Annual improvements 2013*

Annual improvements 2013 are amendments that include changes from the 2011-13 cycle of annual improvements project that affect four standards: IFRS 1, "First time adoption"; IFRS 3, "Business combinations"; IFRS 13, "Fair value measurement"; and IAS 40, "Investment property". The amendment is effective to the Company as of January 1, 2015. The Company will incorporate the amendments into the

accounting policies for the year ended December 31, 2015.

## Significant accounting estimates and judgements

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

### **Judgments**

#### *Recognition of deferred tax assets*

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

#### *Determination of Stevia Cash Generating Unit (CGU)*

The stevia operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain. The stevia operations include: an agricultural unit, primary processing plants, secondary processing plants, and corporate and sales and marketing offices in North America.

Centralized production planning takes place across the entire supply chain. It starts with the worldwide sales forecast of the stevia products for secondary processing plants, which then translates into production forecasts for secondary processing plants. The production forecasts for secondary processing plants then define how much products will be required from the primary processing plants.

The design of the integrated supply chain makes the cash flows for each component of the supply not sufficiently independent of all the components in order to break down the cash flows any lower than the stevia business level. Therefore, management has treated the four stevia processing plants, the agricultural unit as well as the North American offices as included in a single CGU ("Stevia CGU").

#### *Determination of Monk Fruit Unit (CGU)*

The Monk Fruit operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain. The Monk Fruit operations include: an agricultural unit, processing plants and corporate and sales and marketing offices in North America.

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

The management has treated the Monk Fruit processing plants, the agricultural unit as well as the North

American offices as included in a single CGU (Monk Fruit CGU).

#### *Impairment of long-lived assets*

The Company performs impairment testing annually for long-lived assets and, when circumstances indicate that there may be impairment, for these assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying Cash Generating Units (“CGUs”) for the purpose of impairment testing.

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

#### *Biological Assets*

Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the statement of net earnings in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market. Management uses estimates for some of the inputs into the determination of fair value. To the extent that actual values differ from estimates, biological assets, net loss and comprehensive income (loss) will be affected in future periods.

#### *Uncertainty estimation*

##### *Inventories*

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

##### *Contingencies*

The Company is subject to various claims and contingencies related to lawsuits, taxes, commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions such as the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

##### *Income Tax Estimates*



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

### *Market forecasts*

Assumptions in determining the recoverable amounts of the Stevia CGU and Monk Fruit CGU include market forecasts and the Company's market share. The Company's market forecast was derived by establishing the size of the sugar market in the core geographical markets, estimating the market for high intensity sweeteners ("HIS") in the same markets and thereafter assuming the percentage of the HIS market that stevia and Monk Fruit would be able to capture.

## **Corporate and Sales Developments**

### **Commencement of Monk Fruit Business**

GLG has been active in its plans to become a leading supplier of monk fruit (also known as Luo Han Guo) extract in 2014. In 2014, it undertook a series of significant steps towards that end. In July 2014, these efforts resulted in a milestone contract to supply monk fruit extract to a global leader in the food industry. Some of the significant achievements in GLG's development of its monk fruit capabilities, including the supply agreement, are described below.

On February 3, 2014, the Company announced that it had filed a patent with the State Intellectual Property Bureau of the People's Republic of China for its proprietary process for extraction and production of high-purity monk fruit extracts as well as monk fruit formulations used in food and beverage applications. The Company is seeking International Patent Protection under the Patent Cooperation Treaty for this patent. The patent filing has two components; the first addresses GLG's proprietary industrial scale purification processes for monk fruit and the second addresses monk fruit formulations. Both components leverage our patented and proprietary techniques developed for purification and formulation of high-purity stevia extract products. GLG expects that its proprietary monk fruit technology covered in this patent will result in higher yields of mogroside from the fruit and greater purity of extracts. The company is currently capable of producing monk fruit extracts up to 60% mogroside V purity and is working on 70 to 80% pure mogroside V extracts. These products are expected to be the highest available in the marketplace. Formulations in the patent cover a range of formulations, including stevia monk fruit blends.

On July 21, 2014, GLG announced that it had submitted a Generally Recognized as Safe notification with the FDA for its monk fruit extract products. The GRAS notification covers three distinct monk fruit extracts, MV30, MV50, and MV60, each containing a minimum level of mogroside V (30%, 50%, and 60%, respectively). On December 10, 2014, the Company announced that it had received from the FDA a Letter of No Objection regarding the Company's determination of GRAS status for its monk fruit extracts.

On July 23, 2014, GLG was pleased to announce that it had signed an agreement under which it is producing and supplying monk fruit extract products to one of the global leaders in the food industry. GLG expects revenues from this twelve-month agreement to be approximately \$12 million. While initially encompassing a

one-year term corresponding to the 2014 growing season, harvest, and subsequent production, GLG and the customer have the express option to extend the agreement over future years. This agreement not only hailed GLG's entry into the monk fruit production and supply space, it also immediately positioned GLG to be a leading producer of monk fruit products.

In the latter half of 2014, GLG finished establishing its fully integrated supply chain for monk fruit, including obtaining high-quality monk fruit seedlings, contracting with monk fruit growers and storage facilities, and developing its patent-pending processing technology for high-purity monk fruit extract and quality assurance/quality control processes. GLG also completed modifications to its Runhai stevia processing facility to produce the extracts. It also consummated and completed its purchasing of its inaugural monk fruit harvest, purchasing nearly 60 million pieces of monk fruit, while maintaining its commitment to its Fairness to Farmers program.

Production of monk fruit extract began in the fourth quarter of 2014, continuing into early 2015. GLG has trademarked its monk fruit products under the trade names MonkGold™ (Mogroside V purities 40% and higher) and MonkSweet™ (Mogroside V purities under 40%).

Producing monk fruit products is a natural extension of GLG's core stevia product line; these product lines are each naturally sourced sweetener ingredients and monk fruit is often used complementarily. GLG differentiates itself from other monk fruit producers in four ways: (1) its competitive advantage in establishing agriculture systems in China, including the introduction of Good Agriculture Practices (GAP) by its monk fruit farmers, superior monk fruit seedlings and its proven methods to expand the amount of farming in other crops such as stevia; (2) its commitment to its Fairness to Farmers program, whereby it aims to promote a healthy economy via fair, stable income for farmers in the monk fruit growing region; (3) its advanced processing and extraction technology, which will enable GLG to more efficiently and economically produce monk fruit extracts and (4) its large industrial processing capacity, which well positions GLG for anticipated growth in the monk fruit market driven by international food and beverage companies.

### **Corporate Rebranding**

On January 27, 2015, the Company unveiled its new corporate brand and logo, in addition to the launch of its new website ([www.glglifetech.com](http://www.glglifetech.com)). GLG's rebranding emphasizes the Company's Canadian heritage and reflects its new business strategy, which encompasses three complementary product lines. The new website presents a renewed focus on GLG's closed loop system that includes superior agriculture programs, production excellence, and our focus on sustainability and corporate social responsibility throughout the supply chain.

The vision for the new brand and logo came together in a symbolization of several essential aspects of our Company's strategy. The maple leaf, a beloved Canadian symbol, forms the centerpiece of our new logo symbolizing our roots as a public company in Canada. 2015 marks GLG's 10th anniversary as a publically traded company in Canada. The outer portion of the logo – a circular trio of crescents – symbolizes GLG's three core product lines; stevia extracts, long our flagship product; monk fruit, with GLG entering the market as the highest-capacity producer of this highly desired sweetener; and our Naturals+ line of ingredients that offers both functional ingredients complementary to the sweetener space as well as products tailored to meet particular market needs. The brand and logo well captures the essence of GLG as a proudly-Canadian innovator and leader in the world of natural zero calorie sweeteners.

The launch of GLG's new website elaborates on these themes, and more. Visitors will find even greater emphasis on our world-class agricultural programs, including the development of superior non-GMO varieties

of stevia and, soon, monk fruit, our technological prowess in the production and innovation arena and our commitment to sustainability and corporate social responsibility. Through the vision of its leaders, the excellence of its team members and the holistic nature of and demanding standards manifest throughout its supply chain, GLG leverages these assets to provide leading natural sweeteners and ingredient solutions to businesses globally.

### **Agricultural Achievements – Super RA Leaf Strain and High-Purity Reb C Strain (“Reb C Gold”)**

The last few months have been a resounding success for GLG’s esteemed non-GMO stevia agricultural program. Through our patented and proprietary breeding programs, we have developed two new strains of leaf that are expected to have a significant impact on our ability to offer lower cost products to the global stevia market.

On December 9, 2014, GLG announced the first of two major agricultural breakthroughs, one that could revolutionize the global food and beverage industry’s ability to utilize naturally-sourced Rebaudioside C (“Reb C”). Through GLG’s development of its “Reb C Gold” seedling using its non-GMO patented breeding methodology, the GLG agriculture team developed a new strain containing remarkably high levels of Reb C glycosides. Historically, conventional stevia leaf has had Reb C concentrations of around 1%. GLG’s Reb C Gold strain, however, contains Reb C concentrations verging on 7%. And lab tests show that Reb C comprises 53% of the glycosides in the Reb C Gold leaf, compared to values of 6% to 8% in other strains of stevia leaf – a remarkable 600% increase. What makes GLG’s Reb C Gold seedling even more special is its high Rebaudioside A (“Reb A”) content. Reb C (53%) and Reb A (41%) alone constitute very near 95% of the total steviol glycosides (“TSG”) in the leaf. Reb C and Reb A are two of the best-tasting glycosides in the leaf. Moreover, the Reb C Gold strain has TSG levels nearing 13% of leaf content – on the high end for stevia leaf in the market today. Together, these attributes can greatly mitigate the cost and processing challenges previously associated with Reb C. Overall, this achievement is a major leap forward in the natural, non-GMO agronomic development of the historically scarcer steviol glycosides.

On December 15, 2014, GLG announced the second of this year’s major agricultural breakthroughs, having developed a new stevia seedling variety that is expected to decrease the cost of producing high-purity Reb A (or “RA”) stevia extracts by 50% to 60%. Dubbed the “Super RA” variety, this strain contains double the amount of TSG and nearly triple the amount of Reb A glycosides than contained in conventional stevia leaf on the market today. With such a huge increase in Reb A glycoside content, producing one ton of either intermediate or high-purity extract will require far less stevia leaf – the predominant cost factor – than is presently required. Other costs of production will also be reduced correspondingly. In sum, compared to the overall costs of producing Reb A extracts using today’s conventional stevia seedlings, GLG expects costs for the production of Reb A extracts to be cut by more than half.

Furthermore, both of these new strains derive from GLG’s Huinong line of stevia plants. This line, in addition to producing high-Reb A and high-TSG, carries traits of high leaf or biomass yield (typically 30%-40% bigger than conventional plants) and high disease resistance.

GLG has filed for patent protection for each of the two new strains. It expects to implement both the new Super RA and Reb C Gold seedlings in a limited capacity in 2015. GLG looks forward to full-scale commercial implementation of both beginning in 2016.

## **Product Accomplishments Under FDA’s GRAS Program**

Consistent with its role as a leader in the sweetener industry, GLG places great importance on adherence to the Generally Recognized as Safe (“GRAS”) program administered by the United States Food and Drug Administration (“FDA”). Through this program, for each of its core sweetener products, GLG undertakes expert studies and in-depth consultation through GRAS Associates, LLC, which convenes independent panels of scientists to spearhead safety assessments for each product to determine that the product is GRAS. The output of each study is then submitted to the FDA GRAS program, whereupon the submission is reviewed by the FDA. If the FDA finds no issues with the submission, it issues a Letter of No Objection, reflecting the FDA’s view that it has no issue with the Company’s determination that its product is GRAS.

The past year has been a highly productive one for our GRAS submissions. Since the beginning of 2014, we have received the following Letters of No Objection from the FDA:

- On June 3, 2014, the Company announced that it had received a Letter of No Objection regarding its Rebsweet™ and AnySweetPlus™ stevia extract products. These extracts each contain over 95% steviol glycosides (predominantly Rebaudioside A and stevioside), with Rebaudioside A content ranging from 50% to 85%.
- On October 27, 2014, the Company announced that it had received a Letter of No Objection regarding its high-purity Rebaudioside M stevia extract products.
- On December 10, 2014, the Company announced that it had received a Letter of No Objection regarding its high-purity Monk fruit extract products. This was a significant accomplishment for the Company’s 2014 entry into the Monk fruit market.
- On February 17, 2015, the Company announced that it had received a Letter of No Objection regarding its high-purity Rebaudioside C extract products. GLG is the first company to have Rebaudioside C products deemed GRAS in compliance with the FDA’s GRAS program.
- Additionally, the Company awaits notification from the FDA regarding its October 2, 2014, submission to the FDA for its high-purity Rebaudioside D extract products, wherein it notified the FDA of its determination that the products were GRAS.

GLG has the largest number of stevia extract products certified under the GRAS process, as well as GRAS status for its Monk fruit extract products. Pursuing and obtaining GRAS designations furthers GLG’s commitment to maintaining the highest quality standards for its products, and to ensure that each of its naturally-sourced sweetener products conforms to the GRAS compliance standards.

## **Launch of organipure™**

On March 7, 2014, the Company announced that it was launching its new line of stevia sweeteners—“organipure™”. The organipure™ line includes purity levels that pair the clean finish and rounded sweetness that GLG stevia extracts are known for with organic certifications that are recognized both in North America and Europe. GLG offers the largest portfolio of stevia extract-based sweetener solutions globally, providing a number of options within the organic line, allowing for the use of organipure™ stevia extract in both high-end and cost-constrained formulations aiming to provide consumers with an organic certified premium finished product. organipure™ was a natural step in the evolution of GLG’s stevia offerings after extensive consultation with its customers and distribution partners. organipure™ represents a premium quality organic product with an exceptional taste profile.

### **Launch of BevSweet™ and BakeZeroCal™**

In February 2015, the Company announced two new products specifically formulated for two industry applications. BakeZeroCal™, for the baking industry, provides significant calorie reduction while also providing the bulking and browning attributes commonly desired by bakers and consumers alike. BevSweet™, for the beverage industry, allows food and beverage companies to reduce calories and naturally sweeten their products with decreased formulation time and with no solubility issues. Each product is a special blend providing an improved taste profile, including a well-rounded sucrose-like sweetness, and ease of use. BakeZeroCal and BevSweet will enable companies to formulate new products and reformulate existing products with less complexity and lower cost.

### **Appointment of Paul Block to GLG's Board of Directors**

On March 3, 2015, the Company announced the appointment of Mr. Paul R. Block to its Board of Directors. Mr. Block brings a wealth of experience in sales, marketing, and business development as a senior executive in the global food and beverage and sweetener industries. Mr. Block most recently served as Chief Executive Officer of Merisant Worldwide Company, Inc. and the Whole Earth Sweetener Co., LLC. While at Merisant, Mr. Block oversaw the company's well-recognized line of sweeteners, including the Equal® sweetener brand. Prior to joining Merisant, Mr. Block held C-level positions at Sara Lee Coffee and Tea Consumer Brands, Allied Domecq Spirits USA and Groupe Danone. Mr. Block has been a key figure in developing the global stevia tabletop market through his role as CEO at Merisant and the Whole Earth Sweetener Co., LLC., launching the successful Pure Via® line of tabletop zero calorie stevia sweeteners.

Mr. Block is an excellent strategist who will complement our current Board makeup and skill set. He has a proven track record of innovation and building shareholder value in the sweetener and food and beverage industries. Mr. Block's Board appointment is currently subject to final approval by the TSX.

### **Reconstitution of Audit Committee**

On March 23, 2015, the Company was pleased to appoint Brian Palmieri to the Audit Committee. Mr. Palmieri is currently Vice-Chairman of the Board of Directors. Mr. Palmieri previously served as the Company's CEO from 2005 until 2008, when he relinquished that role and was named as President and Vice-Chairman. In 2010, Mr. Palmieri relinquished his role as President and has continued to serve the Board in his capacity as Vice-Chairman. Mr. Palmieri is an independent director. Mr. Palmieri replaces David Hall, who joined the Board in 2010, and since that time had been serving on the Audit Committee as Chairman; Mr. Hall continues to serve as a Director on the Board. The Audit Committee now consists of the following three Directors: Madame Sophia Leung (Chairman of the Audit Committee), Madame Liu Yingchun (Member), and Brian Palmieri (Member).

### **Changes to Convertible Debt Agreement**

On September 12, 2014, the Company announced that it had finalized an agreement, then subject to regulatory approval by the TSX that would result in conversion of a \$4.3 million obligation into shares in the Company. The obligation originated with GLG's disposition of its interest in its prior ANOC joint venture. Pursuant to that disposition, on September 30, 2013, GLG issued a three-year convertible note to China Agricultural Healthy Foods Limited ("CAHFC") with a principal amount of CAD \$4,295,532.65 due September 30, 2016, or convertible into common shares of GLG at \$1.80 per share.

The amended agreement required that the principal amount be instead immediately converted into common

shares at \$1.00 per share, which, as of the September 11th closing price of the Company's stock, equated to a premium of 435%. The TSX granted approval of the agreement and the amended exercise price. On October 27, 2014, these additional shares issued, and CAHFC become an insider of GLG, holding approximately 11.4% of the issued and outstanding shares of the Company. At the same time, the debt obligation was eliminated.

With this accelerated conversion, GLG removed from its books this substantial \$4.2 million liability.

#### **Final Dismissal and Discontinuance of Shareholder Lawsuits**

On February 3, 2014, the Company announced that the class action lawsuit filed against GLG for alleged failures to disclose certain information was dismissed. The Company secured a dismissal with prejudice of a securities class action filed against it and two of its officers (CEO Dr. Luke Zhang and President and CFO Brian Meadows) in the United States District Court for the Southern District of New York (the "Court"). In granting the Company's motion to dismiss the class action, the Court held that the Company had previously disclosed "substantial information [to] the market that suggested precisely that which plaintiffs alleged defendants failed to disclose" under the United States securities laws. The Court further found that "plaintiffs have failed to allege that defendants had a plausible motive to defraud investors," and noted the fact that Dr. Zhang "purchased a significant number of shares during the putative class period." Significantly, the Court also ruled that the Company "persuasively argue[d]" that it had also "disclosed all that was required" under Canadian securities regulations. On March 13, 2014, the Company announced that the deadline to appeal the judgment entered in favor of the Company and its officers had passed, and that the dismissal of this class action was final.

In addition, on September 30, 2014, the Company announced that the parallel proposed class action law suits filed in the Supreme Court of British Columbia and in the Ontario Superior Court of Justice have been discontinued. This brings an end to all shareholder actions previously brought against GLG.

## 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 2013 and 2014.

In thousands Canadian \$, except per share amounts	3 Months Ended December 31		% Change	Year Ended December 31		% Change
	2014	2013		2014	2013	
<b>Revenue</b>	\$7,535	\$4,138	82%	\$19,982	\$16,022	25%
<b>Cost of Sales</b>	(\$7,323)	(\$2,276)	222%	(\$22,027)	(\$17,724)	24%
% of Revenue	(97%)	(55%)	(42%)	(110%)	(111%)	0%
<b>Gross Profit (Loss)</b>	\$14,858	\$6,413	132%	\$42,009	\$33,745	24%
% of Revenue	197%	155%	42%	210%	211%	(%)
<b>Expenses</b>	\$2,738	\$2,769	(1%)	\$9,283	\$8,349	11%
% of Revenue	36%	67%	(31%)	46%	52%	(6%)
<b>Loss from Operations</b>	\$12,121	\$3,645	233%	\$32,726	\$25,396	29%
% of Revenue	161%	88%	73%	164%	159%	5%
<b>Other Income (Expenses)</b>	(\$15,555)	(\$4,507)	245%	(\$21,290)	(\$19,708)	8%
% of Revenue	(206%)	(109%)	(97%)	(107%)	(123%)	16%
<b>Net (Loss) before Income Taxes</b>	(\$18,080)	(\$5,414)	234%	(\$32,619)	(\$29,760)	10%
% of Revenue	(240%)	(131%)	(109%)	(163%)	(186%)	23%
<b>Net (Loss)</b>	(\$17,994)	(\$3,431)	424%	(\$32,567)	(\$26,430)	23%
% of Revenue	(239%)	(83%)	(156%)	(163%)	(165%)	2%
<b>Net (Loss) from continuing operations</b>	(\$17,994)	(\$5,461)	229%	(\$32,567)	(\$29,808)	9%
% of Revenue	(239%)	(132%)	(107%)	(163%)	(186%)	23%
<b>Net gain from discontinued operations</b>	\$0	\$2,030	(100%)	\$0	\$3,378	(100%)
% of Revenue	0%	49%	(49%)	0%	21%	(21%)
<b>Loss per share (LPS, Basic &amp; Diluted)</b>	(\$0.53)	(\$0.10)	412%	(\$0.95)	(\$0.79)	20%
<b>Loss per share from continuing operations (LPS, Basic &amp; Diluted)</b>	(\$0.53)	(\$0.16)	221%	(\$0.95)	(\$0.89)	7%
<b>Loss per share from discontinued operations (LPS, Basic &amp; Diluted)</b>	\$0.00	\$0.06	(100%)	\$0.00	\$0.10	(100%)
<b>Other Comprehensive Income (Loss) from continuing operations</b>	\$865	\$2,020	(57%)	\$1,148	\$4,803	(76%)
% of Revenue	11%	49%	(37%)	6%	30%	(24%)
<b>Other Comprehensive Income (Loss) from discontinued operations</b>	\$0	\$83	(100%)	\$0	\$89	(100%)
% of Revenue	0%	2%	(2%)	0%	1%	(1%)
<b>Total Comprehensive Income (Loss)</b>	(\$17,130)	(\$1,328)	1190%	(\$31,419)	(\$21,538)	46%
% of Revenue	(227%)	(32%)	(195%)	(157%)	(134%)	(23%)

## Revenue

Revenue for the three months ended December 31, 2014, was \$7.5 million, an increase of 82% compared to \$4.1 million in revenue for the same period last year.

This 82% increase in revenue, comparing the fourth quarter in 2014 to the fourth quarter in 2013, was due to a 50% increase in sales of products in China relative to the same period in the prior year. We were able to use proceeds of these increased low purity stevia sales to purchase raw material (fruit) for our new product line of monk fruit in the fourth quarter. International sales also increased substantially in the fourth quarter of 2014, relative to the same period last year, increasing by 41%. This reflects the Company's continuing strategy focusing on increasing its sales of high purity stevia extracts to international customers.

Revenue for the year of 2014 was \$20.0 million, an increase of 25% compared to \$16.0 million in revenue for the last year. This 25% increase in sales, comparing 2014 to 2013, was driven primarily by an increase of products sold internationally compared to the prior year. The main revenue increase came from an increase in international sales, again reflecting the Company's continuing strategy focusing on increasing its sales of high purity stevia extracts to international customers. International sales were up approximately 75% for the 12 month period ending December 31, 2014, compared to the same period in 2013. International sales have contributed 41.5% of 2014 annual revenues compared to only 29.6% for the same period in 2013.

The other major sales growth initiatives in 2014 include the introduction of the Company's second zero-calorie natural sweetener—Monk fruit or "Luo Han Guo"—and the sale of other natural ingredients complementary to stevia (our GLG Naturals+ line of products). GLG signed its first contract for the supply of monk fruit in July of 2014; however there was no associated revenue realized in fiscal 2014, as deliveries commenced in the first quarter of 2015. GLG also secured its first sale within the Naturals+ line of products during the second quarter of 2014, with delivery and payments beginning in the fourth quarter of 2014.

## Cost of Sales

For the quarter ended December 31, 2014, the cost of sales was \$7.3 million compared to \$2.3 million in cost of sales for the same period last year (\$5.0 million or 222% increase). Cost of sales as a percentage of revenues was 97% compared to 55% in the prior period, an increase of 42 percentage points. The cost of sales as a percentage of revenue was higher for the quarter ended December 31, 2014, compared to prior year due to the impact of a significant increase in stevia raw material costs during the quarter compared to the prior period.

Cost of sales for 2014 was \$22.0 million compared to \$17.7 million for 2013 or an increase of 4.3 million or 24%. Cost of sales as a percentage of revenues was 110% compared to 111% in 2013, a decrease of 1%. The cost of sales as a percentage of revenue was lower than last year due to the impact of lower idle capacity charges resulting from improved utilization of our facilities due to monk fruit production. Capacity charges charged to the cost of goods sold ordinarily would flow to inventory and is the largest factor on reported gross margin. Only two of GLG's manufacturing facilities were operating during the year of 2014, and capacity charges of \$1.9 million were charged to cost of sales (representing 9% of cost of sales) compared to \$2.5 million charged to cost of sales in 2013 (representing 14% of cost of sales).

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

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



- exchange rate changes; and
- depreciation and capacity utilization of the stevia extract processing plants.

GLG's stevia business is 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. GLG's operations in China are also impacted by Chinese New Year celebrations, which occur approximately late-January to mid-February each year, and during which many businesses close down operations for approximately two weeks. GLG's production year runs October 1 through September 30 each year.

## Gross Profit (Loss)

Gross profit for the three months ended December 31, 2014, was \$0.2 million, a decrease of \$1.7 million compared to \$1.9 million in gross profit for the comparable period in 2013. The gross profit margin for the three-month period ended December 31, 2014, was 3% compared to 45% for the three months ended December 31, 2013, or a reduction of 42 percentage points from the previous year. The gross margin for the three-month period ended December 31, 2014, was impacted by the product mix of a high volume of low purity stevia extracts for the quarter that had lower gross margin relative to the margins of higher purity stevia extracts. Low purity stevia extract sales increased 99% in the fourth quarter of 2014 compared to the prior period in 2013 and accounted for the majority of the fourth quarter sales for the quarter ended December 31, 2014.

Gross loss for 2014 was \$2.0 million, an increase of 16% over \$1.7 million in gross loss for the comparable period in 2013. The gross profit margin for the year ended December 31, 2014, was negative 10% compared to negative 11% for the year ended December 31, 2013, or an improvement of 1 percentage points from the previous year. The improvement to gross loss for the year of 2014, was driven by (1) reduced idle capacity charges realized due to the new monk fruit production which commenced in fourth quarter 2014 and (2) the positive change in product mix sold during the year ended December 31, 2014, compared to the prior period with the increased sales to international customers with higher gross profit realized in 2014.

## Selling, General, and Administration Expenses

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

In thousands Canadian \$	3 Months Ended December 31		% Change	Year Ended December 31		% Change
	2014	2013		2014	2013	
G&A Exp	\$1,705	\$1,491	14%	\$6,651	\$5,783	15%
Stock Based Compensation Exp	\$335	\$1,068	(69%)	\$1,607	\$1,845	(13%)
Amortization Exp	\$697	\$209	233%	\$1,025	\$721	42%
<b>Total</b>	<b>\$2,738</b>	<b>\$2,769</b>	<b>(1%)</b>	<b>\$9,283</b>	<b>\$8,349</b>	<b>11%</b>

G&A expenses for the three months ended December 31, 2014, was \$1.7 million compared to \$1.5 million in the same period in 2013. The increase was due to an increase in research and development expenses related to monk fruit production of \$0.2 million.

G&A for the year ended December 31, 2014, was \$6.7 million compared to \$5.8 million in the same period in

2013 or an increase of 15% or \$0.9 million. G&A increases were seen in salaries and wages (\$0.4 million) driven by the start-up of the monk fruit business, business taxes (\$0.2 million), research and development (\$0.3 million) driven by the Company's increased US FDA filings under the GRAS process, rent (\$0.1 million), professional fees (\$0.4 million) and other increases (\$0.3 million); offsetting these increases was a \$0.8 million decrease in consulting fees.

Stock-based compensation was \$0.3 million for the three months ended December 31, 2014, compared with \$1.1 million in the same quarter of 2013. The number of common shares available for issue under the stock compensation plan is 10% of the issued and outstanding common shares. During the quarter, compensation from vesting stock-based compensation awards was recognized, due to previously granted options and restricted shares. Stock-based compensation was \$1.6 million for 2014, compared with \$1.8 million in 2013.

G&A related depreciation and amortization expenses for the three months ended December 31, 2014, were \$0.7 million compared with \$0.2 million for the prior year. G&A related depreciation and amortization expenses for the year ended December 31, 2014, were \$1.0 million compared with \$0.7 million for the prior year.

## Other Expenses

In thousands Canadian \$	3 Months Ended December 31		% Change	Year Ended December 31		% Change
	2014	2013		2014	2013	
<b>Other Income (Expenses)</b>	(\$15,555)	(\$4,507)	245%	(\$21,290)	(\$19,708)	8%
<b>% of Revenue</b>	(206%)	(109%)	(97%)	(107%)	(123%)	16%

In thousands Canadian \$	3 Months Ended		% Change	Year Ended December 31		% Change
	2014	2013		2014	2013	
<b>Fixed Assets Impairment</b>	5,969	-	0%	5,969	-	0%
<b>Inventory Impairment</b>	1,650	465	255%	1,650	8,149	(80%)
<b>Sales Tax Recoverable Impairment</b>	5,212	-	0%	5,212	-	0%
<b>Prepaid Expenses Impairment</b>	591	-	0%	945	-	0%
<b>Assets Impairment charges</b>	\$13,422	\$465		\$13,776	\$8,149	

Other expenses for the three months ended December 31, 2014 was \$15.6 million, an \$11.1 million increase compared to \$4.5 million for the same period in 2013. The increase in other expenses for the fourth quarter of 2014 of \$11.1 million is attributable to (1) a decrease in accounts receivable impairment of \$2.5 million and (2) a gain on the conversion of the convertible note of \$2.0 million, which were offset by (3) an increase in inventory impairment due to obsolescence of \$2.1 million, (4) a foreign exchange loss of \$0.8 million related to the change in the value of the Canadian dollar relative to the US dollar in 2014, (5) an impairment of PP&E of \$5.9 million (see related section in the MD&A), (6) an impairment of recoverable sales taxes in China of \$5.2 million, (7) an impairment of prepaid expenses of \$0.6 million and (8) an increase of \$1.0 million interest expenses and other items in the fourth quarter of 2014 compared to the prior period in 2013.

Other expenses for 2014 increased from \$19.7 million to \$21.3 million. The increase in other expenses for the year of 2014 of \$1.6 million is attributable to (1) a decrease in accounts receivable impairment of \$4.3 million, (2) a decrease in inventory impairment due to obsolescence of \$6.5 million and (3) a gain on the conversion of

the convertible note of \$2 million, which were offset by (4) a foreign exchange loss of \$1.7 million related to the change in the value of the Canadian dollar relative to the US dollar in 2014, (5) an impairment of PP&E of \$5.9 million, (6) an impairment of recoverable sales taxes in China of \$5.2 million, (7) an impairment of prepaid expenses of \$0.9 million and (8) an increase of \$0.7 million interest expenses and other items in 2014 compared to 2013.

## Foreign Exchange Gains (Losses)

Exchange rates	2014	2014	2014	2014	2013	2013	2013	2013
Noon rate (as compared to the Canadian \$)	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
U.S. Dollars	0.862	0.8922	0.9367	0.9047	1.0636	1.0285	1.0512	1.0156
Chinese RMB	5.3505	5.4765	5.8106	5.6243	5.6915	5.9524	5.8377	6.1200

  

Exchange rates	2014	2014	2014	2014	2013	2013	2013	2013
Noon rate (as compared to the US \$)	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
Chinese RMB	6.2071	6.138	6.2034	6.2165	6.0535	6.1220	6.1365	6.2157

GLG reports in Canadian dollars but earns revenues in US dollars and Chinese renminbi (“RMB”) and incurs most of its expenses in RMB. Impacts of the appreciation or depreciation of the RMB against the Canadian dollar are shown separately in Accumulated Other Comprehensive Income (“AOCI”) on the Balance Sheet. As at December 31, 2014, the exchange rate for RMB per Canadian dollar was 5.3505 compared to the exchange rate of 5.6915 as at December 31, 2013, reflecting an appreciation of the RMB against the Canadian dollar. As at December 31, 2014, the exchange rate for USD per Canadian dollar was 0.8620 compared to the exchange rate of 1.0636 as at December 31, 2013, reflecting an appreciation of the USD against the Canadian dollar. The balance of the AOCI was \$11.5 million on December 31, 2014, compared to a balance of \$10.4 million as at December 31, 2013.

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 losses were \$0.8 million for the fourth quarter of 2014 compared to the foreign exchange gain of \$0.3 million for the comparable period in 2013. Foreign exchange losses for the 12 months ended December 31, 2014, were \$1.3 million compared to the foreign exchange gains of \$0.6 million for the comparable period in 2013. The majority of the foreign exchange losses were due to the USD-denominated debt held by the Company. The table above shows the change in the Canadian dollar relative to the US dollar from December 31, 2013, to December 31, 2014, and the exchange rate movement for the Canadian dollar relative to the US dollar and RMB as shown above.

## Net Loss Attributable to the Company

In thousands Canadian \$	3 Months Ended December 31		% Change	Year Ended December 31		% Change
	2014	2013		2014	2013	
Net Loss	(\$17,994)	(\$3,431)	424%	(\$32,567)	(\$26,430)	23%
% of revenue	(239%)	(132%)	(107%)	(163%)	(186%)	23%

For the three months ended December 31, 2014, the Company had a net loss attributable to the Company of \$18.0 million, an increase of \$14.5 million or a 424% increase over the comparable period in 2013 (\$3.4 million

loss). The increase in net loss was driven by (1) an increase in other expenses of \$11.0 million, (2) a decrease in gross profit of \$1.6 million, (3) a decrease in gain from discontinued operations of \$2.0 million offset by an decrease in income tax expense of \$0.1 million.

For the year ended December 31, 2014, the Company had a net loss attributable to the Company of \$32.6 million, an increase of \$6.1 million over the comparable period in 2013 (\$26.4 million loss). The increase in net loss was driven by (1) an increase in other expenses of \$1.6 million, (2) an increase in gross loss of \$0.3 million, (3) an increase in general expenses of \$0.9 million and (4) a decrease in gain from discontinued operations of \$3.4 million which offset by a decrease in income tax expense of \$0.1 million.

## Comprehensive Loss

In thousands Canadian \$	3 Months Ended December 31		% Change	Year Ended December 31		% Change
	2014	2013		2014	2013	
<b>Net Loss</b>	(\$17,994)	(\$3,431)	424%	(\$32,567)	(\$26,430)	23%
<b>Other comprehensive income (loss)</b>	\$865	\$2,103	(59%)	\$1,148	\$4,892	(77%)
<b>Other Comprehensive Income (Loss) from continuing operations</b>	\$865	\$2,020	(57%)	\$1,148	\$4,803	(76%)
% of Revenue	11%	49%	(37%)	6%	30%	(24%)
<b>Other Comprehensive Income (Loss) from discontinued operations</b>	\$0	\$83	(100%)	\$0	\$89	(100%)
% of Revenue	0%	2%	(2%)	0%	1%	(1%)
<b>Total comprehensive income (Loss)</b>	(\$17,130)	(\$1,328)	1190%	(\$31,419)	(\$21,538)	46%

The Company recorded total comprehensive loss of \$17.1 million for the three months ended December 31, 2014, comprising \$18.0 million of net loss attributable to the Company and \$0.9 million of other comprehensive income. The Company recorded total comprehensive loss of \$1.3 million for the three months ended December 31, 2013, comprising \$3.4 million of net loss attributable to the Company and \$2.1 million of other comprehensive income.

The Company recorded a total comprehensive loss of \$31.4 million for the period ended December 31, 2014, comprising \$32.5 million of net loss attributable to the Company and \$1.1 million of other comprehensive income. The Company recorded a total comprehensive loss of \$21.5 million for the period ended December 31, 2013, comprising \$26.4 million of net loss attributable to the Company and \$4.9 million of other comprehensive income.

## 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	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1
Revenue	\$7,535	\$3,775	\$4,008	\$4,663	\$4,138	\$5,196	\$3,446	\$3,243
Gross Profit \$	\$14,858	(\$2,078)	\$374	(\$554)	\$1,862	(\$1,662)	(\$1,464)	(\$438)
Gross Profit %	197%	(55%)	9%	(12%)	45%	(32%)	(42%)	(14%)
Net Loss	(\$17,994)	(\$6,792)	(\$2,809)	(\$4,972)	(\$3,431)	(\$12,480)	(\$6,795)	(\$3,723)
Gain (loss) from continuing operations	(\$17,994)	(\$6,792)	(\$2,809)	(\$4,972)	(\$5,461)	(\$14,338)	(\$6,440)	(\$3,569)
Gain (loss) from discontinued operations	\$0	\$0	\$0	\$0	\$2,030	\$1,857	(\$355)	(\$154)
Basic Income (Loss) Per Share	(\$0.53)	(\$0.20)	(\$0.08)	(\$0.15)	(\$0.10)	(\$0.37)	(\$0.20)	(\$0.11)
Basic LPS from continuing operations	(\$0.53)	(\$0.20)	(\$0.08)	(\$0.15)	(\$0.16)	(\$0.43)	(\$0.19)	(\$0.10)
Basic LPS from discontinued operations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.06	\$0.06	(\$0.01)	(\$0.01)
Diluted Income (Loss) Per Share	(\$0.53)	(\$0.20)	(\$0.08)	(\$0.15)	(\$0.10)	(\$0.37)	(\$0.20)	(\$0.11)
Diluted LPS from continuing operations	(\$0.53)	(\$0.20)	(\$0.08)	(\$0.15)	(\$0.16)	(\$0.43)	(\$0.19)	(\$0.10)
Diluted LPS from discontinued operations	\$0.00	\$0.00	\$0.00	\$0.00	\$0.06	\$0.06	(\$0.01)	(\$0.01)

For the three months ended December 31, 2014, the Company had a net loss attributable to the Company of \$18.0 million, an increase of \$14.5 million or a 424% increase over the comparable period in 2013 (\$3.4 million loss). The increase in net loss was driven by (1) an increase in other expenses of \$11.0 million, (2) a decrease in gross profit of \$1.6 million, (3) a decrease in gain from discontinued operations of \$2.0 million offset by an decrease in income tax expense of \$0.1 million.

For the three months ended September 30, 2014, the Company had a net loss attributable to the Company of \$6.8 million, a decrease of \$5.7 million or a 45% improvement over the comparable period in 2013 (\$12.5 million loss). The decrease in net loss was driven by (1) a decrease in other expenses of \$8.4 million. These decreases in other expenses were offset by (2) a decrease in gross profit of \$0.4 million, (3) an increase in G&A expenses of \$0.4 million and (4) a decrease in gain from discontinued operations of \$1.9 million.

For the three months ended June 30, 2014, the Company had a net loss attributable to the Company of \$2.8 million, a decrease of \$4.0 million or a 56% improvement over the comparable period in 2013 (\$6.8 million loss). The decrease in net loss was driven by: (1) an increase in gross profit of \$1.8 million, (2) a decrease in other expenses of \$0.5 million, (3) a decrease in SG&A expenses of \$1.3 million and (4) a decrease in loss from discontinued operations of \$0.4 million.

For the three months ended March 31, 2014, the Company had a net loss attributable to the Company of \$5.0 million compared to a net loss of \$3.7 million for same period in 2013. The increase of \$1.3 million loss was driven by: (1) a decrease in gross profit of \$0.2 million, (2) an increase in G&A expenses of \$0.3 million and (3) an increase from other expenses of \$0.9 million. These items were offset by (4) a decrease in loss from discontinued operations of \$0.1 million.

For the three months ended December 31, 2013, the Company had a net loss attributable to the Company of \$3.4 million compared to a net loss of \$11.8 million for same period in 2012. The decrease of \$8.4 million loss was driven by: (1) an increase in gross profit of \$3.2 million, (2) a decrease in other expenses of \$3.9 million and (3) a gain from discontinued operations of \$4.3 million. These items were offset by (4) an increase in G&A expenses of \$3.0 million. The net loss from continuing operations was \$5.5 million and the net gain from discontinued operations was \$2.0 million.

For the three months ended September 30, 2013, the Company had a net loss attributable to the Company of \$14.3 million compared to a net loss attributable to the Company of \$12.1 million for the same period in 2012. The net change of \$2.2 million was driven by: (1) a decrease in gross loss of \$0.7 million and (2) a decrease in G&A expenses of \$0.3 million. These items were offset by (3) an increase in other expenses of \$3.2 million. The

net loss from continuing operations was \$14.3 million and the net gain from discontinued operations was \$1.9 million.

For the three months ended June 30, 2013, the Company had a net loss attributable to the Company of \$6.7 million, an increase of \$0.8 million over the comparable period in 2012 (\$5.9 million loss). The increase in net loss was driven by: (1) a decrease in gross profit of \$0.3 million, (2) an increase in other expenses of \$0.3 million, and (3) an increase in G&A expenses of \$0.2 million. The net loss from continuing operations was \$6.4 million and the net loss from discontinued operations was \$0.4 million.

For the three months ended March 31, 2013, the Company had a net loss attributable to the Company of \$3.7 million, a decrease of \$0.2 million over the comparable period in 2012 (\$3.9 million loss). The decrease in net loss was driven by: (1) a decrease in gross profit of \$0.4 million, (2) an increase in other income/expenses of \$0.4 million and (3) a decrease in loss attributable to non-controlling interests of \$0.1 million. These items were offset by (4) a decrease in G&A expenses of \$1.0 million. The net loss from continuing operations was \$3.6 million and the net loss from discontinued operations was \$0.2 million.

## Quarterly Basic and Diluted Loss per Share

The basic loss and diluted loss per share from operations was \$0.53 for the three months ended December 31, 2014, compared with a basic and diluted net loss from both continuing and discontinued operations of \$0.10 for the same period in 2013. For the three months ended December 31, 2014, the Company had a net loss attributable to the Company of \$18.0 million, an increase of \$14.5 million or a 424% increase over the comparable period in 2013 (\$3.4 million loss). The increase in net loss was driven by (1) an increase in other expenses of \$11.0 million, (2) a decrease in gross profit of \$1.6 million, (3) a decrease in gain from discontinued operations of \$2.0 million offset by an decrease in income tax expense of \$0.1 million.

The basic loss and diluted loss per share from operations was \$0.20 for the third quarter of 2014 compared with a basic and diluted net loss from both continuing and discontinued operations of \$0.37 for the same period in 2013. For the three months ended September 30, 2014, the Company had a net loss attributable to the Company of \$6.8 million, a decrease of \$5.7 million or a 45% improvement over the comparable period in 2013 (\$12.5 million loss). The decrease in net loss was driven by (1) a decrease in other expenses of \$8.4 million. This decrease in other expenses was offset by (2) a decrease in gross profit of \$0.4 million, (3) an increase in G&A expenses of \$0.4 million and (4) a decrease in gain from discontinued operations of \$1.9 million.

The basic loss and diluted loss per share from operations was \$0.09 for the second quarter of 2014 compared with a basic and diluted net loss from both continuing and discontinued operations of \$0.21 for the same period in 2013. For the three months ended June 30, 2014, the Company had a net loss attributable to the Company of \$2.8 million, a decrease of \$4.0 million or a 56% improvement over the comparable period in 2013 (\$6.8 million loss). The decrease in net loss was driven by: (1) an increase in gross profit of \$1.8 million, (2) a decrease in other expenses of \$0.5 million, (3) a decrease in SG&A expenses of \$1.3 million and (4) a decrease in loss from discontinued operations of \$0.4 million.

The basic loss and diluted loss per share from operations was \$0.15 for the first quarter of 2014 compared with a basic and diluted net loss from both continuing and discontinued operations of \$0.11 for the same period in 2013. For the three months ended March 31, 2014, the Company had a net loss attributable to the Company of \$5.0 million compared to a net loss of \$3.7 million for same period in 2013. The increase of \$1.3 million loss was driven by: (1) a decrease in gross profit of \$0.2 million, (2) an increase in G&A expenses of \$0.3 million and

(3) an increase from other expenses of \$0.9 million. These items were offset by (4) a decrease in loss from discontinued operations of \$0.1 million.

The basic loss and diluted loss per share from both continuing and discontinued operations was \$0.10 for the fourth quarter of 2013 compared with a basic and diluted net loss from both continuing and discontinued operations of \$0.36 for the same period in 2012. The basic and diluted loss per share from continuing operations was \$0.16 per share. The basic and diluted earnings per share from discontinued operations were \$0.06 per share. For the three months ended December 31, 2013, the Company had a net loss attributable to the Company of \$3.4 million compared to a net loss of \$11.8 million for same period in 2012. The decrease of \$8.4 million loss was driven by: (1) an increase in gross profit of \$3.2 million, (2) a decrease in other expenses of \$3.9 million and (3) a gain from discontinued operations of \$4.3 million. These items were offset by (4) an increase in G&A expenses of \$3.0 million.

The basic loss and diluted loss per share was \$0.43 for the third quarter of 2013 compared with a basic and diluted loss per share of \$0.37 for the same period in 2012. The basic and diluted loss per share from continuing operations was \$0.43 per share. For the three months ended September 30, 2013, the Company had a net loss attributable to the Company of \$14.3 million compared to a net loss attributable to the Company of \$12.1 million for same period in 2012. The net change of \$2.2 million was driven by: (1) a decrease in gross loss of \$0.7 million and (2) a decrease in G&A expenses of \$0.3 million. These items were offset by (3) an increase in other expenses of \$3.2 million.

The basic loss and diluted loss per share was \$0.20 for the second quarter of 2013 compared with a basic and diluted net loss of \$0.18 for the comparable period in 2012. The basic and diluted loss per share from continuing operations was \$0.19 per share. For the three months ended June 30, 2013, the Company had a net loss attributable to the Company of \$6.7 million, an increase of \$0.8 million over the comparable period in 2012 (\$5.9 million loss). The decrease in net loss was driven by: (1) a decrease in gross profit of \$0.3 million, an increase in other expenses of \$0.3 million, and (3) an increase in G&A expenses of \$0.2 million.

The basic loss and diluted loss per share was \$0.11 for the first quarter of 2013 compared with a basic and diluted net loss of \$0.12 for the comparable period in 2012. For the three months ended March 31, 2013, the Company had a net loss attributable to the Company of \$3.7 million, a decrease of \$0.2 million over the comparable period in 2012 (\$3.9 million loss). The decrease in net loss was driven by: (1) a decrease in gross profit of \$0.4 million, (2) an increase in other income/expenses of \$0.4 million and (3) a decrease in loss attributable to non-controlling interests of \$0.1 million. These items were offset by (4) a decrease in G&A expenses of \$1.0 million.

## NON-GAAP Financial Measures

### Gross Profit (Loss) before capacity charges

This non-GAAP financial measure shows the gross profit (loss) before the impact of idle capacity charges are reflected on the gross profit margin. GLG had only 50% of its production facilities in operation in 2014 and idle capacity charges have a material impact on the gross profit (loss) line in the financial statements.

Gross Profit (Loss) before capacity charges for the three months ended December 31, 2014, was \$0.4 million or 5% of fourth quarter revenue compared to \$2.7 million or 66% of fourth quarter revenues in 2013. Gross Profit (Loss) before capacity charges declined from the comparable period due to a higher mix of lower margin low purity stevia extract products sold during the quarter.

Gross Margin before capacity charges for the year ended December 31, 2014, was negative \$0.1 million or negative 1% of 2014 revenues, compared to \$0.8 million or 5% of in 2013. Gross Margin before capacity charges decreased from the comparable period due to higher sales of low end stevia products to the China market which carried higher production costs.

### Earnings before Interest Taxes and Depreciation ("EBITDA") and EBITDA Margin

#### Consolidated EBITDA

In thousands Canadian \$	3 Months Ended December 31		% Change	Year Ended December 31		% Change
	2014	2013		2014	2013	
Loss Before Income Taxes and Non-Controlling Interests	(\$18,080)	(\$5,414)	234%	(\$32,619)	(\$29,760)	10%
Add:						
Provisions for inventories impairment	\$1,650	(\$465)	(455%)	\$1,650	\$8,149	(80%)
Provisions for receivables	\$384	\$2,900	(87%)	\$95	\$4,431	(98%)
Provisions for PPE impairment	\$5,969	\$0	0%	\$5,969	\$0	0%
Provision for prepaids	\$591	\$0	0%	\$945	\$0	0%
Provision for sales taxes recoverable	\$5,212	\$0	0%	\$5,212	\$0	0%
Gain on convertible note conversion	(\$2,001)	\$0	0%	(\$2,001)	\$0	0%
Net Interest Expense	\$2,451	\$1,940	26%	\$7,876	\$7,181	10%
Depreciation and Amortization	\$2,272	\$1,653	37%	\$5,711	\$4,356	31%
Foreign Exchange Loss (Gain)	\$519	(\$272)	(291%)	\$1,101	(\$638)	(273%)
Non-Cash Share Compensation	\$335	\$1,068	(69%)	\$1,607	\$1,845	(13%)
<b>EBITDA</b>	<b>(\$699)</b>	<b>\$1,410</b>	<b>(150%)</b>	<b>(\$4,453)</b>	<b>(\$4,436)</b>	<b>0%</b>
<b>EBITDA as a % of revenue</b>	<b>(9%)</b>	<b>34%</b>	<b>(127%)</b>	<b>(22%)</b>	<b>(28%)</b>	<b>(20%)</b>

EBITDA for the three month ended December 31, 2014, was negative \$0.7 million or negative 9% of revenues, compared to \$1.4 million or 34% of revenues for the same period in 2013. EBITDA declined by 43 percentage points for the three-month period ended December 31, 2014, driven by the product mix of a high volume of low purity stevia extracts for the quarter that had lower gross margin relative to the margins of higher purity stevia extracts. Low purity stevia extract sales increased 99% in the fourth quarter of 2014 compared to the prior period in 2013 and accounted for the majority of the fourth quarter sales for the quarter ended December 31, 2014.

EBITDA for the year ended December 31, 2014, was negative \$4.5 million or negative 22% of revenues compared to negative \$4.4 million or negative 28% of revenues for 2013. EBITDA margin improved by 6 percentage points in 2014, which was driven by the positive change in product mix sold during the year ended



December 31, 2014, compared to the prior period with the increased sales to international customers with higher gross profit realized in 2014.

### *Liquidity and Capital Resources*

In thousands Canadian \$	31-Dec-14	31-Dec-13
Cash and Cash Equivalents	\$ 955	\$5,133
Working Capital	\$ (67,351)	(\$29,445)
Total Assets	\$ 71,903	\$87,796
Total Liabilities	\$ 113,676	\$101,164
Loan Payable (<1 year)	\$ 62,501	\$40,663
Loan Payable (>1 year)	\$ 25,063	\$38,935
Total Equity	\$ (41,773)	(\$13,367)

The Company continues to progress with the following measures to manage cash flow of the Company: paying down short-term loans, reducing accounts payable and negotiating with creditors for extended payment terms, working closely with the banks to restructure its loans, arranging financing with its Directors and other related parties, and reducing operating expenditures including general and administrative expenses and production-related expenses. Total loans payable (both short-term and long-term) is \$87.6 million as of December 31, 2014, an increase of \$7.9 million compared to the previous year (\$79.6 million). The increase in loans was primarily driven by working capital required to purchase Monk Fruit against a key customer contract (\$7.2 million in loans as of December 31, 2014). The largest impacts on the Company's increase in negative working capital for the year ended December 31, 2014, capital are (1) the change in classification of \$21.0 million long-term debt as of December 31, 2013, to short term debt as of December 31, 2014, and (2) the impairment charges realized on current assets of \$7.8 million in the year ended December 31, 2014.

The Company worked with its Chinese banks on restructuring its Chinese debt. By the end of 2014, the Chinese debt with the Agricultural Bank of China had been successfully transferred to China Huarong Asset Management Co., Ltd. ("Huarong"), which is a state-owned capital management company ("SOCMC"). Subsequent to year-end, the Construction Bank of China successfully transferred GLG's debt to China Cinda Asset Management Co., which is another SOCMC. These two agreements account for approximately 68% of the Company's outstanding debt with Chinese banks. The nature of the business of these SOCMCs differs from banks, in that they take a long-term outlook on management of debt. For example, instead of simply requiring loan principal and interest payments, the SOCMCs aim to manage debts with greater flexibility, such as long-term loan terms, debt for equity arrangements, flexible debt retirement, and other long-term instruments. This debt is held at the Chinese subsidiary level, and any such potential arrangements would therefore be done at that level rather than at the corporate level. These SOCMCs could also be a source of possible future capital. The Company is still in discussions with these SOCMCs as to final terms – including interest rate and term of the debt – for the transferred debt. Until such terms are confirmed in a formal agreement, the terms of the original loan are represented in the financial statements. The Company further expects to successfully restructure the remaining as yet non-transferred bank debt during 2015.

### **Cash Flows: Three months ended December 31, 2014 and 2013**

**Cash used in operating activities** was \$5.9 million in the three-month period ended December 31, 2014,

compared to \$0.2 million generated by operating activities in the same period of 2013. Cash generated by operating activities decreased by \$6.1 million year-over-year. This was the result of (1) cash used in operations prior to changes in non-cash working capital being \$1.9 million higher than the same period last year and (2) cash from discontinued operations in 2013 generated an additional \$2.1 million in cash compared to \$nil in the current period and (3) cash used by non-cash working capital being \$2.1 million higher in the current period compared to the same period in 2013. The \$2.1 million higher cash used by non-cash working capital in the three months ended December 31, 2014, compared to the comparative 2013 period, was due to changes in the decrease of accounts receivables \$1.1 million and the reduction of accounts payable of \$0.5 million and interest payable of \$2.1 million; these were offset by cash used in inventory of \$2.9 million, prepaid expenses of \$2.2 million and sales tax payable of \$0.5 million.

**Cash used by investing activities** was \$0.7 million during the fourth quarter of 2014 related to required plant modifications at one facility to process Monk fruit extract, compared to cash used by investing activities of \$0.01 million in the same period in 2013.

**Cash generated from financing activities** was \$4.4 million in the fourth quarter of 2014 compared to cash generated from financing of \$1.1 million in the same period in 2013. The \$3.3 million increase of cash from financing was primarily driven by an increase in financing from related party loans of \$2.4 million and an issuance of long term loans of \$1.1 million, which were offset by the net increase in repayments of short-term loans of \$0.2 million.

### **Cash Flows: Year ended December 31, 2014 and 2013**

**Cash used in operating activities** was \$5.2 million in the year December 31, 2014, compared to \$1.2 million generated by operating activities in the same period of 2013. Cash generated from operating activities decreased by \$6.4 million year-over-year. This was the result of (1) cash used in operations prior to changes in non-cash working capital being \$2.3 million higher than the same period last year and (2) cash from discontinued operations in 2013 generated an additional \$5.2 million in cash compared to \$nil in the current period, which was offset by (3) cash generated from non-cash working capital being \$1.1 million higher in the current period compared to the same period in 2013. The \$1.1 million higher cash generated from non-cash working capital in the three months ended December 31, 2014, compared to the comparative 2013 period, was due to a decrease in the reduction of accounts payable of \$10.0 million and interest payable of \$3.4 million, which were offset by a reduction in cash from accounts receivables of \$3.5 million, cash used in prepaid expenses of \$1.7 million, cash used in inventories of \$6.3 million and cash generated from sales tax recoverable of \$0.8 million.

**Cash used by investing activities** was \$2.0 million in 2014 related to required plant modifications at one facility to process monk fruit extract and reductions in capital expenditure related accounts payable (\$1.8 million), and the purchase of short-term investments (\$0.2 million), compared to cash used by investing activities of \$0.1 million in 2013.

**Cash generated from financing activities** was \$3.9 million in 2014, compared to cash generated from financing activities of \$2.2 million in 2013. The increase of cash received in financing of \$1.7 million was primarily driven by the net decrease in repayments of short-term loans of \$3.0 million and an issuance of long-term loans of \$1.1 million, which was offset by a decrease in financing from related party loans of \$2.4 million.

## Selected Annual Information

In thousands Canadian \$, except for EPS	Year Ended December 31		
	2014	2013	2012
Gross Revenue (note 1)	\$19,982	\$16,022	\$21,139
Net Income (Loss) from continuing operations	(\$32,567)	(\$29,808)	(\$29,965)
Net Income (Loss)	(\$32,567)	(\$26,430)	(\$34,820)
Total Assets	\$71,903	\$87,796	\$103,065
Non-current financial liabilities	\$25,144	\$38,893	\$8,683
Loss per share from continuing operations			
Basic and diluted	(\$0.95)	(\$0.89)	(\$0.91)
Loss per share from continuing operations and discontinued operations			
Basic and diluted	(\$0.95)	(\$0.79)	(\$1.03)

**NOTE 1: Restated numbers exclude revenue from discontinued operations.**

Sales of stevia extracts declined by 24% in 2013 from 2012 and rebounded by 25% in 2014 as the Company increased its sales in the international market and decreased its sales of stevia extracts to other stevia companies primarily located in China. Further the Company commenced its monk fruit operations in the fourth quarter of 2014 and produced its first products under a supply contract announced in July of 2014. The first shipment under this contract was made in the first quarter of 2015 and this new product line will add a new source of sales starting in 2015.

The Company has incurred significant losses for the past three years. In 2012 and 2013, the major drivers of the loss were related to write-downs on stevia inventories due to a supply surplus of stevia extracts in the international marketplace. The Company also had significant operating charges related to its idle facilities during these years. In 2014, the Company commenced operations for its Monk Fruit products. This improved factory utilization starting in the fourth quarter and the first products were manufactured in the fourth quarter of 2014. In 2014, the Company incurred significant impairments related to recoverable sales taxes and prepaid expenses in China (\$6.2 million) and Plant, Property and Equipment (\$6 million) related to its ion resin equipment; these were offset by reductions in inventory impairments from the prior year (\$6.5 million reduction). The market for stevia from the start of the fourth quarter of 2014 has significantly improved since the supply surplus for stevia had been depleted from the market. Market prices for stevia extracts have now increased for the first time in two years. These issues also resulted in a decline in total assets for the years 2012, 2013 and 2014 as inventories were drawn down, and further impairment charges were also taken on obsolete inventory, plant, property and equipment and sales taxes recoverable in China.

During the year ended December 31, 2012 and 2013, non-current financial liabilities increased from \$8.7 million in 2012 to \$25.4 million by year end 2014. During the year ended December 31, 2013 and 2014, non-current financial liabilities decreased as the Company reclassified \$21.0 million long-term bank loan to short-term loan. During these years the Company refinanced short-term bank debt and obtained longer term

funding from the Company's Chairman and CEO and other related parties.

## Financial Resources

Cash and cash equivalents decreased by \$4.0 million during the year ended December 31, 2014, from December 31, 2013. Working capital declined by \$37.9 million from the year-end 2013 position to negative \$67.3 million. The working capital decrease can be attributed to (1) a reclassification of \$21.0 million in long-term loans to short-term loans; (2) decreases in inventory, prepaid, and taxes recoverable (\$8.2 million), (3) an increase in interest payable (\$4.3 million); (4) a decrease in cash (\$4.0 million) and (5) an increase in short-term loans from related parties of \$1.0 million. These amounts were offset by (6) a \$0.6 million increase in accounts receivable.

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 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

In comparison to December 31, 2013, the total assets decreased by \$15.9 million as at December 31, 2014; this was split between a decrease in current assets of \$11.6 million (\$6.0 million in impairment charges taken in 2014) and a decrease in fixed assets of \$4.3 million (\$6.0 million in impairment charges taken in 2014).

The decrease in the current assets was driven by the following:

1. decrease in cash and cash equivalents of \$4.0 million
2. decrease in prepaid expenses of \$1.0 million
3. decrease in inventory of \$2.0 million
4. decrease in taxes recoverable of \$5.2 million
5. increase in accounts receivable of \$0.6 million

The net decrease in the fixed assets of \$4.3 million was due primarily to impairment charges (\$6.0 million) realized during the year ended December 31, 2014, which was offset by a combination of the appreciation of the RMB against the Canadian dollar and capital additions related to its monk fruit production line.

Current liabilities increased by \$26.3 million as at December 31, 2014, in comparison to December 31, 2013, and is driven by (1) a reclassification of long-term loans to short-term loans and additional short term loans (net increase \$21.0 million), (2) an increase in interest payable of \$3.7 million, (3), an increase in accounts payable of \$0.7 million and (4) an increase in loan and accrued interest from related parties of \$1.0 million.

The decrease in long-term liabilities of \$13.9 million is driven by (1) an increase in loans and accrued interest from related parties of \$7.1 million, and offset by (2) a reclassification of long-term loans to short-term loan (\$18 million reclassified to short-term loans) and (3) the vesting of the convertible notes (\$3.2 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, 2012, 2013 and 2014 (these impairments totaled approximately \$63 million as of December 31, 2014). The Company has renewed three-year loans with our Chairman and CEO to assist in the financing of the Company, and has raised new loans with both additional related parties and private lenders during the year (\$7.1 million as of December 31, 2014) for working capital purposes.

Shareholders' equity decreased by \$28.4 million due to an increase in deficit of \$32.6 million, which was offset by an increase in common stock of \$3.0 million from the vesting of convertible notes, restricted shares and stock options and an increase in accumulated other comprehensive income of \$1.1 million.

## Short-Term and Long-Term Loans

The Company's short-term loans consisted of borrowings from various banks in China as follows:

### Bank loans as at December 31, 2014:

	Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
\$	560,695	3,000,000	December 31, 2015	7.71%	China Hua Rong Assets Management Shandong Branch
	5,233,156	28,000,000	December 31, 2015	7.71%	China Hua Rong Assets Management Shandong Branch
	1,868,984	10,000,000	December 31, 2015	7.13%	China Hua Rong Assets Management Shandong Branch
	1,827,867	9,780,000	December 31, 2015	7.13%	China Hua Rong Assets Management Shandong Branch
	9,638,743	51,572,096	December 31, 2015	6.48%	China Hua Rong Assets Management Shandong Branch
	14,951,874	80,000,000	December 31, 2015	6.48%	China Hua Rong Assets Management Shandong Branch
	14,799,525	79,184,858	December 31, 2015	11.97%	Bank of Communication
	3,356,224	17,957,477	December 31, 2014	7.22%	Bank of China
	7,948	42,523	December 31, 2014	7.22%	Bank of China
	1,308,289	7,000,000	July 1, 2015	7.20%	Huishang Bank
	5,606,953	30,000,000	December 31, 2014	9.09%	Construction Bank of China
	2,334,179	12,489,025	December 31, 2014	9.09%	Construction Bank of China
\$	61,494,436	329,025,978			
Short-term	\$ 61,494,436	329,025,978			
Long-term	\$ -	-			

### Bank loans as at December 31, 2013:

	Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
\$	527,102	3,000,000	December 31, 2015	7.71%	Agricultural Bank of China
	4,919,617	28,000,000	December 31, 2015	7.71%	Agricultural Bank of China
	1,757,006	10,000,000	December 31, 2015	7.13%	Agricultural Bank of China
	1,718,352	9,780,000	December 31, 2015	7.13%	Agricultural Bank of China
	9,320,916	53,049,991	December 31, 2015	6.48%	Agricultural Bank of China
	14,056,048	80,000,000	December 31, 2015	6.48%	Agricultural Bank of China
	14,440,879	82,190,263	December 31, 2015	11.97%	Bank of Communication
	3,409,905	19,407,477	December 31, 2014	7.22%	Bank of China
	104,107	592,523	December 31, 2014	7.22%	Bank of China
	878,503	5,000,000	July 3, 2014	7.80%	Huishang Bank
	1,229,904	7,000,000	July 5, 2014	7.20%	Huishang Bank
	5,271,018	30,000,000	December 31, 2014	9.09%	Construction Bank of China
	2,194,329	12,489,025	December 31, 2014	9.09%	Construction Bank of China
\$	59,827,687	340,509,279			
Short-term	\$ 39,996,854	227,642,094			
Long-term	\$ 19,830,833	112,867,185			

During 2014, the company worked with its Chinese banks on restructuring its Chinese debt. By the end of 2014, the Chinese debt with the Agricultural Bank of China had been successfully transferred to China Huarong Asset Management Co., Ltd. ("Huarong"), which is a state-owned capital management company

(“SOCMC”). Subsequent to year-end, the Construction Bank of China successfully transferred GLG’s debt to China Cinda Asset Management Co., which is another SOCMC. These two agreements account for approximately 68% of the Company’s outstanding debt with Chinese banks.

The nature of the business of these SOCMCs differs from banks, in that they take a long-term outlook on management of debt. For example, instead of simply requiring loan principal and interest payments, the SOCMCs aim to manage debts with greater flexibility, such as long-term loan terms, debt for equity arrangements, flexible debt retirement, and other long-term instruments. This debt is held at the Chinese subsidiary level, and any such potential arrangements would therefore be done at that level rather than at the corporate level. These SOCMCs could also be a source of possible future capital.

The Company is still in discussions with these SOCMCs as to final terms – including interest rate and term of the debt – for the transferred debt. Until such terms are confirmed in a formal agreement, the terms of the original loan are represented in the financial statements. The Company further expects to successfully restructure the remaining as yet non-transferred bank debt during 2015.

The assets of the Company’s subsidiaries including inventory and property, plant and equipment have been pledged as collateral for these bank loans (see Note 8, 10).

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

As at December 31, 2013 (in CAD)	\$	666,241
Addition		1,344,724
As at December 31, 2014 (in CAD)	\$	2,010,965

During the year of 2014, the Company renewed the short-term loan from a private lender. The loan principal amount and accrued interest as of December 31, 2014, is \$892,467 and bears interest at 11.50% per annum. The loan will be payable in 36 months and does not have any attached covenants.

During the year of 2014, the Company received a new loan from a private lender. The loan principal amount as of December 31, 2014, is \$1,148,498 and bears interest at 20% per annum. The loan will be payable in 36 months and does not have any attached covenants.

## Financial and Other Instruments

### Categories of financial assets and liabilities

#### Fair value

As at December 31, 2014, and December 31, 2013, the recorded amounts for cash and cash equivalents are at fair value.

As at December 31, 2014, and December 31, 2013, accounts receivable, accounts payable and accrued liabilities, short-term loans, interest payable, advances from customers, long-term loans, convertible notes and amount due to related parties, less provision for impairment if applicable, approximate their fair values due to the short-term nature of these instruments.

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

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

The Company's primary credit risk is on its cash and cash equivalents and accounts receivable. The Company has a high concentration of credit risk as the accounts receivable were owed by four major customers that make up 56% of the total accounts receivable. The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts, which are estimated by the Company's management based on prior experience and an assessment of the current economic environment. Significant management estimates are used to determine the allowance for doubtful accounts. The allowance for doubtful accounts is calculated by taking into account factors such as the Company's historical collection and write-off experience, the number of days the counterparty is past due, ongoing discussion with the customers and the status of the account. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk associated with the Company's accounts receivable. Given the current economic environment, the Company monitors the credit quality of the financial institutions it deals with on an ongoing basis.

#### Credit risk

Allowance for credit losses		2014	2013
Opening balance	\$	2,949,445	456,997
Increase (decrease) in AFDA		103,690	2,492,448
Ending Balance	\$	3,053,135	2,949,445

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 18 in the Financial Statements. It also manages liquidity risk by continually monitoring actual and projected cash flows to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the undiscounted contractual maturities of the Company's financial liabilities at December 31, 2014 and 2013:



Financial liabilities	December 31, 2014		December 31, 2013	
	0 to 12 months	12 to 24 months	0 to 12 months	12 to 24 months
Accounts payable and accrued liabilities	\$ 17,590,842	-	\$ 16,862,903	-
Short-term loans	61,494,436	-	40,663,095	-
Long-term loans	-	-	-	19,830,833
Convertible notes	-	-	-	3,179,265
Interest payable	8,439,712	-	4,703,457	-
Due to related parties	1,006,575	-	15,924,428	-
	\$ 88,531,565	-	\$ 78,153,883	23,010,098

### Market risk

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

### Interest rate risk

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

The Company is exposed to interest rate risk on its cash and cash equivalents, short term loans and amounts due to related parties at December 31, 2014. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2014, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of approximately \$864,228 (December 31, 2013 - \$712,854) on net income (loss).

### Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates. The Company conducts its business primarily in U.S. 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 People's Republic of China State Administration of Foreign Exchange. Developments relating to the PRC's economy and actions taken by the PRC government could cause future foreign exchange rates to vary significantly from current or historical rates. The Company cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into Canadian dollars, of the Company's net assets and net profits.

The Company cannot give any assurance that any future movements in the exchange rates of RMB against the

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

	<b>December 31, 2014</b>		
	RMB balance	HK balance	US balance
Total assets	\$ 579,347,826	27	740,951
Total liabilities	(527,320,737)	-	(750,900)
<b>Net foreign exchange risk exposure</b>	<b>\$ 52,027,089</b>	<b>27</b>	<b>(9,949)</b>

	<b>December 31, 2013</b>		
	RMB balance	HK balance	US balance
Total assets	\$ 773,765,282	727	849,206
Total liabilities	(496,341,784)	-	(750,027)
<b>Net foreign exchange risk exposure</b>	<b>\$ 277,423,498</b>	<b>727</b>	<b>99,180</b>

As of December 31, 2014, assuming that all other variables remain constant, a change of 1% in the Canadian dollar against the RMB would have an effect on other comprehensive income of approximately \$85,577 (December 31, 2013 - \$488,491).

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

The following table provides information on the Company's net foreign exchange risk exposure from its US and Canadian operations with an impact on the net income (loss):

	December 31, 2014	December 31, 2013
	US\$	US\$
<b>Financial assets</b>		
Cash and cash equivalents	467,073	46,585
Accounts receivable	978,003	761,129
<b>Financial liabilities</b>		
Accounts payable and accruals	(28,780)	(6,923)
Interest payable	(27,282)	(84,075)
Short-term loan	-	(626,400)
Long-term loan	(1,733,452)	-
Due to related party	(19,871,102)	(13,881,538)
<b>Net foreign exchange risk exposure</b>	<b>(20,215,540)</b>	<b>(13,791,222)</b>

As of December 31, 2014, assuming that all other variables remain constant, an increase of 1% in the Canadian dollar against the US dollar would have an effect on net income of approximately \$234,519 (December 31, 2013 - \$146,484).

## Contractual Obligations

### Operating Leases

The Company renewed two five-year operating leases with respect to land and production equipment at the Qingdao factory in China. The leases expire in 2016 and 2018, and the annual minimum lease payments are approximately \$187,000 (RMB 1,000,000).

The Company entered into a thirty-year agreement with the Dongtai City Municipal Government, located in the Jiangsu Province of China, for approximately 50 acres of land for its seed base operation. Rent of approximately \$148,000 (RMB 790,000) is paid every 10 years.

The Company entered into a five-year agreement for office premises located in Vancouver, Canada, beginning June 1, 2011. The annual minimum lease payments are approximately \$147,000.

The minimum cash payments related to the above are summarized below:		Amount
2015	\$	335,293
2016		248,789
2017		-
2018		148,000
Thereafter		148,000
<b>Total</b>	<b>\$</b>	<b>880,082</b>

## Investment in Juancheng

In April 2008, the Company signed a twenty-year agreement with the government of Juancheng County in the Shandong Province of China, which gave the Company exclusive rights to build and operate a stevia processing factory as well as the exclusive right to purchase high-quality stevia leaf grown in that region. The agreement requires the Company to make a total investment in the Juancheng County of \$66,320,000 (US\$60,000,000) over the course of the twenty-year agreement to retain its exclusive rights. As of December 31, 2014, the Company has not made any investment in the county and there is no liability if the Company eventually does not make any investment in the region. However, the Company may lose its exclusivity right if no investment is made by the end of the term of the agreement.

## Capital Structure

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

<b>Common Shares Issued</b>	37,908,336
<b>Reserved For Issuance</b>	
Warrants	1,154,494
Stock Options	3,515,699
<b>Total Reserved For Issuance</b>	4,670,193
<b>Fully Diluted Shares</b>	42,578,529

## Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

## Transactions with Related Parties

### a) Transactions with key management personnel

Key management personnel are those persons who have the authority and responsibility for planning, directing, and controlling activities of the Company directly or indirectly, including any external director of the Company.

Remuneration of key management of the Company is comprised of the following expenses:

	2014	2013
Short-term employee benefits (including salaries, bonuses, fees and social security benefits)	\$ 899,850	\$ 733,647
Share-based benefits	\$ 1,510,531	\$ 1,555,687
<b>Total remuneration</b>	<b>\$ 2,410,381</b>	<b>\$ 2,289,334</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 ranging from 24 to 36 months of gross salary, totaling approximately \$1,700,000.

Key management did not exercise stock options granted under the Company's stock option plan in the 2014 and 2013 fiscal years.

**b) Amount due to related parties**

As of December 31, 2014, the Company has accrued \$1,429,074 (2013 - \$924,042) in accounting fees to the Company's Chairman and Chief Executive Officer.

As of December 31, 2014, the Company has \$109,114 (2013 - \$101,763) in salaries to various management personnel.

As of December 31, 2014, the Company has obtained loans from the Company's Chairman and Chief Executive Officer (the "Lender") that, along with accrued interest, total \$18,901,926. The loan proceeds were used for corporate working capital purposes. The loans specify that the loans are repayable within 72 months of the date of borrowing.

Additionally, during the year ended December 31, 2014, the Company obtained a loan of \$4,024,942 from a direct family member of the Company's Chairman and Chief Executive Officer, in order to provide working capital required for a major customer supply agreement for monk fruit extracts (previously announced on July 23, 2014). The loan is secured by expected proceeds from this major customer contract, bearing interest at 20% per annum and repayable within 36 months of the loan Date. This interest rate reflects prevailing market rates in China for loans carrying similar risk profiles in China. As of December 31, 2014, the total amount due to this related party including accrued interest was \$4,150,397.

The combined total of the above loans, including the accrued interest, is \$23,052,323. 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 the alternate currency.

These loans provide a repayment option to the lenders in either RMB or USD using a fixed foreign exchange rate of 6.1234. This option results in a liability of \$313,764, which is accounted as liabilities on derivatives and unrealized foreign exchange losses.

**Loan balance as of 12/31/2014**

	Loan amount in CAD	Date of the Loan		Security	Interest rate per annum	Related Parties
		Agreement	Maturity Date			
	\$ 8,076,235	April 27, 2012	April 27, 2018	Unsecured	Category 1	Chairman and CEO
	1,812,938	October 11, 2012	October 11, 2018	Unsecured	Category 1	Chairman and CEO
	3,324,117	May 30, 2013	May 30, 2018	Unsecured	Category 2	Chairman and CEO
	290,023	November 15, 2013	November 15, 2018	Unsecured	Category 1	Chairman and CEO
	4,024,942	October 20, 2014	October 20, 2017	Unsecured	Category 3	Direct family member of CEO
<b>Principal amounts</b>	<b>\$ 17,528,255</b>					
<b>Accrued interests</b>	<b>5,524,068</b>					
	<b>\$ 23,052,323</b>					

Loan balance as of 12/31/2013

	Loan amount in CAD	Date of the Loan		Security	Interest rate per annum	Related Parties
		Agreement	Maturity Date			
	\$ 7,578,890	April 27, 2012	April 27, 2015	Unsecured	Category 1	Chairman and CEO
	1,663,841	October 11, 2012	October 11, 2015	Unsecured	Category 1	Chairman and CEO
	3,169,358	May 30, 2013	May 30, 2015	Unsecured	Category 2	Chairman and CEO
	265,901	November 15, 2013	November 15, 2015	Unsecured	Category 1	Chairman and CEO
<b>Principal amounts</b>	<b>\$ 12,677,990</b>					
<b>Accrued interests</b>	<b>3,246,438</b>					
	<b>\$ 15,924,428</b>					

Category 1: China 10 year benchmark government bond rate plus 1100 basis points

Category 2: US 10 year benchmark government bond rate plus 1100 basis points for loans issued in USD or

China 10 year benchmark government bond rate plus 1100 basis points for loans issued in RMB

Category 3: 20%

On September 15, 2014, the Company obtained a loan of \$1,000,000 from a Director of the Company to provide working capital required for a major customer supply agreement for Monk Fruit extracts. The loan is secured by expected proceeds from this major customer contract, bearing interest at 15% per annum and repayable in full within twelve months of the Disbursement Date. This interest rate reflects prevailing market rates in Canada for loans carrying similar risk profiles in China. As of December 31, 2014, the total amount due to this related party including interest was \$1,006,575 and is classified under current liabilities.

Loan balance as of 12/31/2014

	Loan amount in CAD	Date of the Loan		Security	Interest rate per annum	Related Parties
		Agreement	Maturity Date			
<b>Principal amounts</b>	<b>\$ 1,000,000</b>	September 15, 2014	September 15, 2015	Unsecured	15.00%	Director
<b>Accrued interests</b>	<b>\$ 6,575</b>					
	<b>\$ 1,006,575</b>					

**c) Warrants**

In connection with the loans from the Company's Chairman and Chief Executive Officer (the "Lender"), 100 common share purchase warrants for every US\$1,000 equivalent borrowed were granted to the lender at the exercise price of \$1.00 per warrant for a period of 24 months following the offering closing date. As of December 31, 2014, the Company granted and issued an aggregate of 1,154,494 common share purchase warrants to the lender.

## Disclosure Controls and Internal Controls over Financial Reporting

The Company's disclosure controls and procedures are designed to provide reasonable assurance that relevant information relating to the Company, including its consolidated subsidiaries, is made known to senior management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. As of the end of the period covered by this report, the Company's management evaluated, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim filings ("NI 52-109"). The Company's Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2014, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports the Company files or submits to the Canadian Securities Administrators ("CSA") is recorded, processed, summarized and reported within the time periods specified therein and accumulated and reported to management to allow timely discussions regarding required disclosure.

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

Management assessed the effectiveness of the Company's internal control over financial reporting, as defined in NI 52-109, as of December 31, 2014. 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 ("COSO"). Based on this assessment, the Company's Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2014, 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)).