



GLG LIFE TECH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of GLG Life Tech Corporation (the “Company”) have been prepared by, and are the responsibility of, the Company’s management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management’s best estimates and judgment on information currently available.

Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company’s assets are safeguarded, transactions are authorized, and financial information is reliable. The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Company’s management and external auditors to discuss the results of the audit and to review the annual consolidated financial statements prior to the Audit Committee’s submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Davidson & Company LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

MANAGEMENT’S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company’s management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2017. In making this assessment, the Company’s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its *Internal Control-Integrated Framework*. Based upon its assessment, management concluded that, as of December 31, 2017, the Company’s internal control over financial reporting was effective.

Dr. Luke Zhang (Signed)
Chairman and Chief Executive Officer

April 2, 2018

Brian Meadows (Signed)
President and Chief Financial Officer

April 2, 2018

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
GLG Life Tech Corporation

We have audited the accompanying consolidated financial statements of GLG Life Tech Corporation, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of GLG Life Tech Corporation as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about GLG Life Tech Corporation's ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 2, 2018

GLG LIFE TECH CORPORATION

Consolidated Statements of Financial Position

As at December 31, 2017 and 2016

(Expressed in Canadian Dollars)

		December 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash		\$ 657,373	\$ 1,562,524
Accounts receivable	6	890,918	2,209,271
Sales taxes recoverable	7	682,506	662,240
Inventory	8	8,542,510	7,838,059
Prepaid expenses and other advances	9	416,023	788,369
Total Current Assets		11,189,330	13,060,463
Property, Plant, and Equipment	10	37,649,275	42,066,695
Total Assets		\$ 48,838,605	\$ 55,127,158
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current Liabilities			
Short-term loans	12	\$ 64,208,418	\$ 65,637,794
Accounts payable and accruals	13	17,373,835	19,521,154
Interest payable		27,145,356	21,354,102
Deferred revenue		-	302,827
Due to related parties	16	28,961,281	7,974,276
Liabilities on derivatives	12,16	159,047	-
Total Current Liabilities		137,847,937	114,790,153
Due to related parties	16	-	27,158,725
Liabilities on derivatives	12,16	-	606,002
Total Liabilities		137,847,937	142,554,880
EQUITY			
Shareholders' Deficiency			
Share capital	17	198,483,160	197,849,958
Contributed surplus		55,282,248	29,232,154
Accumulated other comprehensive income		9,194,064	13,183,038
Deficit		(344,526,362)	(327,692,872)
Total Shareholders' Deficiency Attributable to Shareholders of GLG		(81,566,890)	(87,427,722)
Non-controlling interest	14	(7,442,442)	-
		(89,009,332)	(87,427,722)
Total Liabilities and Shareholders' Deficiency		\$ 48,838,605	\$ 55,127,158

Going concern (Note 3)

Commitments (Note 24)

See Accompanying Notes to the Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

"Sophia Leung "

Director

"Brian Palmieri "

Director

GLG LIFE TECH CORPORATION

Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Year ended December 31	
	2017	2016
REVENUE	\$ 19,388,448	\$ 18,952,906
COST OF SALES (Note 19)	(18,483,258)	(19,342,379)
GROSS PROFIT	905,190	(389,473)
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 19)	(8,401,358)	(11,758,501)
OTHER INCOME (EXPENSES)		
Bad debt recovery	-	445,580
Foreign exchange gain	285,000	1,849,419
Extinguishment of accounts payable	-	214,684
Interest expense	(10,252,804)	(11,259,171)
Interest income	19,507	14,316
Inventory impairment obsolescence	(588,649)	(1,120,339)
Government tax rebate	2,057,885	-
Other income (expenses)	(766,842)	565,843
Prepaid expenses recovery	-	(90,381)
Property, plant and equipment impairment (Note 11)	(824,632)	(2,277,367)
	(10,070,535)	(11,657,416)
	-	-
LOSS FOR THE YEAR	(17,566,703)	(23,805,390)
LOSS ATTRIBUTABLE TO:		
Non-controlling interest	(733,213)	-
Shareholders of GLG	(16,833,490)	(23,805,390)
Loss for the year	\$ (17,566,703)	\$ (23,805,390)
Items that will be reclassified subsequently to profit or loss		
Foreign exchange translation adjustment	(357,398)	1,641,344
COMPREHENSIVE LOSS FOR THE YEAR	\$ (17,924,101)	\$ (22,164,046)
COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:		
Non-controlling interest	(750,748)	-
Shareholders of GLG	(17,173,353)	(22,164,046)
	\$ (17,924,101)	\$ (22,164,046)
NET LOSS PER SHARE		
Basic & Diluted (Note 20)	\$ (0.44)	\$ (0.63)
Weighted Average Number of Common Shares Outstanding		
Basic and diluted	37,920,336	37,890,336

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Changes in Shareholders' Deficiency

As at December 31, 2017 and 2016

(Expressed in Canadian Dollars)

	Number of Common Shares	Number of Restricted Shares	Common Shares Amount	Contributed Surplus	Accumulated Other Comprehensive Income ("AOCI")	Deficit	Total GLG Shareholders' Equity	Non-controlling Interest	Total Shareholders' Equity
Balance as at December 31, 2015	36,472,317	1,418,019	\$ 197,116,227	\$ 29,019,219	\$ 11,541,694	\$ (303,887,482)	\$ (66,210,343)	\$ -	\$ (66,210,343)
Balance, January 1, 2016	36,472,317	1,418,019	\$ 197,116,227	\$ 29,019,218	\$ 11,541,694	\$ (303,887,482)	\$ (66,210,343)	\$ -	\$ (66,210,343)
Vested restricted shares	447,170	(447,170)	-	-	-	-	-	-	-
Share-based compensation	-	-	733,731	212,936	-	-	946,667	-	946,667
Change in foreign currency translation	-	-	-	-	1,641,344	-	1,641,344	-	1,641,344
Loss for the year	-	-	-	-	-	(23,805,390)	(23,805,390)	-	(23,805,390)
Balance as at December 31, 2016	36,919,487	970,849	\$ 197,849,958	\$ 29,232,154	\$ 13,183,038	\$ (327,692,872)	\$ (87,427,722)	\$ -	\$ (87,427,722)
Balance, January 1, 2017	36,919,487	970,849	\$ 197,849,958	\$ 29,232,154	\$ 13,183,038	\$ (327,692,872)	\$ (87,427,722)	\$ -	\$ (87,427,722)
Vested restricted shares	100,000	(100,000)	-	-	-	-	-	-	-
Share-based compensation	-	-	621,802	26,139	-	-	647,941	-	647,941
Options exercised	30,000	-	11,400	-	-	-	11,400	-	11,400
Reduction in investment in Subsidiaries (Note 14)	-	-	-	26,023,955	(3,649,111)	-	22,374,844	(6,691,694)	15,683,150
Change in foreign currency translation	-	-	-	-	(339,863)	-	(339,863)	(17,535)	(357,398)
Loss for the year	-	-	-	-	-	(16,833,490)	(16,833,490)	(733,213)	(17,566,703)
Balance as at December 31, 2017	37,049,487	870,849	\$ 198,483,160	\$ 55,282,248	\$ 9,194,064	\$ (344,526,362)	\$ (81,566,890)	\$ (7,442,442)	\$ (89,009,332)

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

	2017	2016
Cash Flows From Operating Activities		
Net loss	\$ (17,566,703)	\$ (23,805,390)
Adjustments to reconcile net income to net cash provided by operating activities:		
Share-based compensation (Note 17)	647,941	946,667
Depreciation of property, plant and equipment (Note 10)	4,362,211	5,490,725
Government tax rebate	(2,057,885)	-
Bad debt recovery	-	(445,580)
Inventory impairment	588,649	1,120,339
Property, plant and equipment impairment (Note 11)	824,632	2,268,813
Loss on disposal of property, plant and equipment	-	8,555
Prepaid expenses	-	90,381
Extinguishment of accounts payable	-	(214,684)
Unrealized foreign exchange (gain) loss	137,334	(1,436,512)
Interest expenses - non current	249,741	3,276,222
Changes in non-cash working capital items (Note 18)	9,353,925	13,012,335
Net cash from (used in) operating activities	(3,460,155)	311,871
Cash Flows From Investing Activities		
Proceeds on disposal of property, plant and equipment	-	1,421
Purchase of property, plant and equipment	(340,200)	(595,200)
Net cash used in investing activities	(340,200)	(593,779)
Cash Flow From Financing Activities		
Repayment of short-term loans	(76,800)	(20,161)
Exercise of stock options	11,400	-
Advances from related parties	4,037,677	212,959
Debt restructure fees	(563,154)	-
Interest paid	(189,772)	(218,591)
Net cash from (used in) financing activities	3,219,351	(25,793)
Effect of exchange rate changes on cash	(324,147)	(456,540)
Net Change In Cash	(905,151)	(764,241)
Cash, beginning of year	1,562,524	2,326,765
Cash, end of year	\$ 657,373	\$ 1,562,524

See Accompanying Notes to the Consolidated Financial Statements
Supplemental Cash Flow Information (Note 18)

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

GLG Life Tech Corporation (the "Company") was incorporated under the *Business Corporation Act* (British Columbia), Canada. The registered office of the Company is located at Suite 100, 10271 Shellbridge Way, Richmond, British Columbia V6X 2W8. The Company's shares trade on the Toronto Stock Exchange ("TSX") under the symbol "GLG".

The Company is a vertically integrated producer of high-grade stevia and monk fruit extracts. The Company's business operates primarily through the manufacturing and sales of refined forms of stevia and monk fruit, and has operations in China and North America.

2. BASIS OF PRESENTATION

These 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") and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements have been prepared on a historical costs basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for information related to cash flows. These consolidated financial statements are presented in Canadian dollars, except where otherwise indicated.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2017. These consolidated financial statements were approved for issuance by the Board of Directors on March 26, 2018.

3. GOING CONCERN

These consolidated financial statements have been prepared in accordance with IFRS accounting policies, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the year ended December 31, 2017, the Company incurred a net loss of \$17,566,703 (2016 - \$23,805,390). As at December 31, 2017, the Company had an accumulated deficit of \$344,526,362 (2016 - \$327,692,872), working capital deficiency of \$126,658,607 (2016 - \$101,729,690) and cash outflow from operating activities of \$3,460,155 (2016 – cash inflow \$311,871).

These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company's operating assets and main manufacturing operations originate in China; the Company is therefore subject to the considerations and risks of operating in China. These include risks associated with the political and economic environment, foreign currency exchange and the legal system in China. Changes in the political and economic policies of the People's Republic of China ("PRC") government may materially and adversely affect the Company's business, financial condition and results of operations and may result in

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. GOING CONCERN, continued

the Company's inability to sustain growth and expansion. There is also no assurance that the Company will not be adversely affected by changes in other governmental policies or any unfavorable change in the political, economic or social conditions, laws or regulations, or the rate or method of taxation in China.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China are still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past three decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on the Company. The financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to the Company. In addition, the PRC government has in the past implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our services and consequently could have a material adverse effect on our business, financial condition and results of operations.

There are also uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. As noted above, most of the Company's manufacturing operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. The Company's PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. GOING CONCERN, continued

a timely basis or at all, and which may be given retroactive effect. As a result, the Company may not be aware of a violation of these policies and rules until after the occurrence of the violation.

Furthermore, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede the Company's ability to enforce the contracts we have entered into and could materially and adversely affect the Company's business, financial condition and results of operations.

Regarding risk associated with financial instruments generally, as of December 31, 2017 and 2016, substantially all bank loans were held by Chinese banks and state-owned capital management companies ("SOCMC"). The Company has provided its banks and SOCMCs guarantees and collateral agreements which could enable the banks and SOCMCs to exercise their rights against the Company's assets, because the Company has not made its principal or interest payments on time. Should the banks exercise their respective rights, it could have a significant impact on the Company's ownership of its assets, and ultimately, its operations. The Company has provided collateral and guarantor agreements in multiple provinces in China, of which each is subject to local provincial rules. There is additional risk that the Company may be assessed additional interest and penalties. To the best of the Company's knowledge, the banks have not taken any action on the Company's pledged assets to date.

The Company also relies heavily on related parties for funding and continued operations of the Company. Should the related parties not act in good faith, or decide to no longer fund the operations of the Company, there is a high risk that the operations of the Company could be significantly impacted adversely.

Finally, in the ordinary course of business, the Company is from time to time involved in legal proceedings and litigation. Presently, there are no legal proceedings and litigations that recently have had, or to the Company's knowledge, are reasonably possible to have, a material impact on the Company's financial positions, results of operations or cash flows. The Company did not accrue any loss contingencies in this respect as of December 31, 2017 and 2016, as the Company did not consider an unfavourable outcome in any material respects in these legal proceedings and litigations to be probable.

The above matters indicate the existence of a material uncertainty that may cause significant doubt about the Company's ability to continue as a going concern.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) 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.

b) 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 operate in a hyper-inflationary economic environment. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standard ("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 Canadian Dollars ("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 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. Gains and losses are recorded in the statement of operations.

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 (loss).

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

c) Basis of consolidation

These consolidated financial statements include the following subsidiaries:

Subsidiaries	Jurisdiction of Incorporation	Ownership Interest		Functional Currency
		2017	2016	
Agricultural High Tech Developments Limited	Marshall Islands	100%	100%	HKD
Anhui Runhai Biotechnology Joint Stock Co., Ltd.	China	67.08%	100%	RMB
Qingdao Runde Biotechnology Company Limited	China	100%	100%	RMB
GLG Life Tech US, Inc.	USA	100%	100%	USD

As of July 20th, 2016, four of the Company's 100% owned Chinese Wholly-Owned Foreign Enterprises ("WOFEs") were consolidated into a single entity (Anhui Runhai Biotechnology Joint Stock Co., Ltd. or "Runhai") under Chinese law and Runhai was approved to become a Joint Stock Company ("JSC") in fiscal 2017.

The three subsidiaries consolidated into Runhai are:

Anhui Bengbu HN Stevia High Tech Development Company Limited

Qingdao Runhao Stevia High Tech Company Limited

Dongtai Runyang Stevia High Tech Company Limited

On July 1, 2017, BC 0833416 (formerly GLG Weider Sweet Naturals Corporation) dissolved. The Company recorded \$662 in expenses related to this dissolution.

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. For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Adjustments to non-controlling interest are accounted for as transactions with owners and adjustments that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

All intercompany transactions and balances are eliminated on consolidation.

d) 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.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments, continued

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 accounts receivable. The Company classifies these financial assets as "loans and receivables". The carrying value of accounts receivable approximates their fair value due to their immediate or short term to maturity, or their ability for liquidation at comparable amounts.

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.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments, continued

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 designated its derivative liabilities as financial liabilities at FVTPL. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

The Company's long-term loans, 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 12 and note 16 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.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

e) Impairment

Financial assets

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;
- 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 not assessed for impairment individually, these 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.

f) 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 a 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.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

f) Non-financial assets with finite useful lives, continued

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 profit or loss for the period.

For assets that 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.

g) Cash

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

h) 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' aging 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.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

h) Accounts receivable and concentration of credit risks, continued

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.

i) 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.

j) 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 for use. 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.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

j) Property, plant and equipment, continued

Recognition and measurement, continued

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

Bearer Plants - 10 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.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k) Non-controlling interest

Non-controlling interest in the Company's less than wholly owned subsidiary is classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Company.

l) 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.

m) 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 long-lived assets. Provisions are not recognized for future operating losses.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

n) 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. The fair value of restricted share units is determined using the fair value on the grant date.

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.

o) Comprehensive income (loss)

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

p) Earnings per share

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

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

p) Earnings per share, continued

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.

q) 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 a 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.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements. The new and revised standards are as follows:

- IFRS 2 – Share Based Payments: The amendments eliminate the diversity in practice in the classification and measurement of particular share-based payment transactions which are narrow in scope and address specific areas of classification and measurement. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted provided it is disclosed. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.
- IFRS 9 – Financial Instruments: Applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect that the adoption of this standard will have a significant effect on the Company's disclosure requirements.
- IFRS 15 – Clarifications to IFRS 15 Revenue from Contracts with Customers: The amendments do not change the underlying principles of the standard, but simply clarify and offer some additional transition relief. The standard is effective for annual periods beginning on or after January 1, 2018. The Company does not expect that the adoption of this standard will have any significant effect on the Company's consolidated financial statements.
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration: addresses how to determine the 'date of the transaction' when applying IAS 21. It is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material effect on the Company's consolidated financial statements.
- IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets. The Company is evaluating the effect of this standard on the Company's consolidated financial statements.
- IFRIC 23 – Uncertainty Over Income Tax Treatments: clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company does not expect that the adoption of this standard will have a material

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) New standards, amendments and interpretations not yet effective, continued

effect on the Company's consolidated financial statements.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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.

a) Judgments

Going concern

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

Functional currency determination

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

Recognition of deferred tax assets

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

Determination of Stevia Cash Generating Unit

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

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

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

a) Judgments, continued

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 Cash Generating Unit

The Monk Fruit operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain. The Monk Fruit operations include certain processing plants in China.

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

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

Impairment of long-lived assets

The Company performs impairment testing annually for long-lived assets as well as 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. See Note 11 for further details.

b) Uncertainty estimation

Inventories

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

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

b) Uncertainty estimation, continued

Depreciation and amortization

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

Income tax estimates

The Company provides for income taxes based on currently available information in each of the jurisdictions in which 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.

Sales tax recoverable

The Company makes allowances for sales tax recoverable based on its expected future profits and its best estimate of the realization of the sales tax recoverable.

Allowance for doubtful accounts

The Company makes allowances for doubtful accounts based on its best estimate of the amount of probable credit losses in existing accounts receivable. These are determined based on historical write-off experiences and customer economic data.

Share-based compensation

Estimating fair value for granted stock options and restricted shares requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation expense for the year along with the assumptions and model used for estimating fair value for stock-based compensation transactions are disclosed in Note 17.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

6. ACCOUNTS RECEIVABLE

	December 31, 2017	December 31, 2016
Current		
Accounts receivable	\$ 4,493,925	\$ 5,815,571
Allowance for doubtful accounts	(3,603,007)	(3,606,300)
	\$ 890,918	\$ 2,209,271

	Total
Allowance for doubtful accounts ("AFDA")	
As at December 31, 2015	\$ 4,410,719
Decrease in AFDA	(804,419)
As at December 31, 2016	3,606,300
Foreign exchange	(3,293)
As at December 31, 2017	\$ 3,603,007

The aging analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			<90 days	91-180 days	>180 days
December 31, 2017	\$ 890,918	\$ 688,503	\$ 202,415	\$ -	\$ -
December 31, 2016	\$ 2,209,271	\$ 1,656,798	\$ 532,731	\$ 19,742	\$ -

As of December 31, 2017, trade receivable balances have no aging over twelve months. No accounts receivable has been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries.

7. SALES TAXES RECOVERABLE

The taxes include value-added taxes ("VAT") paid on purchases in China and Goods and Services Tax ("GST") paid in Canada. These taxes are recoverable from the respective authorities upon filing of the prescribed returns.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

8. INVENTORY

	December 31, 2017		December 31, 2016	
Raw material	\$	3,011,141	\$	1,703,736
Work in progress		2,626,662		2,021,721
Finished goods		2,904,707		4,112,602
	\$	8,542,510	\$	7,838,059

For the year ended December 31, 2017, the Company recorded an inventory impairment of \$588,649 (2016 - \$1,120,339). In 2017, raw materials, changes in work in progress and finished goods included in cost of sales amounted to \$13,710,666 (2016 - \$14,002,992).

The carrying amounts of inventory have been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries.

9. PREPAID EXPENSES

	December 31, 2017		December 31, 2016	
Prepayment for raw materials	\$	57,846	\$	472,097
Prepayment for utilities		32,025		94,262
Insurance		-		66,930
Rent and deposits		18,903		18,903
Others		307,249		136,177
	\$	416,023	\$	788,369

For the year ended December 31, 2017, the Company recorded a prepaid expenses provision of \$nil (2016 – \$90,381).

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT

	Ion exchange resin equipment	Manufacturing equipment	Buildings & construction in progress	Leasehold & land use rights	Computer equipment & software	Motor vehicles & furniture and fixture	Bearer plants	Total
Costs								
As at December 31, 2015	\$ 5,289,816	\$ 39,535,892	\$ 48,868,307	\$ 6,230,075	\$ 584,806	\$ 980,150	\$ 276,050	\$ 101,765,096
Additions	118,770	507,857	56,808	39,470	17,376	50,941	-	791,222
Impairment	(1,412,421)	(6,758,820)	-	-	(29,722)	(287,078)	-	(8,488,041)
Disposals	-	(1,782)	-	(79,901)	(35,494)	(32,445)	-	(149,622)
Foreign currency adjustments	(1,777,928)	(7,791,965)	(5,314,113)	(580,082)	(50,655)	(88,291)	-	(15,603,034)
As at December 31, 2016	\$ 2,218,237	\$ 25,491,182	\$ 43,611,002	\$ 5,609,562	\$ 486,311	\$ 623,277	\$ 276,050	\$ 78,315,621
Additions	-	90,747	-	-	1,660	-	-	92,407
Impairment	-	-	-	(953,666)	-	-	-	(953,666)
Foreign currency adjustments	(8,138)	(41,325)	(14,266)	(9,662)	(451)	(582)	(26,298)	(100,722)
As at December 31, 2017	\$ 2,210,099	\$ 25,540,604	\$ 43,596,736	\$ 4,646,234	\$ 487,520	\$ 622,695	\$ 249,752	\$ 77,353,640
Accumulated depreciation								
As at December 31, 2015	\$ 3,017,839	\$ 24,557,284	\$ 15,516,132	\$ 950,960	\$ 440,221	\$ 832,776	\$ 55,210	\$ 45,370,422
Amortization	317,736	2,289,838	1,560,358	117,402	29,147	14,445	70,832	4,399,758
Disposals	-	(1,603)	-	(72,522)	(31,945)	(22,408)	-	(128,478)
Impairment	(632,609)	(5,302,431)	-	-	(25,818)	(258,370)	-	(6,219,228)
Foreign currency adjustments	(1,149,150)	(4,054,572)	(1,772,174)	(83,231)	(39,228)	(75,193)	-	(7,173,548)
As at December 31, 2016	\$ 1,553,816	\$ 17,488,516	\$ 15,304,316	\$ 912,609	\$ 372,377	\$ 491,250	\$ 126,042	\$ 36,248,926
Amortization	230,352	1,649,947	1,558,435	112,630	22,704	21,071	49,750	3,644,889
Impairment	-	-	-	(159,525)	-	-	-	(159,525)
Foreign currency adjustments	(2,247)	(14,581)	(11,333)	(1,159)	(293)	(409)	97	(29,925)
As at December 31, 2017	\$ 1,781,921	\$ 19,123,882	\$ 16,851,418	\$ 864,555	\$ 394,788	\$ 511,912	\$ 175,889	\$ 39,704,365
Net book value								
As at December 31, 2016	664,421	8,002,666	28,306,686	4,696,953	113,934	132,027	150,008	42,066,695
As at December 31, 2017	428,178	6,416,722	26,745,318	3,781,679	92,732	110,783	73,863	37,649,275

The carrying amounts of Property, plant and equipment have been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries (Note 12).

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT, continued

Land use rights in China have remaining terms ranging from 41.25 to 41.5 years.

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

	2017	2016
Cost of sales	\$ 2,821,677	\$ 3,314,154
Selling, general and administrative expenses	1,540,534	2,176,571
	\$ 4,362,211	\$ 5,490,725

Amortization expense for the year ended December 31, 2017, consists of \$3,644,889 (2016 - \$4,399,758) relating to current year amortization on property, plant and equipment and \$717,322 (2016 - \$1,090,967) relating to amortization capitalized to inventory during the year ended December 31, 2016, and amortized into profit or loss during the year ended December 31, 2017.

11. IMPAIRMENT OF FINITE LIFE INTANGIBLE ASSETS AND TANGIBLE ASSETS

During the years ended December 31, 2017 and 2016, the Company determined there were several indicators of potential impairment of the carrying value of the Company's long-lived assets. The indicators of impairment were as follows:

- Recurring losses, negative working capital and an accumulated deficit as at December 31, 2017 \$344,526,362 (2016 - \$327,692,872).

As a result of the indicators above, impairment tests were carried out on the Company's cash generation units, whereby the Company's Stevia operations and the Company's Monk Fruit operations are both separate CGU's. The impairment test resulted in \$nil (2016 - \$2,277,367) of impairment expense recognized in net loss for the years ended December 31, 2017 and 2016. The impairment charges recorded in 2016 were items of plant and equipment that are not in use, redundant, or abandoned as they are not generating cash inflows. The carrying values of these idle assets were fully impaired to \$nil as at December 31, 2016. The impairment charge recorded in 2017 was related to the Anhui provincial government's rescindment of land use rights for a parcel of land adjacent to Runhai that Runhai has no plans to utilize.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

11. IMPAIRMENT OF FINITE LIFE INTANGIBLE ASSETS AND TANGIBLE ASSETS, continued

During the years ended December 31, 2017 and 2016, the recoverable amount of the Company's Stevia operations and Monk Fruit operations was determined on the basis of FVLCS because the FVLCS is considered to be the higher amount between VIU and FVLCS. The FVLCS is determined based on third-party valuation reports for each CGU, on each facility operating within a CGU and for each major asset class within each operating facility and on the other unobservable inputs. Management's estimates of the FVLCS of buildings, manufacturing equipment, ion exchange resin equipment, computer and software, and furniture and fixtures are classified as level 3 in the fair value hierarchy as not all significant inputs are based on observable market data (unobservable inputs). FVLCS of land use rights are classified as level 2 inputs.

The primary method of valuing land use rights is the comparable sales approach which considers the recent land use right sales transactions for similar terms in the same or similar markets. Building and construction in progress are valued using the replacement costs method less applicable disposal costs. The valuers considered the buildings' size and structures, time since acquisition and other specific opportunities associated with the properties. Replacement costs are calculated using the current material and labour prices and engineering costs to construct the same buildings. The fair value is discounted by the residual ratio based on consideration of construction type, renovation, and useful function, and maintenance of the buildings. The Company recorded an impairment of \$824,632 (2016 - \$nil) related to land use right due to the revoke of a portion of the Company's land use rights. The land use rights were revoked because the Company did not develop the land according to the original plan as approved by the government.

The primary method of appraisal for ion exchange resin equipment, manufacturing equipment, computer and software, and furniture and fixtures is the replacement cost method. Under the premise of continuous use, replacement cost is determined on the basis of the current market value of the assets as if they are to be re-acquired and commissioned. Through on-site inspection and a comprehensive technical analysis, a residual ratio is determined, which is used in calculating the estimated value.

FVLCS of the CGU's are calculated by deducting estimated disposal costs including selling costs from the appraised values.

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

12. SHORT-TERM LOANS

The Company's short-term loans consisted of borrowings from various banks in China of \$63,243,322 (2016 - \$63,386,713) and loans from private lenders of \$965,096 (2016 - \$2,251,081) as follows:

Bank loans as at December 31, 2017:

	Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
	\$ 578,400	3,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
	5,398,400.00	28,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
	1,928,000.00	10,000,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
	1,885,584.00	9,780,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
	9,943,022.90	51,571,696	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
	15,424,000.00	80,000,000	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
	15,266,831.04	79,184,808	On Demand	11.97%	Bank of Communication
	3,365,801.53	17,457,477	On Demand	8.83%	China Cinda Assets Management Anhui Branch
	8,198.47	42,523	On Demand	8.83%	China Cinda Assets Management Anhui Branch
	1,253,200.00	6,500,000	July 28, 2017	5.82%	Huishang Bank
	5,784,000.00	30,000,000	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
	2,407,883.93	12,489,025	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
Short-term	\$ 63,243,322	328,025,528			

Bank loans as at December 31, 2016:

	Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
	\$ 579,005	3,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
	5,404,049	28,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
	1,930,018	10,000,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
	1,887,557	9,780,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
	9,953,427	51,571,696	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
	15,440,141	80,000,000	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
	15,282,816	79,184,858	On Demand	11.97%	Bank of Communication
	3,369,324	17,457,477	On Demand	8.83%	China Cinda Assets Management Anhui Branch
	8,207	42,523	On Demand	8.83%	China Cinda Assets Management Anhui Branch
	1,331,712	6,900,000	July 26, 2017	5.82%	Huishang Bank
	5,790,053	30,000,000	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
	2,410,404	12,489,025	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
Short-term	\$ 63,386,713	328,425,578			

The Company has been working with its Chinese banks and SOCMC's on restructuring its debt during the year ended 2017.

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

12. SHORT-TERM LOANS, continued

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

Short-term borrowing from private lenders:

December 31, 2015	\$	2,407,268
Foreign currency translation		(156,188)
December 31, 2016	\$	2,251,080
Additions		-
Converted into non-controlling interest (note 14)		(1,248,660)
Foreign currency translation		(37,324)
December 31, 2017	\$	965,096

Short-term borrowing from private lenders consists of two loans.

The first loan principal amount as of December 31, 2017, is \$965,096 (2016 - \$1,032,904) and bears interest at 11.50% per annum, compounding quarterly. The loan is due on demand and does not have any attached covenants.

The second loan principal amount as of December 31, 2017, is \$ nil (2016 - \$1,218,176) and bears interest at 20% per annum, compounding quarterly. The loan is also due on demand and does not have any attached covenants. This loan provides a repayment option to the lender in either RMB or USD using a fixed foreign exchange rate of 6.1234 RMB/USD. This option results in a liability of \$6,509 (2016 - \$33,506), which is accounted as liabilities on derivatives and included in unrealized foreign exchange losses. The fair value of the liability on derivatives was calculated using the Black-Scholes model with the following assumptions:

	2017	2016
Risk free interest	1.22%	0.98%
Expected life of the loan	1 year	1 year
Expected foreign currency volatility	4.03%	3.14%

During the year ended December 31, 2017, the principal on the second loan was converted into equity interest in Runhai, one of the Company's subsidiaries in China (see Note 14).

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

13. ACCOUNTS PAYABLE AND ACCRUALS

	December 31,		December 31,	
	2017		2016	
Accounts payable	\$	4,242,580	\$	4,330,608
Payroll liabilities		448,914		547,213
Accrued liabilities		3,075,939		3,418,279
Construction liabilities		5,839,913		6,275,582
Other payables		3,741,016		4,922,400
Advance from customers		25,473		27,072
	\$	17,373,835	\$	19,521,154

14. NON-CONTROLLING INTEREST

During the year ended December 31, 2017, the Company disposed of 32.92% of its ownership in Runhai to its related parties in order to settle \$15,971,767 (RMB 80,584,090) in related party loans. Accordingly, the Company de-recognized the derivative liabilities related to this portion of the loans totaling \$274,538. The related party loans were converted to a 32.92% ownership share in Runhai. The reduction in the Company's ownership interest in Runhai did not result in a loss of control and was recorded as equity transactions. In connection with the recognition of non-controlling interest, the proportionate share of the cumulative amount of foreign exchange translation differences recognized in other comprehensive income totaling \$3,649,111 is re-attributed to the non-controlling interest in Runhai. In addition, the Company incurred transaction costs totaling \$563,154 and this amount was deducted from equity. The carrying amount of non-controlling interests was adjusted to reflect the change in the non-controlling interests' relative interests in the subsidiary and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to shareholders of the Company.

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

	December 31, 2017	
Beginning balance	\$	-
Ownership interest transferred to non-controlling interest		(6,691,694)
Non-controlling interest's share of loss		(733,213)
Non-controlling interest's share of other comprehensive loss		(17,535)
Ending balance	\$	(7,442,442)

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

14. NON-CONTROLLING INTEREST, continued

The following table presents the non-controlling interest as at December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Non-controlling interest percentage	32.92%	0%
ASSETS		
Current	\$ 4,537,424	\$ -
Non-current	35,539,370	-
	\$ 40,076,794	\$ -
LIABILITIES		
Current	\$ 61,368,163	\$ -
Non-current	-	-
	\$ 61,368,163	\$ -
Net liabilities	\$ (21,291,369)	\$ -
Non-controlling interest	\$ (7,442,442)	\$ -

The following table presents the loss and comprehensive income attributable to the non-controlling interest for the years ended December 31, 2017 and 2016:

	Year ended December 31, 2017	Year ended December 31, 2016
Loss for the year	\$ (733,213)	\$ -
Foreign exchange translation adjustment	(17,535)	-
Comprehensive income (loss) for the year	\$ (750,748)	\$ -

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

15. INCOME TAXES

a) Income tax expenses

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Earning (loss) for the year	\$ (17,566,703)	\$ (23,805,390)
Expected income tax (recovery)	(4,567,000)	\$ (6,189,000)
Change in statutory, foreign tax, foreign exchange rates and other	(993,000)	1,748,000
Permanent difference	842,000	4,553,000
Adjustment to prior years' provision versus statutory tax returns and expiry of non-capital losses	(4,396,000)	4,988,000
Change in unrecognized deductible temporary differences	9,114,000	(5,100,000)
Total income tax expense (recovery)	\$ -	\$ -

b) Deferred income taxes

In September 2017, the British Columbia (BC) Government proposed changes to the general corporate income tax rate to increase the rate from 11% to 12% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on October 26, 2017. The relevant deferred tax balances have been remeasured to reflect the increase in the Company's combined Federal and Provincial (BC) general corporate income tax rate from 26% to 27%.

In December 2017, the United States Government proposed changes to the Federal corporate income tax rate to reduce the rate from 34% to 21% effective January 1, 2018 and onwards. This change in tax rate was substantively enacted on December 22, 2017. The relevant deferred tax balances have been remeasured to reflect the decrease in the Company's Federal income tax rate from 34% to 21% applicable to the Company's US subsidiaries.

The significant components of the Company's temporary difference, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2017	Expiry Date Range	2016	Expiry Date Range
Temporary differences				
Property and equipment	\$ 34,230,000	No expiry date	\$ 1,765,000	No expiry date
Prepaid and other	23,868,000	No expiry date	1,584,000	No expiry date
Allowable capital losses	15,732,000	No expiry date	15,732,000	No expiry date
Non-capital losses available for future period	90,884,000	2018 to 2037	110,003,000	2017 to 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

15. INCOME TAXES, continued

c) Uncertain tax positions

The Company believes there are no significant unrecognized tax benefits to be recorded. In 2017, the Company has accrued \$nil (2016 - \$nil) interest and penalties related to income taxes in the Statement of Operations.

The Company is subject to taxes in different countries. Taxes and fiscal risks recognized in the consolidated financial statements reflect the Company's best estimates of the outcome based on the facts known at the date of statement of financial position in each individual entity. These facts may include, but are not limited to, changes in tax laws and/or interpretation thereof in the various jurisdictions where the Company operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the Statement of Operations in the period in which they are incurred.

16. RELATED PARTIES TRANSACTIONS AND BALANCES

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:

	2017	2016
Short-term employee benefits (including salaries, bonuses, fees and social security benefits)	\$ 1,005,151	\$ 973,466
Share-based benefits	\$ 634,879	\$ 915,571
Total remuneration	\$ 1,640,030	\$ 1,889,037

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 \$1,856,000.

Key management exercised 30,000 stock options granted under the Company's stock option plan during fiscal 2017 (2016 – nil).

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

16. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

b) Amount due to related parties

As of December 31, 2017, the Company has accrued \$2,376,883 (2016 - \$1,875,913), including 3% interest per annum compounding quarterly, in consulting fees to the Company's Chairman and Chief Executive Officer.

The Company obtained loans under numerous credit facility agreements from the Company's Chairman and Chief Executive Officer ("CEO"). As at December 31, 2017, the total amount owed to the CEO under these facilities, including principal and accumulated interest is \$5,586,969 (2016 - \$25,282,811). As at December 31, 2017, the entire balance owed is due within 12 months and is therefore classified as current on the statement of financial position.

The Company also obtained loans under numerous credit facility agreements from a direct family member of the CEO. As at December 31, 2017, the total amount owed under these facilities, including principal and accumulated interest is \$19,959,621 (2016 - \$6,974,276). As at December 31, 2017, the entire balance owed is due within 12 months and is therefore classified as current on the statement of financial position.

During the year ended December 31, 2017, accumulated interest of \$11,734,219 (2016 - \$nil) on several loans which had been originally made by the Company's CEO were transferred into the name of the direct family member of the CEO. In future years, any further interest accumulating on this unpaid balance will also be owed to the direct family member of the CEO. During fiscal 2017, there was also a debt settlement of which \$14,723,107 (2016 - \$Nil), related to loans made by the CEO and the direct family member, as outlined in Note 14.

The combined total of the above loans, including the accrued interest, is \$25,546,590 (2016 - \$32,257,088) in current liabilities. 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, depending on the terms of the specific credit facility. The terms of each individual loan are disclosed in the table below.

These loans provide a repayment option to the lenders in either RMB or USD using a fixed foreign exchange rate specified in each credit facility. This option results in a liability of \$152,538 (2016 - \$572,496), which is accounted as liabilities on derivatives and unrealized foreign exchange losses. The assumptions for the fair value determination of the liability are the same as those outlined in Note 12.

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

16. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

b) Amount due to related parties, continued

Loan balance as of December 31, 2017

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	\$ 627,313	April 27, 2012	April 27, 2018	Unsecured	Category 2	Chairman and CEO
	1,254,500	October 11, 2012	October 11, 2018	Unsecured	Category 2	Chairman and CEO
	627,250	May 30, 2013	May 30, 2018	Unsecured	Category 2	Chairman and CEO
	313,625	November 15, 2013	November 15, 2018	Unsecured	Category 2	Chairman and CEO
	865,605	October 20, 2014	On demand	Secured	Category 3	Direct family member of CEO
	181,903	May 23, 2017	On demand	Secured	Category 3	Direct family member of CEO
	3,855,775	August 28, 2017	April 30, 2018	Unsecured	Category 4	Direct family member of CEO
Principal amounts	\$ 7,725,971					
Accrued interest	17,820,619					
	\$ 25,546,590					

Category 1: China 10 year benchmark government bond rate plus 1100 basis points annual interest rate, compounding quarterly

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

China 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in RMB, compounding quarterly

Category 3: 20% annual interest rate, compounding quarterly

Category 4: 18% annual interest rate, compounding quarterly

Loan balance as of December 31, 2016

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Security	Interest rate per annum	Related Parties
	\$ 7,739,070	April 27, 2012	April 27, 2018	Unsecured	Category 1	Chairman and CEO
	1,333,013	October 11, 2012	October 11, 2018	Unsecured	Category 1	Chairman and CEO
	4,244,192	May 30, 2013	May 30, 2018	Unsecured	Category 2	Chairman and CEO
	335,661	November 15, 2013	November 15, 2018	Secured	Category 1	Chairman and CEO
	2,175,438	October 20, 2014	October 20, 2017	Secured	Category 3	Direct family member of CEO
	2,487,592	October 15, 2015	On demand	Unsecured	Category 3	Direct family member of CEO
Principal amounts	\$ 18,314,965					
Accrued interest	13,942,122					
	\$ 32,257,088					

Category 1: China 10 year benchmark government bond rate plus 1100 basis points annual interest rate, compounding quarterly

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

China 10 year benchmark government bond rate plus 1100 basis points annual interest rate for loans issued in RMB, compounding quarterly

Category 3: 20% annual interest rate, compounding quarterly

Category 4: 18% annual interest rate, compounding quarterly

As of September 15, 2017, the Company has renewed a loan of \$1,000,000 (2016 - \$1,000,000) from a Director of the Company originally borrowed to provide working capital required for Monk Fruit extracts. The loan is secured by expected proceeds from monk fruit sales, bearing interest at 15% per annum and repayable in full within twelve months of the Disbursement Date. As of December 31, 2016, the total amount due to this related party including interest was \$1,037,808 (2016 - \$1,000,000) and is classified under current liabilities.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

16. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

b) Amount due to related parties, continued

Loan balance as of December 31, 2017

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Interest rate per annum	Related Parties
Principal amounts	\$ 1,000,000	September 30, 2017	September 30, 2018	15.00%	Director
Accrued interest	\$ 37,808				
	<u>\$ 1,037,808</u>				

Loan balance as of December 31, 2016

	Loan amount in CAD	Date of the Loan Agreement	Maturity Date	Interest rate per annum	Related Parties
Principal amounts	\$ 1,000,000	September 15, 2016	September 30, 2017	15.00%	Director
Accrued interest	\$ -				
	<u>\$ 1,000,000</u>				

17. SHARE CAPITAL

a) Common shares

As at December 31, 2017, there are 37,920,336 common shares issued and outstanding with no par value. In 2017, share capital increased by \$11,400 as a result of the exercise of 30,000 stock options. An unlimited number of common shares are authorized with no par value. The holders of common shares are entitled to one vote per share.

b) Warrants

The Company had no warrants outstanding as at December 31, 2017 and 2016.

c) Share-based payments

i) Share-based compensation

Share-based compensation to employees is measured at fair value. Fair value is determined using the Company's common share price, and the Black-Scholes option pricing model ("Black-Scholes model").

The Company is subject to the policies of the TSX, under which it is authorized to grant options and restricted shares ("RS") to officers, directors, employees and consultants enabling them to purchase

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

17. SHARE CAPITAL, continued

c) Share-based payments, continued

i) Share-based compensation, continued

common stock of the Company. The Company has a stock option and restricted share plan (the "Plan") amended and effective from May 16, 2008. The Plan is administered by the Board of Directors, which determines individual eligibility under the plan.

ii) Stock options

Under the Plan, options granted are non-assignable and the number of common shares available for issue is a maximum of 10% of the issued and outstanding common shares of the Company, inclusive of any restricted shares granted under the Plan. The maximum term of an option is five years after the date of grant. The exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant options, and have a vesting period from 1 year to 3 years.

Under the Plan, restricted shares granted are non-assignable and the number of common shares available for issue is a maximum of 10% of the issued and outstanding common shares in the Company inclusive of any stock options granted under the Plan. Holders of restricted shares are entitled to voting rights and dividends. The maximum vesting periods for restricted shares are five years from the date of grant unless otherwise approved by the Board of Directors. Restricted shares are issued to certain employees and may have certain performance criteria, which are based on production and financial targets.

The Company recorded share-based payments in the amount of \$26,139 (2016 - \$212,936) which related to stock options granted in previous years.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

17. SHARE CAPITAL, continued

c) Share-based payments, continued

ii) Stock options, continued

A continuity of stock options is as follows:

	Stock Options	Weighted Average Exercise Price
Balance as at December 31, 2015	3,409,419	\$ 0.98
Granted	-	-
Exercised	-	-
Expired/cancelled/forfeited	(315,197)	4.33
Balance as at December 31, 2016	3,094,222	\$ 0.64
Granted	-	-
Exercised	(30,000)	0.38
Expired/cancelled/forfeited	(4,000)	0.40
Balance as at December 31, 2017	3,060,222	\$ 0.65

The following summarizes information about the stock options outstanding and exercisable at December 31, 2017:

Exercise price	Number outstanding at December 31, 2017	Number exercisable at December 31, 2017	Remaining contractual life (years)	Expiry Date
\$0.53	1,231,322	1,231,322	0.51	July 4, 2018
\$1.11	783,500	783,500	0.64	August 20, 2018
\$0.55	318,400	318,400	1.30	April 20, 2019
\$0.56	15,000	15,000	1.37	May 14, 2019
\$0.38	712,000	511,333	2.18	March 6, 2020
	3,060,222	2,859,555		

The weighted average exercise price of option for the year ended December 31, 2017, was \$0.65 per option (2016 - \$0.64).

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

17. SHARE CAPITAL, continued

c) Share-based payments, continued

iii) Restricted shares

The Company recorded share-based payments in the amount of \$621,802 (2016 - \$733,731), which related to restricted shares granted in previous years. Those were valued using the stock price at the date of issue, recognized over the vesting period of the restricted shares.

A continuity of Restricted Shares is as follows:

	Restricted Shares
Balance as at December 31, 2015	1,418,019
Granted	-
Exercised	-
Vested	(447,170)
Expired/cancelled/forfeited	-
Balance as at December 31, 2016	970,849
Granted	-
Exercised	-
Vested	(100,000)
Expired/cancelled/forfeited	-
Balance as at December 31, 2017	870,849

The vesting periods for restricted shares into unrestricted common shares as at December 31, 2017, are as follows:

Number of restricted share as at December 31, 2017	Vesting period (years)	Performance based
520,849	2.44	Yes
200,000	3.40	Yes
150,000	0.18	Yes
870,849	2.25	

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

18. SUPPLEMENTARY INFORMATION

Supplementary cash flow information is as follows:

	2017	2016
Accounts receivable	\$ 1,317,530	\$ 576,487
Taxes recoverable	(20,861)	458,479
Inventory	(2,015,026)	2,670,118
Prepaid expenses	371,577	(230,678)
Accounts payable and accruals	220,453	2,692,834
Interest payable	5,866,773	6,542,268
Deferred revenue	(302,827)	302,827
Due to related party (current)	3,916,306	-
Changes in non-cash working capital items	\$ 9,353,925	\$ 13,012,335
Interest paid	\$ 189,772	\$ 218,591

As at December 31, 2017, \$5,839,913 (2016 - \$6,133,698) of property, plant and equipment is included in accounts payable and accruals.

During the year ended December 31, 2017, \$17,321,189 (2016 - \$3,912,477) in amount due to related parties was re-classified from long-term to current liabilities.

The Company's significant financial transactions are as follow:

	January 1, 2017	New loans (Repayments)	Settlement of related party loan in exchange for interest in subsidiary (Note 14)	Interest expense	Foreign exchange movement	Reclassification from long term to current	December 31, 2017
Short term loans	\$ 65,637,794	\$ (76,800)	\$ (1,248,660)	\$ -	\$ (103,916)	\$ -	\$ 64,208,418
Due to related parties (current portion)	7,974,276	4,037,677	(3,826,150)	3,916,306	(462,017)	17,321,189	28,961,281
Due to related parties (long term portion)	27,158,725	-	(10,896,957)	249,741	809,680	(17,321,189)	-
Total	\$ 100,770,795	\$ 3,960,877	\$ (15,971,767)	\$ 4,166,047	\$ 243,747	\$ (0)	\$ 93,169,699

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

19. COST OF SALES AND EXPENSES

	2017	2016
Cost of sales		
Direct cost of sales	\$ 14,438,293	\$ 15,609,412
Depreciation and amortization	2,821,677	3,314,154
Freight & others	1,223,288	418,813
Total	\$ 18,483,258	\$ 19,342,379
Selling, general and administrative expenses		
Direct expenses	\$ 6,860,824	\$ 9,581,930
Depreciation and amortization	1,540,534	2,176,571
Total	\$ 8,401,358	\$ 11,758,501
Supplementary information:		
Salaries and wages	\$ 2,449,815	\$ 3,076,020

20. LOSS PER SHARE

The following table sets forth the calculation of the basic and diluted loss per share for the year ended December 31, 2017, and 2016 numbers.

	2017	2016
Numerator:		
Loss for the year	\$ (16,833,489)	\$ (23,805,390)
Denominator:		
Weighted average number of shares outstanding - basic	37,920,336	37,890,336
Weighted average number of shares outstanding - diluted	37,920,336	37,890,336
Loss per share - basic	\$ (0.44)	\$ (0.63)
Loss per share - diluted	\$ (0.44)	\$ (0.63)

The total number of anti-dilutive option excluded from the calculation for the year ended December 31, 2017, was 3,060,222 (2016 – 3,094,222).

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

21. SEGMENTED INFORMATION

The Company's business operates primarily through the Natural Sweeteners Products segment.

The Natural Sweeteners Products segment is the manufacturing and sales of a refined form of stevia and monk fruit, which has operations in China and North America.

The Company's chief operating decision makers are the CEO and CFO. They review the operations and performance of the Company.

Non-current assets by geographical locations are as follows:

	2017		2016	
China	\$	37,585,803	\$	41,985,871
North America		63,472		80,824
	\$	37,649,275	\$	42,066,695

Revenue to external customers by geographical locations is as follows:

	2017		2016	
China	\$	1,257,456	\$	1,889,612
North America		18,130,992		17,063,294
	\$	19,388,448	\$	18,952,906

During the year ended December 31, 2017, one customer (2016 – two customers) of the Natural Sweeteners CGU represented 69% (2016 – 50%) of total consolidated revenue.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

a) Credit risk

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

The Company's primary credit risk is on its cash and accounts receivable. The Company has a high concentration of credit risk as the accounts receivable were owed by one major customer that made up 77% 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.

Allowance for credit losses	2017		2016	
Opening balance	\$	3,606,300	\$	4,410,719
Increase (decrease) in AFDA		(3,293)		(804,419)
Ending Balance	\$	3,603,007	\$	3,606,300

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 23. 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, 2017 and 2016:

Financial liabilities	December 31, 2017		December 31, 2016	
	0 to 12 months	12 to 24 months	0 to 12 months	12 to 24 months
Accounts payable and accrued liabilities	\$ 17,373,835	-	\$ 19,521,154	-
Deferred revenue	-	-	302,827	-
Short-term loans	64,208,418	-	65,637,794	-
Long-term loans	-	-	-	-
Interest payable	27,145,356	-	21,354,102	-
Due to related parties	28,961,281	-	7,974,276	27,158,725
	\$ 137,688,890	\$ -	\$ 114,790,153	27,158,725

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk

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

i) Interest rate risk

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

The Company is exposed to interest rate risk on its short-term loans and amounts due to related parties at December 31, 2017. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2017, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of \$916,214 (December 31, 2016 - \$992,083) on profit or loss.

ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates. The Company conducts its business in U.S. dollars, Chinese renminbi ("RMB"), 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.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

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 (loss) is provided in the following table:

	December 31, 2017		
	RMB balance	HK balance	US balance
Total financial assets	¥ 1,592,044	HK\$ 52,281	\$ 294,083
Total financial liabilities	(525,916,986)	(54,023)	(759,389)
Net foreign exchange risk exposure	¥ (524,324,942)	HK\$ (1,742)	\$ (465,306)

	December 31, 2016		
	RMB balance	HK balance	US balance
Total financial assets	¥ 2,797,042	HK\$ 2,273	\$ 453,698
Total financial liabilities	(500,779,610)	-	(758,470)
Net foreign exchange risk exposure	¥ (497,982,568)	HK\$ 2,273	\$ (304,772)

As of December 31, 2017, assuming that all other variables remain constant, a change of 1% in the Canadian dollar against the RMB would have an effect on other comprehensive income (loss) of \$1,010,903 (2016 - \$930,000).

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

22. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

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

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

	December 31, 2017	December 31, 2016
	US\$	US\$
Financial assets		
Cash	\$ 350,157	\$ 779,168
Accounts receivable	899,546	1,775,593
Financial liabilities		
Accounts payable and accruals	\$ (358,276)	\$ (183,673)
Interest payable	(970,385)	(678,475)
Short-term loan	(769,307)	(1,676,604)
Long-term loan	-	-
Due to related party	(20,363,962)	(24,889,936)
Net foreign exchange risk exposure	\$ (21,212,227)	\$ (24,873,927)

As of December 31, 2017, 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 \$266,000 (2016 - \$308,000).

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2017 and 2016

(Expressed in Canadian Dollars)

23. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to provide returns for shareholders, and comply with any externally imposed capital requirements while safeguarding the Company's ability to continue as a going concern.

The Company defines capital as comprising all components of shareholders' equity.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, issue new debt, or sell assets to reduce debt. In this respect, the Company monitors its net debt to equity ratio. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

The Company's officers and senior management are responsible for managing the Company's capital and do so through regular meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged for the year ended December 31, 2017.

24. COMMITMENTS

a) Operating leases

The Company renewed two five year operating leases with respect to land and production equipment at the Qingdao Runde factory in China. The leases expired on December 31, 2016, and renewed for another five-year term. The annual minimum lease payments are approximately \$96,000 (RMB 500,000).

The Company signed a 20 year land rental agreement in Qingdao. The agreement was signed on February 16, 2005 and expires on February 16, 2025. The terms are as follows:

- In the first 5 years the rent expense is approximately \$1,920 (RMB 10,000) per year
- In the second 5 years the rent expense is approximately \$2,243 (RMB 11,680) per year
- In the third 5 years the rent expense is approximately \$2,620 (RMB 13,642) per year (the Company is currently at this rate)
- In the fourth 5 years the rent expense is \$3,060 (RMB 15,934) per year

With the same vendor the Company also signed another rental agreement from November 8, 2006, to November 7, 2036. The annual rental expense is approximately \$5,488 (RMB 28,576).

GLG LIFE TECH CORPORATION
Notes to the Consolidated Financial Statements
Years Ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

24. COMMITMENTS, continued

a) Operating leases, continued

The Company's current office premises are leased under an eight-year agreement beginning August 1, 2016, and will expire on July 31, 2024. The lease payments for the year ended December 31, 2017, totaled \$183,647 (2016 – \$151,609).

The minimum cash payments related to the above	Amount
2018	\$ 296,138
2019	328,148
2020	328,148
Thereafter	771,378
Total	\$ 1,723,812

25. STATUTORY SURPLUS RESERVE

The Company's subsidiaries in China are required to make appropriations to a statutory surplus reserve in the amount of 10% of the after-tax net income as determined under the Chinese GAAP in accordance with the legal requirements in China until the statutory surplus reserve is equal to 50% of the entities' registered capital. Statutory surplus reserve is established for the purpose of offsetting accumulated losses, expending productions or increasing share capital. No appropriation of statutory surplus reserve is made for the year ended December 31, 2017. As at December 31, 2017, the Company's statutory surplus reserve was in the amount of \$nil (2016 - \$nil).