

**GLG LIFE TECH CORPORATION**  
**(Formerly GLG Life Tech Limited)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited - Prepared by Management)**

**March 31, 2007**

## **GLG LIFE TECH CORPORATION**

(Formerly GLG Life Tech Limited)

### **NOTICE TO SHAREHOLDERS FOR THE THREE MONTHS ENDED MARCH 31, 2007**

#### **Responsibility for Financial Statements**

The accompanying financial statements for GLG Life Tech Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2006 audited financial statements. Only changes in accounting information have been disclosed in these financial statements.

These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

#### **Auditor's involvement**

The auditors of GLG Life Tech Corporation have not performed a review of the unaudited financial statements for the three-month period ended March 31, 2007.

**GLG LIFE TECH CORPORATION**  
**(Formerly GLG Life Tech Limited)**  
**INTERIM CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT**  
**For the three months ended March 31,**  
**(Unaudited - Prepared by Management)**

	2007	2006
<b>SALES</b> (Note 13)	\$ 1,874,363	\$ 104,132
COST OF SALES	<u>1,408,654</u>	-
<b>GROSS MARGIN</b>	<u>465,709</u>	104,132
<b>EXPENSES</b>		
Consulting fees	69,164	77,637
Professional fees	40,487	20,326
Travel	31,443	1,264
Salaries and wages	26,721	-
Office	9,143	1,589
Occupancy costs	9,027	3,586
License and insurance	8,797	2,416
Other	7,198	894
Entertainment	6,494	249
Amortization	2,735	511
Listing expense	900	900
	<u>212,109</u>	108,472
<b>INCOME (LOSS) FROM OPERATIONS</b>	253,600	(4,340)
<b>OTHER INCOME (EXPENSES)</b>		
Loss on foreign currency translation	(13,709)	(687)
Interest income	44,836	16,372
	<u>31,127</u>	15,685
<b>NET INCOME FOR THE PERIOD</b>	284,727	11,345
<b>DEFICIT, BEGINNING OF PERIOD</b>	<u>(1,810,102)</u>	(2,019,179)
<b>DEFICIT, END OF PERIOD</b>	<u>\$ (1,525,375)</u>	<u>\$ (2,007,834)</u>
<b>EARNINGS PER SHARE</b>		
Basic	<u>\$ 0.01</u>	<u>\$ 0.00</u>
Fully diluted	<u>\$ 0.01</u>	<u>n.a.</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>		
Basic	<u>50,112,949</u>	37,098,400
Fully diluted	<u>55,724,349</u>	n.a.

**GLG LIFE TECH CORPORATION**  
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**INTERIM CONSOLIDATED BALANCE SHEET**  
**(Unaudited - Prepared by Management)**

	March 31, 2007	December 31, 2006
<b>ASSETS</b>		
CURRENT		
Cash	\$ 667,638	\$ 922,085
Investment	20,000	20,000
Subscriptions receivable	-	380,492
Accounts receivable	1,382,858	573,131
Taxes refundable	147,872	23,690
Inventories (Note 4)	568,732	145,119
Prepaid expenses (Note 5)	1,196,347	1,628,194
	<u>3,983,447</u>	<u>3,692,711</u>
LOANS RECEIVABLE (Note 6)	2,115,331	1,945,115
PLANT AND EQUIPMENT (Note 7)	9,064,945	8,137,435
GOODWILL (Note 3b)	7,587,798	7,587,798
LICENSES (Note 8)	5	5
	<u>\$ 22,751,526</u>	<u>\$ 21,363,064</u>
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 2,453,223	\$ 1,216,876
Convertible note payable (Note 3b)	408,120	880,000
	<u>2,861,343</u>	<u>2,096,876</u>
<b>SHAREHOLDERS EQUITY</b>		
SHARE CAPITAL (Note 9)	19,609,759	19,179,824
CONTRIBUTED SURPLUS	1,702,716	1,767,651
CUMULATIVE TRANSLATION ADJUSTMENT	103,083	128,815
DEFICIT (Note 10)	(1,525,375)	(1,810,102)
	<u>19,890,183</u>	<u>19,266,188</u>
	<u>\$ 22,751,526</u>	<u>\$ 21,363,064</u>

Approved on behalf of the Board:

"Brian Palmieri"

Director

"Luke Zhang"

Director

**GLG LIFE TECH CORPORATION**  
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**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the three months ended March 31,**  
**(Unaudited - Prepared by Management)**

	2007	2006
<b>Operating activities</b>		
Net income for the period	\$ 284,727	\$ 10,445
Items not involving cash		
Amortization	128,602	511
	<b>413,329</b>	10,956
Changes in non-cash working capital		
Increase in accounts receivable	(810,244)	(59,627)
Increase in taxes refundable	(124,216)	(7,248)
Increase in inventory	(423,940)	-
Increase (decrease) in prepaids	728,186	(22,084)
Increase in accounts payable	1,237,979	63,949
	<b>1,021,094</b>	(14,054)
<b>Investing activities</b>		
Increase in loans receivable	(170,216)	(347,190)
Acquisition of plant and equipment	(1,074,424)	-
	<b>(1,244,640)</b>	(347,190)
<b>Financing activities</b>		
Subscriptions receivable	380,492	-
Convertible note payable	(471,880)	-
Issuance of share capital	65,000	6,000
	<b>(26,388)</b>	6,000
<b>Non-cash currency translation adjustments</b>	<b>(4,513)</b>	-
<b>Increase in cash</b>	<b>(254,447)</b>	<b>(355,244)</b>
<b>Cash, beginning of period</b>	<b>922,085</b>	<b>872,959</b>
<b>Cash, end of period</b>	<b>\$ 667,638</b>	<b>\$ 517,715</b>
<b>Supplemental disclosure of cash flow information</b>		
Interest received in cash	\$ 5,134	\$ 3,248
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	\$ -	\$ 5,000
<b>Non-cash transaction:</b>		
Common shares issued for services received	<b>\$ 300,000</b>	<b>\$ -</b>

**GLG LIFE TECH CORPORATION**  
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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2007**  
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**1. BASIS OF PRESENTATION**

These interim unaudited consolidated financial statements have been prepared in accordance with Canadian general accepted accounting principles ("GAAP") for interim financial information and follow the same accounting policies and methods of their application as GLG Life Tech Corporation's most recent annual financial statements. These interim unaudited consolidated financial statements do not include all of the disclosure included in the annual consolidated financial statements, and accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2006. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim consolidated financial statements.

**2. DESCRIPTION OF BUSINESS**

The Company was incorporated under the Companies Act (British Columbia) on June 5, 1998. On March 14, 2007, the Company changed its name to GLG Life Tech Corporation ("GLGT" or the "Company"). The principal business of the Company is to manufacture and sell a refined form of stevia and to procure health and nutritional products, including protein and vitamin supplements, food supplements and dietary supplements from around the globe. The Company is currently selling these nutritional products to its main customer, Shandong Yong He Tang Health Products Chain Stores Limited ("YHT"), that currently has 1,101 retail locations in China.

On June 21, 2005, the Company completed a business combination by acquiring all of the issued and outstanding common shares of Grand Leaf International Ltd. ("Grand Leaf" or "GLI"), resulting in a reverse takeover of the Company (Note 3a). The Company is listed on the Canadian Trading and Quotation System Inc. ("CNQ")

On December 18, 2006, the Company completed a business combination by acquiring all of the issued and outstanding common shares of Qingdao Runde Biotechnology Co., Ltd. ("Runde") by issuing a promissory note of \$880,000 and 50,000,000 of the Company's common shares. See Note 3b. The Runde manufacturing facility is a new 200 metric ton facility with modern state of the art manufacturing equipment capable of producing stevia in excess of RA95. The actual tonnage yield is dependent on the RA rating produced. The RA rating is the best method to use for determining the purity and sweetness of stevia. Stevia is sold as a natural sweetener in some countries and as a dietary supplement in other countries. It is grown in its raw state as a plant and the stevia is extracted from the leaves of the plant.

These consolidated financial statements have been prepared on a going concern basis. The company has achieved a net profit from operations of \$284,727 in the current period, and has a cumulative deficit of \$1,525,375. Its ability to continue as a going concern is still dependent upon the ability of the company to continue to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The company also must support operations and planned expansion for the next twelve months. The outcome of these matters cannot be predicted with certainty at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the company be unable to continue as a going concern.

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**3. BUSINESS COMBINATION**

(a) Grand Leaf

On June 21, 2005, the Company acquired all of the issued and outstanding common shares of Grand Leaf. As consideration, the Company issued 79,661,000 common shares to the shareholders of Grand Leaf.

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**3. BUSINESS COMBINATION (Continued)**

As a result of this share exchange, control of the combined companies passed to the former shareholders of Grand Leaf and, consequently Grand Leaf was deemed to be the acquirer for accounting purposes. Accordingly, the deemed acquisition of the Company is accounted for by the purchase method, as a reverse takeover, with the net assets of the Company recorded at fair value at the date of acquisition.

It was agreed between the Company and the acquiree company that on June 21, 2005, the former management of Panoramic Mirrors Inc. would be responsible for all the outstanding liabilities and that a license, owned by the acquiree company to distribute the SQ mirrors worldwide with a book value of \$1 is the only asset on its books.

(b) Qingdao Runde

On December 16, 2006, the Company acquired all of the issued and outstanding common shares of Qingdao Runde Biotechnology Co., Ltd. ("Runde"), a China-based stevia manufacturing company. The acquisition has been accounted for using the purchase method of accounting and results of operations have been consolidated since the date of acquisition. The Company's interest in the net assets acquired at fair value is as follows:

Cash	\$	552,718
Current assets		695,391
Equipment		8,044,093
Goodwill		7,587,798
		<u>16,880,000</u>
	\$	16,880,000
Consideration		
50,000,000 common shares at \$0.32 per share	\$	16,000,000
Convertible note payable, unsecured		880,000
		<u>16,880,000</u>
	\$	16,880,000

The common shares issued were subject to a four-month hold period imposed by the CNQ. The convertible promissory note is due to the payee on June 18, 2007 plus interest at the rate equal to prime commercial lending rate posted by the Bank of Montreal at its main branch in Vancouver, British Columbia, Canada on the first business day of each calendar quarter, calculated and compounded on the last business day of each calendar quarter. The payee may elect to receive the payment to the promissory note in common shares of the Company at a price of \$0.43 per share. All the shares are subject to the same escrow and pooling restriction as described in Note 9c. \$400,000 of the convertible note payable was paid in cash in January 2007.

**4. INVENTORIES**

	<b>March 31</b>	<b>December 31</b>
	<b>2007</b>	<b>2006</b>
Inventories consist of the following:		
Raw material	\$ 176,549	\$ 115,080
Work in Process	39,093	29,974
Finished goods	353,090	65
	<u>\$ 568,732</u>	<u>\$ 145,119</u>

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<b>5. PREPAID EXPENSES</b>	<b>March 31 2007</b>	<b>December 31 2006</b>
Deposit on inventory purchases	\$ 727,354	\$ 1,623,405
Other	468,993	4,789
	<b>\$ 1,196,347</b>	<b>\$ 1,628,194</b>
<b>6. LOANS RECEIVABLE</b>	<b>March 31 2007</b>	<b>December 31 2006</b>
a) Amount due from YHT bearing interest at the rate of 1% above the prime commercial lending rate posted by a chartered bank, payable on demand on the 10th business day after demand for payment is served. Management has recorded this amount as a long term loan receivable.	\$ 338,281	\$ 338,281
b) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on April 23, 2008.	338,281	338,281
c) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on May 3, 2008.	394,662	394,662
d) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on May 19, 2008.	56,380	56,380
e) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on August 14, 2008.	563,801	563,801
f) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on September 5, 2008.	84,570	84,570
g) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on October 2, 2008.	84,570	84,570
h) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on November 1, 2008.	84,570	84,570
i) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on January 9, 2009.	117,840	-
j) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on February 27, 2009.	52,376	-
	<b>\$ 2,115,331</b>	<b>\$ 1,945,115</b>

The total amount due, US\$1,870,000 (December 31, 2006 - US\$1,725,000), from YHT is not secured by any tangible assets. The Company, however, has negotiated the first right of refusal to acquire all of the shares of YHT as described in Note 8d, along with the established distribution network of 1,101 retail locations across China. In management's opinion, the distribution network has a value exceeding the current amount owing as of the period end date.

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**7. PLANT AND EQUIPMENT**

	March 31, 2007		
	Cost	Accumulated Amortization	Net
Building	\$ 888,533	\$ 13,308	\$ 875,225
Computer equipment	9,944	4,016	5,928
Computer software	15,915	9,947	5,968
Manufacturing equipment	1,945,530	57,651	1,887,879
Office equipment	7,235	545	6,690
Ion exchange resin equipment	6,372,171	88,916	6,283,255
	<b>\$ 9,239,328</b>	<b>\$ 174,383</b>	<b>\$ 9,064,945</b>

As at March 3, 2007, \$125,790 of the amortization is expensed as part of cost of sales.

	December 31, 2006		
	Cost	Accumulated Amortization	Net
Building	\$ 887,878	\$ 2,996	\$ 884,882
Computer equipment	9,944	3,535	6,409
Computer software	15,915	7,958	7,957
Manufacturing equipment	1,925,332	12,836	1,912,496
Office equipment	4,850	272	4,578
Ion exchange resin equipment	5,339,374	18,261	5,321,113
	<b>\$ 8,183,293</b>	<b>\$ 45,858</b>	<b>\$ 8,137,435</b>

**8. LICENSES**

- a) In December 2004, the Company entered into an exclusive licensing agreement with Dr. Zhang, a major shareholder of the Company, and Professor Hong, whereby the Company was granted the exclusive worldwide license to operate the health and wellness business owned by Dr. Zhang and Professor Hong, which includes health education and consulting services and the marketing and distribution for retail sale of various health and nutraceutical products, and the right to sub-license.
- b) In December 2004, the Company entered into an exclusive licensing agreement with Professor Jinduo Zhang whereby the Company was granted the exclusive worldwide license to use the name GLG, and to sub-license.
- c) In December 2004, the Company entered into an exclusive licensing agreement with YHT, whereby the Company was appointed as an authorized retailer in China of health and nutraceutical products distributed by the Company. The agreement also provides that all health and nutraceutical products sold by YHT must be purchased from the Company or its approved suppliers.
- d) In December 2004, the Company entered into a share transfer agreement with YHT whereby the Company was granted the right, but not the obligation, to purchase ownership of YHT and all interest in its registered capital.
- e) In October 1998, the Company entered into a licensing agreement with SQ Mirrors whereby the Company was granted the worldwide distribution rights for the SQ Mirrors. Due to the continuous losses in distributing these products for 3 years, Panoramic Mirrors Inc. had written down the value of the license to \$1 in 2003 and abandoned this business.

Each of the agreements listed above has been valued at \$1.

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**9. SHARE CAPITAL**

**a) Authorized**

Unlimited number of common shares with no par value

**b) Issued and outstanding**

	Number of Shares	Amount	Contributed Surplus
Balance at December 31, 2005	30,983,667	\$ 1,476,817	\$ 1,856,562
Options exercised at \$0.10 per share			
Paid by cash	286,667	86,000	
Previously recognized	-	88,911	(88,911)
Shares issued at \$0.25 per share	1,502,300	1,126,725	
Acquisition of Runde at \$0.32 per share (Note 3b)	16,666,667	16,000,000	
Shares issued at \$0.32 per share	418,094	401,371	
Balance at December 31, 2006	49,857,394	\$ 19,179,824	\$ 1,767,651
Options exercised at \$0.30 per share			
Paid by cash	216,667	65,000	
Previously recognized		64,935	(64,935)
Shares issued for services at \$1.20	250,000	300,000	
Balance at March 31, 2007	50,324,061	\$ 19,609,759	\$ 1,702,716

On March 14, 2007, the Company consolidated (reverse split) its common shares on a three for one basis. The financial statements have been restated to reflect the share consolidation.

**c) Escrow**

As at March 31, 2007, there are 9,919,901 common shares, which are being held in escrow and will be released over a period of 36 months with 15% released from escrow every six months after June 21, 2005. There are a total of 37,557,256 common shares (including 9,400,766 shares held in escrow), which are subject to a voluntary pooling agreement and are not permitted to be traded until 18 months after June 21, 2008, except if the closing price of the shares reaches \$6.00 or higher 15% of the shares will be released from the pooling agreement.

**d) Stock Options**

The Company is subject to the policies of the CNQ, under which it is authorized to grant options to officers and directors, employees and consultants enabling them to purchase common stock of the Company.

Effective June 21, 2005, all outstanding stock options granted before that date were cancelled and the Company granted a total of 6,194,733 options, each exercisable into one common share of the Company at \$0.30 per share until June 20, 2010. The fair value of the options granted has been estimated as of the date of grant using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.00%
Dividend yield	0%
Volatility	100%
Expected time to maturity	2.5 Years

As at March 31, 2007, 513,333 options have been exercised and 103,334 options have terminated, leaving 5,578,067 options outstanding.

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**10. DEFICIT**

The laws in China require all wholly owned foreign entities to set aside 10% of retained earnings as a general reserve fund every year until such a fund has reached 50% of the Company's registered capital. This fund is allowed to be distributed to shareholders at the time of winding up. The amount of reserve of Runde is \$43,017 (December 31, 2006 - \$9,048).

**11. RELATED PARTY TRANSACTIONS**

During the year, the Company entered into the following transactions with related parties:

- (a) Paid and accrued consulting fees of \$50,000 (March 31, 2006 - \$41,300) to two officers, one director and one company controlled by a director.
- (b) Paid legal fees, disbursement and provincial sales taxes of \$15,727 (March 31, 2006 - \$8,316) to a law firm of which the Company's secretary is an associate counsel.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**12. SEGMENTED INFORMATION**

The Company's revenue generating activities are in three reportable segments of (1) procuring health and nutritional products, including protein and vitamin supplements, food supplements and dietary supplements from around the globe, (2) stevia manufacturing, and (3) financing.

The Company's management evaluates segment performance based on geographical segment, revenue and total assets as follows:

	China		Canada		Total
	Manufacturing	Procurement	Financing		
Plant property and equipment	\$ 9,050,911	\$ -	\$ 14,034	\$ 9,064,945	
Total assets	\$ 11,912,907	\$ -	\$ 10,838,619	\$ 22,751,526	
Revenue	\$ 1,745,582	\$ 128,781	\$ -	\$ 1,874,363	
Net income	\$ 283,540	\$ 1,187	\$ -	\$ 284,727	

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**13. SALES AND COST OF SALES**

	March 31, 2007		
	Stevia	Procurement	Total
Sales	\$ 1,745,582	\$ 128,781	\$ 1,874,363
Cost of sales	1,408,654	-	1,408,654
Gross margin	<b>\$ 336,928</b>	<b>\$ 128,781</b>	<b>\$ 465,709</b>

	December 31, 2006		
	Stevia	Procurement	Total
Sales	\$ 753,943	\$ 656,734	\$ 1,410,677
Cost of sales	549,654	-	549,654
Gross margin	<b>\$ 204,289</b>	<b>\$ 656,734</b>	<b>\$ 861,023</b>

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**14. COMPARATIVE FIGURES**

Certain 2006 comparative figures have been reclassified to conform to the current financial statement presentation.

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