



GLG LIFE TECH CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months and Six Months Ended June 30, 2009

(Unaudited – Prepared by Management)

GLG LIFE TECH CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Canadian Dollars)
(Unaudited -Prepared by Management)

	June 30, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 18,391,161	\$ 7,362,671
Short term investments (Note 5)	353,389	365,785
Accounts receivable	646,499	2,714,114
Interest receivable	-	3,651
Taxes recoverable	4,535,007	1,504,000
Inventory (Note 6)	32,140,507	33,057,690
Prepaid expenses	2,604,307	7,380,086
	58,670,870	52,387,997
Property, Plant, and Equipment (Note 7)	91,687,332	83,366,043
Goodwill	7,587,798	7,587,798
Restricted Cash (Note 8)	100,902	100,710
Deferred Charges	107,566	125,261
Intangible Assets (Note 9)	30,213,660	30,793,314
	\$ 188,368,128	\$ 174,361,123
LIABILITIES		
Current Liabilities		
Short term bank loans (Note 10)	\$ 35,231,400	\$ 10,231,500
Accounts payable and accruals	19,201,249	17,167,567
Interest payable (Note 11)	17,477	1,063,729
Advances from customers (Note 11)	17,332,328	24,492,000
Due to related party (Note 17c)	2,316,600	-
Deferred Revenue	665,000	1,995,000
	74,764,054	54,949,796
FUTURE INCOME TAXES	1,651,718	2,414,642
NON-CONTROLLING INTERESTS	88,834	167,211
SHAREHOLDERS' EQUITY		
Share capital (Notes 13 and 14)	94,740,302	93,355,149
Warrants (Note 13)	-	11,477,908
Contributed surplus	14,704,590	3,347,623
Accumulated other comprehensive income	15,594,773	20,696,008
Deficit	(13,176,143)	(12,047,214)
	111,863,522	116,829,474
	\$ 188,368,128	\$ 174,361,123

Description of business and going concern (Note 1)
Commitments (Note 18)

" Brian Palmieri "

Director

"Jinduo Zhang "

Director

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the Periods Ended June 30, 2009 and 2008

(In Canadian Dollars)

(Unaudited - Prepared by Management)

	Three months ended		Six months ended	
	June 30	2008	June 30	2008
	2009		2009	2008
REVENUE	\$ 10,804,882	\$ 1,091,720	\$ 13,805,806	\$ 1,932,554
COST OF SALES	10,804,882	1,091,720	13,805,806	1,932,554
	9,162,741	799,031	10,744,903	1,372,112
GROSS PROFIT	1,642,141	292,689	3,060,903	560,442
GENERAL AND ADMINISTRATIVE EXPENSES	2,485,787	1,293,000	5,235,707	2,142,080
LOSS BEFORE THE UNDERNOTED	(843,646)	(1,000,311)	(2,174,804)	(1,581,638)
OTHER INCOME (EXPENSES)				
Donation	-	(21,674)	-	(21,674)
Interest expense (Note 11)	(836,164)	(668,760)	(1,096,489)	(1,333,636)
Interest income	18,725	87,208	34,788	399,744
Foreign exchange gain (loss)	2,007,634	(2,317)	1,316,402	(2,317)
	1,190,195	(605,543)	254,701	(957,883)
INCOME (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS	346,549	(1,605,854)	(1,920,103)	(2,539,521)
INCOME TAXES RECOVERY (EXPENSE)	(14,464)	-	710,487	-
LOSS BEFORE NON-CONTROLLING INTERESTS	332,085	(1,605,854)	(1,209,616)	(2,539,521)
NON-CONTROLLING INTERESTS	38,695	-	80,687	-
NET INCOME (LOSS)	370,780	(1,605,854)	(1,128,929)	(2,539,521)
DEFICIT, beginning of period	(13,546,923)	(2,374,339)	(12,047,214)	(1,440,672)
DEFICIT, end of period	(13,176,143)	(3,980,193)	(13,176,143)	(3,980,193)
NET LOSS PER SHARE				
Basic	\$ 0.00	\$ (0.02)	\$ (0.01)	\$ (0.04)
Diluted	0.00	(0.02)	(0.01)	(0.04)
NET INCOME (LOSS)	370,780	(1,605,854)	(1,128,929)	(2,539,521)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gains (losses) on translation of self-sustaining operations	(7,968,177)	2,729,138	(5,101,235)	5,121,058
COMPREHENSIVE INCOME (LOSS)	(7,597,397)	1,123,284	(6,230,164)	2,581,537
Weighted Average Number of Shares Outstanding				
Basic	78,542,725	69,848,816	78,531,257	69,058,284
Diluted	95,080,121	107,624,124	101,238,157	106,808,367

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW

For the Periods Ended June 30, 2009

(In Canadian Dollars)

(Unaudited - Prepared by Management)

	Three months ended		Six months ended	
	June 30		June 30	
	2009	2008	2009	2008
Cash provided by (used in)				
Operating activities				
Net income (loss)	\$ 370,780	\$ (1,605,854)	\$ (1,128,929)	\$ (2,539,521)
Items not affecting cash:				
Accretion on convertible debenture	-	407,070	-	839,632
Stock-based compensation	473,822	30,641	975,212	30,641
Amortization of property, plant and equipment & intangibles	1,519,232	510,812	2,663,817	741,851
Foreign exchange gain	(2,007,634)	2,317	(1,316,402)	2,317
Future income tax recovery	(94,665)	-	(812,293)	-
Non-controlling interests	(38,695)	-	(80,687)	-
	222,840	(655,014)	300,718	(925,080)
Changes in non-cash working capital (Note 15)	1,465,790	(174,433)	(1,339,624)	(567,224)
Cashflow used by operating activities	1,688,630	(829,447)	(1,038,906)	(1,492,304)
Investing activities				
Increase in short term investment	-	-	(6,798)	-
Increase in loan receivable	-	110,295	-	144,549
Increase in restricted cash	(25)	-	(192)	-
Purchase of property, plant and equipment	(7,073,694)	(10,174,974)	(10,101,269)	(13,537,654)
Cash flow used by investing activities	(7,073,719)	(10,064,679)	(10,108,259)	(13,393,105)
Financing activities				
Increase in short term loan	20,496,000	-	26,133,000	-
Issuance of common shares	288,999	83,901	288,999	12,635,373
Advance from related parties	2,316,600	-	2,316,600	(410,078)
Decrease in short term loan	(1,024,800)	-	-	-
Repaid advance from a customer	(6,176,232)	-	(5,834,614)	(592,327)
Increase in advance from a customer	-	267,254	-	-
Cash flow from financing activities	15,900,567	351,155	22,903,985	11,632,968
Effect of foreign exchange rate changes on cash and cash equivalents	(742,188)	2,696,091	(728,330)	5,372,824
CHANGE IN CASH AND CASH EQUIVALENTS	9,773,290	(7,846,880)	11,028,490	2,120,383
CASH AND CASH EQUIVALENTS, beginning of period	8,617,871	38,220,843	7,362,671	28,253,580
CASH AND CASH EQUIVALENTS, end of period	\$ 18,391,161	\$ 30,373,963	\$ 18,391,161	\$ 30,373,963

CASH FLOW SUPPLEMENTARY INFORMATION

Interest paid	\$ 818,687	\$ 94,312	\$ 1,079,012	\$ 600,743
Increase (Decrease) in accounts payable and accruals related to the purchase of property, plant and equipment	(2,600,189)	-	1,416,826	-
Decrease (Increase) in prepaid expense related to the purchase of property, plant and equipment	(1,243,480)	-	1,076,018	-

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the Period Ended June 30, 2009

(In Canadian Dollars)

(Unaudited - Prepared by Management)

	Share Capital	Warrants	Equity portion of convertible debenture	Contributed Surplus	Accumulated Other Comprehensive Income ("AOCI")	Deficit
Balance, December 31, 2007	\$ 61,052,731	\$ 15,378,511	\$ 1,513,003	\$ 1,702,716	\$ (1,307,926)	\$ (1,440,672)
Warrant exercised by a customer	20,235,133	(2,453,160)	-	-	-	-
Warrant expired	-	(1,447,443)	-	1,447,443	-	-
Options exercised	125,527	-	-	(63,107)	-	-
Convertible debenture converted into common shares	7,513,004	-	(1,513,003)	-	-	-
Issurance of restricted shares	1,060,004	-	-	-	-	-
Options granted	-	-	-	260,571	-	-
Common shares issued	3,368,750	-	-	-	-	-
Change in foreign currency translation	-	-	-	-	22,003,934	-
Net loss	-	-	-	-	-	(10,606,542)
Balance, December 31, 2008	\$ 93,355,149	\$ 11,477,908	\$ -	\$ 3,347,623	\$ 20,696,008	\$ (12,047,214)
Warrant expired	-	(11,477,908)	-	11,477,908	-	-
Options exercised	581,178	-	-	(292,179)	-	-
Stock based compensation	803,975	-	-	171,238	-	-
Change in foreign currency translation	-	-	-	-	(5,101,235)	-
Net loss	-	-	-	-	-	(1,128,929)
Balance, June 30, 2009	\$ 94,740,302	\$ -	\$ -	\$ 14,704,590	\$ 15,594,773	\$ (13,176,143)

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

1. DESCRIPTION OF BUSINESS AND GOING CONCERN

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 (“GLG” or the “Company”). The principal business of the Company is to manufacture and sell a refined form of stevia.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future, and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has generated negative cash flows from operations, is reliant on external sources of financing and has a cumulative deficit of \$13,176,143 and a working capital deficiency of \$16,093,184 as at June 30, 2009. The Company’s ability to continue as a going concern is still dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and to repay its liabilities arising from normal business operations when they come due. The Company must also support its planned capital expansion for the next year. The outcome of these matters cannot be predicted with certainty at this time.

Management plans to secure the necessary financing through a combination of use and renewal of existing credit facilities, the exercise of existing equity instruments for the purchase of common shares, the issue of new equity or debt instruments and entering into joint venture arrangements. If these plans are not successful there is substantial doubt about the Company’s ability to continue as a going concern and there can be no assurance that these initiatives will be successful. 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 and such adjustments could be material..

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim consolidated financial statements include the accounts of the Company and all its significantly owned subsidiaries as stated in Note 2a to the 2008 annual consolidated financial statements of the Company, and the account of the Company’s wholly owned subsidiary, Qingdao Runhao Rebiana High Tech Company Limited.

All inter-company balances and transactions have been eliminated upon consolidation.

The unaudited interim consolidated financial statements for the Company are prepared using the accounting policies disclosed in Note 2 to the 2008 annual consolidated financial statements of the Company, with the exception of the changes in accounting policies described below in Note 3 - Changes in Accounting Policies.

In accordance with Canadian generally accepted accounting principles (“GAAP”), these interim financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the 2008 annual consolidated financial statements of the Company. In management’s opinion, the financial statements reflect all adjustments that are necessary for a fair presentation of the results for the interim periods presented.

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, the Company adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, “Goodwill and Intangible Assets.” This new standard replaces section 3062, “Goodwill and Other Intangible Assets” and Section 3450, “Research and Development Costs,” and focuses on the criteria for asset recognition in the financial statements, including those internally developed. The adoption of this standard did not have an impact on the Company’s consolidated financial position or results of operations.

Effective January 1, 2009, the Company adopted the Emerging Issues Committee (“EIC”) Abstract EIC-173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities,” issued by CICA. This standard requires the Company to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of this standard did not have an impact on the valuation of the Company’s financial assets or liabilities.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2009, the CICA issued the new Handbook Section 1582, “Business Combinations,” which requires that all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges be expensed in periods after the acquisition date. The new standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011. Although the Company is considering the impact of adopting this pronouncement on the consolidated financial statements, it will be limited to any future acquisitions beginning in fiscal 2011.

In January 2009, the CICA issued Section 1601, “Consolidated Financial Statements,” which will replace CICA section 1600 of the same name. This guidance requires uniform accounting policies to be consistent throughout all consolidated entities and the difference between reporting dates of a parent and a subsidiary to be no longer than three months. These are not explicitly required under the current standard. Section 1601 is effective for the Company on January 1, 2011 with early adoption permitted. This standard will have no impact on the Company.

In January 2009, the CICA issued Section 1602, “Non-controlling Interests,” which will replace CICA Section 1600, “Consolidated Financial Statements.” Under this new guidance, when there is a change in control the previously held interest is revalued at fair value. Currently a gain of control is accounted for using the purchase method and a loss of control is accounted for as a sale resulting in a gain or loss in earnings. In addition, non-controlling interests (“NCI”) can be in a deficit position because it is recorded at fair value. Currently, NCI is recorded at the carrying amount and can only be in a deficit position if the NCI has an obligation to fund the losses. Section 1602 is effective for the Company on January 1, 2011 with early adoption permitted.

5. SHORT TERM INVESTMENTS

At June 30, 2009, the Company has \$353,389 (RMB 2,076,314) (December 31, 2008 – \$365,785 or RMB 2,037,800) of 6-month term deposits with the Bank of China, which bear interest at a rate of 1.98% (December 31, 2008 – 3.78%) per annum.

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

6. INVENTORY

For the three and six months ended June 30, 2009, the amount of inventories charged to cost of sales was \$8,446,422 and \$9,943,812, respectively (three months ended June 30, 2008 - \$804,866, six months ended June 30, 2008 - \$1,372,112). There was no write-down of inventories recognized as an expense, nor any reversal of any write-down. \$637,282 of interest is capitalized as a cost of inventory as at June 30, 2009 (three months and six months ended June 30, 2008 – nil).

	June 30, 2009		December 31, 2008	
Raw material	\$	8,873,938	\$	22,920,668
Work in process		21,429,240		8,905,270
Finished goods		1,837,329		1,231,752
	\$	32,140,507	\$	33,057,690

7. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Ion exchange resin equipment	\$ 16,690,927	\$ 1,325,888	\$ 15,365,039	\$ 9,673,435	\$ 944,565	\$ 8,728,870
Manufacturing equipment and Biological assets	33,997,355	1,874,950	32,122,405	7,951,867	730,566	7,221,301
Buildings	36,650,161	588,513	36,061,648	2,809,244	112,508	2,696,736
Leasehold land use rights and Construction in progress	7,165,627	34,658	7,130,969	64,238,039	-	64,238,039
Computer equipment and software	786,555	48,644	737,911	377,080	15,556	361,524
Motor vehicles and Furniture and fixture	307,335	37,975	269,360	142,843	23,270	119,573
	\$ 95,597,960	\$ 3,910,628	\$ 91,687,332	\$ 85,192,508	\$ 1,826,465	\$ 83,366,043

The leasehold represents land use rights for a term of 50 years. Under the People's Republic of China ("PRC") law, land use rights can be revoked and the tenants can be forced to vacate at any time when re-development of the land is in the public interest.

The total amortization charge to Cost of Sales for the six months ended June 30, 2009 was \$1,921,316 (three months ended June 30, 2009 - \$97,686, six months ended June 30, 2008 – \$147,686).

There was no interest capitalized to the property, plant and equipment during the six months period ended June 30, 2009 (three months ended June 30, 2008 - \$42,127, six months ended June 30, 2008 – \$169,912). Testing and preparation charges incurred in the two new leaf processing facilities totaling \$730,675 has been capitalized during the six months period ended June 30, 2009 (three months and six months ended June 30, 2008 – nil).

8. RESTRICTED CASH

As at June 30, 2009, the Company has \$100,902 (December 31, 2008 - \$100,710) in restricted cash invested in a guaranteed investment certificate with a bank that is required as collateral for the Company's credit cards issued to several employees.

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

9. INTANGIBLE ASSETS

	June 30, 2009			December 31, 2008		
	Cost	Accumulated	Net Book	Cost	Accumulated	Net Book
		Amortization	Value		Amortization	Value
Customer relationship	\$ 15,416,254	\$ 377,745	\$ 15,038,509	\$ 15,416,254	\$ 208,230	\$ 15,208,024
Intangible from AHTD acquisition	16,243,752	1,068,601	15,175,151	16,243,752	658,462	15,585,290
	\$ 31,660,006	\$ 1,446,346	\$ 30,213,660	\$ 31,660,006	\$ 866,692	\$ 30,793,314

For the three and six months ended June 30, 2009, \$135,612 and \$169,515 amortization of intangible assets was recorded to cost of sales (three months ended June 30, 2008 - \$nil, six months ended June 30, 2008 - \$5,836) and \$205,070 and \$410,140 was recorded to general and administrative expenses, respectively (three months ended June 30, 2008 - \$160,938, six months ended June 30, 2008 - \$321,876).

10. SHORT TERM BANK LOANS

The short term bank loans are made up of the following:

Loan amount in C\$	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
\$ 6,297,400	37,000,000	November 20, 2009	6.66%	Dongtai Rural Credit Union
8,510,000	50,000,000	December 25, 2009	5.31%	Construction Bank of China
5,106,000	30,000,000	September 30, 2009	4.86%	Construction Bank of China
5,106,000	30,000,000	March 31, 2010	5.31%	Construction Bank of China
10,212,000	60,000,000	June 15, 2010	5.31%	Agricultural Bank of China
\$ 35,231,400	207,000,000			

All the loans are secured by the Company's subsidiaries with a total carrying value of \$134,776,807.

Unused amount available to borrow under existing loan facilities was \$32,338,000 as at June 30, 2009.

Subsequent to June 30, 2009, a loan of \$10,212,000 (RMB 60,000,000) was obtained from Agricultural Bank of China which bears interest of 5.40% per annum and matures on June 29, 2011.

11. ADVANCES FROM CUSTOMERS AND INTEREST PAYABLE

Of the \$17,332,328 advances from customers, \$17,098,478 (US\$14,708,368) was related to a supply and prepayment agreement entered by the Company in 2008 whereby the Strategic Customer financed \$24,492,000 (US\$20,000,000) for the purchase of stevia leaves for 2009 orders, which shall be further processed into the stevia extract to be shipped to the Strategic Customer. The prepayment and accrued interest will be repaid by way of the sale of stevia extracts to the Strategic Customer. Interest at LIBOR + 6% is charged per annum. The prepayment is collateralized by a general security agreement over all assets of the Company. There is a covenant that at any time during the advance remains outstanding, the Company cannot incur more than US\$80 million of indebtedness for plant expenditure or additional leaf financing beyond the US\$20 million associated with this prepayment. The principal balance of the advance as of June 30, 2009 was \$17,332,328 (US\$14,708,368) (December 31, 2008 - \$24,492,000 or US\$20,000,000) and interest accrued was \$17,477 (US\$ 15,034) (three months and six months ended June 30, 2008 - nil).

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

11. ADVANCES FROM CUSTOMERS AND INTEREST PAYABLE (continued)

The balance of the advances from customers, \$233,850 (RMB 1,373,968) was related to deposits received from customers for stevia products and seedlings.

12. ECONOMIC DEPENDENCE

In 2007, the Company entered into a five year renewable supply agreement with the Strategic Customer to supply the Strategic Customer with stevia product and replaced that agreement with a 10-year strategic alliance agreement with the Strategic Customer in May 2008. The agreement outlines annual minimum purchase and supply quantities over the term of the agreement. For each of years two and three, once volume and price have been agreed, the Strategic Customer will be required to either take the committed volume or pay the agreed price.

The supply agreement with the Strategic Customer accounts for 87% of revenue for the six-month period ended June 30, 2009 (three months ended June 30, 2008 – Nil, six months ended June 30, 2008 - 44%).

The Company also received an advance from the Strategic Customer in fiscal 2008 as described in note 11.

13. SHARE CAPITAL

a) Capital Stock

Authorized

Unlimited number of common shares with no par value

Common shares

The holders of common shares are entitled to one vote per share

	Number of Shares	Amount
Balance at December 31, 2007	65,584,060	\$ 61,052,731
Warrants exercised	5,085,839	20,235,133
Options exercised	208,067	125,527
Issuance of restricted shares	1,290,614	1,060,004
Convertible debenture converted into common shares	1,976,082	7,513,004
Shares issued for AHTD intangible	4,375,000	3,368,750
Balance at December 31, 2008	78,519,662	\$ 93,355,149
Options exercised	963,333	581,178
Issuance of restricted shares	1,135,400	2,638
Stock based compensation on previously issued restricted shares	-	801,337
Balance at June 30, 2009	80,618,395	\$ 94,740,302

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

13. SHARE CAPITAL (continued)

b) Warrants

All the Company's share purchase warrants were expired by June 30, 2009. A summary of the changes since December 31, 2007 is presented below:

	Number of Warrants	Amount
Balance at December 31, 2007	27,574,585	\$ 15,378,511
Warrants exercised by a customer	(5,085,839)	(2,453,160)
Warrants expired	(3,591,411)	(1,447,443)
Balance at December 31, 2008	18,897,335	\$ 11,477,908
Warrants expired	(18,897,335)	(11,477,908)
Balance at June 30, 2009	-	-

14. STOCK OPTIONS AND RESTRICTED SHARES

The Company is subject to the policies of the Toronto Stock Exchange ("TSX"), under which it is authorized to grant options to officers, directors, employees and consultants enabling them to purchase common stock of the Company. The Company has one stock option and restricted shares plan ("Plan") which was amended and effective as of May 16, 2008. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan.

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 5 years after the date of grant.

The fair value of the options granted in 2008 and 2009 has been estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2009	2008
Risk-free interest rate:	0.58%	3.00%
Dividend yield:	0%	0%
Volatility:	76%	141%
Expected option life:	5 years	5 years
Expected forfeiture per year:	5%	5%

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

14. STOCK OPTIONS AND RESTRICTED SHARES (continued)

The following is a summary of option transactions:

	Number of Shares		Weighted Average Exercise Price Per Share
Balance, December 31, 2007	5,568,067	\$	0.30
Options granted	183,866		3.91
Options exercised	(208,067)		0.30
Balance, December 31, 2008	5,543,866	\$	0.42
Options granted	364,600		2.15
Options exercised	(963,333)		0.30
Balance, June 30, 2009	4,945,133	\$	0.57

The following table summarizes information about stock options outstanding at June 30, 2009:

Exercise Prices	Number Outstanding at June 30, 2009	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at June 30, 2009	Weighted Average Exercise Price
\$ 0.30	4,396,667	0.98	\$ 0.30	4,396,667	\$ 0.30
0.80	5,000	4.41	0.80	-	-
2.15	364,600	5.00	2.15	-	-
4.00	178,866	3.88	4.00	50,782	4.00
	4,945,133	1.38	\$ 0.41	4,447,449	\$ 0.34

\$171,237 has been recorded as stock-based compensation expense on the consolidated statement of operations for the six-month period ended June 30, 2009 (three months and six months ended June 30, 2008 – \$9,161).

Restricted shares

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 period for restricted shares is 5 years from the date of grant. Restricted shares issued to certain employees have certain performance criteria, which are based on production and financial targets.

1,135,400 restricted shares were issued in 2009 (December 31, 2008 – 1,290,614) with a fair value of \$2,441,110 (December 31, 2008 - \$4,682,000).

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

14. STOCK OPTIONS AND RESTRICTED SHARES (continued)

Of the total 2,426,014 restricted shares outstanding, 45,436 non-performance based restricted shares were vested in the six-month period ended June 30, 2009. The unvested restricted shares are as follows:

Numbers of restricted shares	Vesting period (years)	Performance based
120,000	1.41	No
1,125,178	1.87	Yes
56,000	1.00	No
1,079,400	3.00	Yes
2,380,578	2.34	

\$803,975 has been recorded as stock-based compensation expense on the consolidated statements of operations for the six-month ended June 30, 2009 (three months and six months ended June 30, 2008 – \$21,480) based on achieving certain performance conditions.

15. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended June 30		Six months ended June 30	
	2009	2008	2009	2008
Accounts receivable	\$ 571,485	\$ 619,031	\$ 1,991,921	\$ 1,416,439
Interest receivable	-	3,655	3,651	(184,305)
Loan receivable	-	(150,896)	-	(185,149)
Taxes recoverable	(728,564)	614,302	(3,222,920)	449,054
Inventory	1,562,821	(598,264)	(763,565)	(1,200,992)
Prepaid expenses	(1,873,584)	(318,822)	2,383,363	(930,672)
Deferred charges	6,747	-	11,620	-
Accounts payable and accruals	4,240,586	(542,478)	632,558	55,779
Interest payable	(1,648,701)	199,039	(1,046,252)	12,622
Deferred revenue	(665,000)	-	(1,330,000)	-
	\$ 1,465,790	\$ (174,433)	(1,339,624)	(567,224)

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

16. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the manufacturing and selling of a refined form of stevia and has operations in Canada and China.

June 30, 2009	Canada	China	Total
Property, Plant, and Equipment \$	794 \$	91,686,538 \$	91,687,332
Revenue	10,100,070	3,705,736	13,805,806

June 30, 2008	Canada	China	Total
Property, Plant, and Equipment \$	1,037 \$	27,271,895 \$	27,272,932
Revenue	-	1,932,554	1,932,554

17. RELATED PARTY TRANSACTIONS

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

- Pursuant to consulting agreements between the Company and officers of the Company, consulting fees of \$370,583 were expensed for the six-month period ended June 30, 2009 (three months ended June 30, 2008 - \$123,645, six months ended June 30, 2008 - \$234,751) of which \$304,382 remained as an accounts payable as at June 30, 2009 (December 31, 2008 - \$75,000).
- Pursuant to a management services agreement, the Company recorded management expenses of \$182,779 (three months ended June 30, 2008 - \$91,369, six months ended June 30, 2008 - \$182,738) to a company controlled by senior executives for management services provided to the Company, of which \$182,779 remained as an accounts payable as at June 30, 2009 (December 31, 2008 - Nil)
- During the period, the Company obtained a \$2,316,600 (US\$ 2,000,000) non-secured loan from an officer and director of the Company. The loan bears interest of HSBC Bank Canada US Dollar prime rate plus 300 basis points per annum and matures on June 29, 2010. The Company obtained an additional \$1,860,000 (US\$ 1,600,000) from the same officer and director under the same terms and conditions subsequent to June 30, 2009.

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

GLG LIFE TECH CORPORATION

Notes to Consolidated Financial Statements

For the Three Months and Six Months Ended June 30, 2009 and 2008

(Unaudited – Prepared by Management)

18. COMMITMENTS

- a) The Company has two 5-year operating leases with respect to land and production equipment at the Qingdao factory in China. The leases expire in 2011, and the annual minimum lease payments are approximately \$170,200 (RMB 1,000,000).
- b) The Company entered into a 30-year agreement with the Dongtai City Municipal Government, located in the Jiangsu Province of China, for approximately 50 acres of land for its seed base operation. Rent of approximately \$134,458 (RMB 790,000) is paid every 10 years.
- c) The Company entered into an office lease with one year term commencing on May 1, 2009. Commitments for 2009 and 2010 on the new lease are \$39,486 and \$26,324, respectively.

The minimum operating lease payments related to the above are summarized as follow:

2009	\$	124,586
2010		196,524
2011		170,200
2012		-
2013		-
Thereafter		268,916
Total	\$	760,226

- d) The Company is committed to deliver US\$ 25,200,000 of stevia extract which the US\$ 20,000,000 advance from a Strategic Customer (Note 11) will be applied against. The delivery period is contracted over the period from October 1, 2008 to September 30, 2009.
- e) In August 2007, the Company signed a 10-year agreement with the government of Mingguang City in the Anhui Province of China, which gave the Company exclusive rights to build and operate a stevia processing factory as well as exclusive right to purchase high quality stevia leaf grown in that region. The agreement requires the Company to make a total investment in the Mingguang City of US\$ 30 million over the course of the 10-year agreement to retain its exclusive rights. As of June 30, 2009, the Company has invested approximately US 29 million.
- f) In April 2008, the Company signed a 20-year agreement with the government of Juancheng County in the Shandong Province of China, which gave the Company exclusive rights to build and operate a stevia processing factory as well as the exclusive right to purchase high quality stevia leaf grown in that region. The agreement requires the Company to make a total investment in the Juancheng region of US 60 million over the course of the 20-year agreement to retain its exclusive rights. As of June 30, 2009, the Company has not made any investment in the region.
- g) In May 2009, the Company signed an investment agreement with the Qingdao Export Process Zone to build a Stevia processing facility. The investment agreement calls for the Company to invest US\$30 million in registered capital within two years. This timetable for investment can be extended by an additional year if the Company makes the request to the Government. The first phase of its facility construction is targeted to deliver a 1,000 metric ton rebiana facility by the end of 2009. As at June 30, 2009, the Company has invested approximately US\$ 4 million and has entered into US 2 million of construction commitments associated with the construction of the facility.