

Amended and Restated



**GLG LIFE TECH CORPORATION**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**Nine-Month Ended September 30, 2008**

(Unaudited – Prepared by Management)

Amended and Restated as at April 24, 2009

## **Notice of No Auditor Review of Interim Financial Statements**

The accompanying unaudited interim financial statements have been prepared by managements and approved by the Board of Directors.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institutes of Chartered Accountants for a review of interim financial statements by an entity's auditors.

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

Amended and Restated

	September 30, 2008 (Unaudited)	December 31, 2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 5 and 28c)	\$ 30,189,815	\$ 28,253,580
Accounts receivable	1,533,962	3,939,045
Interest receivable	245,903	199,546
Loans receivable (Note 6)	1,982,181	1,719,633
Taxes recoverable (Note 7)	735,867	1,061,450
Inventory (Note 8)	22,560,374	8,863,190
Prepaid expenses (Note 9)	638,512	67,679
	<b>57,886,614</b>	<b>44,104,123</b>
<b>Property, Plant, and Equipment (Note 10)</b>	<b>45,456,334</b>	<b>14,006,891</b>
<b>Goodwill (Note 4)</b>	<b>7,587,798</b>	<b>7,587,798</b>
<b>Restricted Cash (Note 11)</b>	<b>100,309</b>	<b>-</b>
<b>Loan Receivable (Note 6)</b>	<b>-</b>	<b>144,549</b>
<b>Customer relationship (Note 12)</b>	<b>15,313,610</b>	<b>15,410,415</b>
<b>Intangible Assets and Licenses (Notes 13 and 14)</b>	<b>12,392,188</b>	<b>12,875,005</b>
	<b>\$ 138,736,853</b>	<b>\$ 94,128,781</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable (Note 15)	\$ 2,101,253	\$ 1,246,330
Due to related parties (Note 27)	-	410,078
Interest payable (Notes 16 and 19)	425,003	395,568
Advance from a customer (Note 16)	24,214,051	6,549,100
Deferred Revenue (Note 17)	2,649,750	-
Convertible debenture (Note 19)	-	4,742,282
	<b>29,390,057</b>	<b>13,343,358</b>
<b>FUTURE INCOME TAXES, NET</b>	<b>3,887,060</b>	<b>3,887,060</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>228,809</b>	<b>-</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Notes 20 and 21)	88,775,829	61,052,731
Warrants (Note 22)	10,541,770	15,378,511
Equity portion of convertible debenture (Note 19)	-	1,513,003
Contributed surplus	4,265,679	1,702,716
Accumulated other comprehensive income (Note 23)	6,579,824	(1,307,926)
Deficit (Note 24)	(4,932,175)	(1,440,672)
	<b>105,230,927</b>	<b>76,898,363</b>
	<b>\$ 138,736,853</b>	<b>\$ 94,128,781</b>

APPROVED ON BEHALF OF THE BOARD:

" Brian Palmieri " Director  
" Jinduo Zhang " Director

See Accompanying Notes to the Consolidated Financial Statements

**GLG LIFE TECH CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME AND COMPREHENSIVE INCOME**

For the Nine Months Ended September 30, 2008  
(In Canadian Dollars)

(Unaudited -Prepared by Management)

Amended and Restated

	Three months ended		Nine months ended	
	September 30		September 30	
	2008	2007	2008	2007
<b>REVENUE</b>				
Sales (Note 26)	\$ 3,302,176	\$ 2,002,653	\$ 5,234,730	\$ 4,837,274
Commissions (Note 26)	-	256,157	-	593,243
	<b>3,302,176</b>	<b>2,258,810</b>	<b>5,234,730</b>	<b>5,430,517</b>
<b>COST OF SALES</b>	<b>2,470,654</b>	<b>1,435,725</b>	<b>3,842,766</b>	<b>3,669,710</b>
<b>GROSS PROFIT</b>	<b>831,522</b>	<b>823,085</b>	<b>1,391,964</b>	<b>1,760,807</b>
<b>EXPENSES</b> (Schedule 1)	<b>1,685,941</b>	<b>532,030</b>	<b>3,828,020</b>	<b>1,041,851</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>(854,419)</b>	<b>291,055</b>	<b>(2,436,056)</b>	<b>718,956</b>
<b>OTHER INCOME (EXPENSES)</b>				
Donation	(1,075)	-	(22,749)	-
Interest on convertible debenture and advance (Notes 16 and 19)	(353,159)	(600,888)	(1,686,795)	(659,705)
Interest income	236,961	47,019	636,705	136,762
Realized foreign exchange gain	4,257	(205,233)	1,940	(282,911)
	<b>(113,017)</b>	<b>(759,102)</b>	<b>(1,070,899)</b>	<b>(805,854)</b>
<b>LOSS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS</b>	<b>(967,435)</b>	<b>(468,047)</b>	<b>(3,506,955)</b>	<b>(86,898)</b>
<b>INCOME TAXES</b>	-	-	-	-
<b>NET LOSS BEFORE NON-CONTROLLING INTERESTS</b>	<b>(967,435)</b>	<b>(468,047)</b>	<b>(3,506,955)</b>	<b>(86,898)</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>15,452</b>	-	<b>15,452</b>	-
<b>NET LOSS AFTER NON-CONTROLLING INTERESTS</b>	<b>(951,983)</b>	<b>(468,047)</b>	<b>(3,491,503)</b>	<b>(86,898)</b>
<b>DEFICIT</b> , beginning of period	<b>(3,980,192)</b>	<b>(1,428,953)</b>	<b>(1,440,672)</b>	<b>(1,810,102)</b>
<b>DEFICIT</b> , end of period	<b>(4,932,175)</b>	<b>(1,897,000)</b>	<b>(4,932,175)</b>	<b>(1,897,000)</b>
<b>NET (LOSS) INCOME PER SHARE</b>				
Basic	\$ (0.01)	\$ (0.01)	\$ (0.05)	\$ 0.00
Diluted	(0.01)	(0.01)	(0.05)	0.00
<b>Weighted Average Number of Shares Outstanding</b>				
Basic	<b>73,131,253</b>	<b>50,208,287</b>	<b>70,418,638</b>	<b>50,208,287</b>
Diluted	<b>107,460,863</b>	<b>86,068,078</b>	<b>107,569,306</b>	<b>86,068,078</b>

See Accompanying Notes to the Consolidated Financial Statements

**GLG LIFE TECH CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOW**

For the Nine Months Ended September 30, 2008

(In Canadian Dollars)

(Unaudited -Prepared by Management)

Amended and Restated

	Three months ended		Nine months ended	
	September 30 2008	2007	September 30 2008	2007
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net Income (loss)	\$ (951,983)	\$ (468,047)	\$ (3,491,503)	\$ (86,898)
Items not affecting cash:				
Accretion on convertible debenture	-	360,596	839,632	367,283
Stock-based compensation	61,283	150,000	91,924	150,000
Amortization of customer relationship	90,970	-	96,806	-
Amortization of property, plant and equipment & intangibles	564,803	139,698	1,300,818	377,818
Non-controlling interests	15,452	-	15,452	-
	(219,475)	182,247	(1,146,871)	808,203
Changes in non-cash working capital items (Note 25)	(7,667,525)	(3,151,365)	(8,049,600)	(3,314,496)
Cashflow used by operating activities	(7,887,000)	(2,969,118)	(9,196,471)	(2,506,293)
<b>Investing activities</b>				
Decrease in temporary investment	-	20,000	-	20,000
Increase in loan receivable (Note 6)	(77,399)	-	(117,999)	(170,216)
Purchase of property, plant and equipment	(18,625,895)	(315,308)	(32,163,549)	(1,336,577)
Cash flow used by investing activities	(18,703,294)	(295,308)	(32,281,548)	(1,486,793)
<b>Financing activities</b>				
Reduction in Subscriptions receivable	-	-	-	380,492
Decrease in note payable	-	(1,112,589)	-	-
Decrease in short term loan payable	-	(385,165)	-	-
Issuance of common shares	5,230,500	3,000	17,865,873	68,000
Net increase in advance from a customer (Note 16)	18,257,278	4,822,858	17,664,951	7,172,566
Convertible debenture (Note 19)	-	-	-	6,000,000
Advances from related parties (Note 27)	-	-	(410,078)	-
Convertible note payable	-	(408,120)	-	(880,000)
Cash flow from financing activities	23,487,778	2,919,984	35,120,746	12,741,058
Foreign currency translation adjustment	3,018,677	(40,449)	8,393,816	49,766
<b>CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>(83,839)</b>	<b>(384,891)</b>	<b>2,036,544</b>	<b>8,797,738</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period</b>	<b>30,373,963</b>	<b>10,104,714</b>	<b>28,253,580</b>	<b>922,085</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period</b>	<b>\$ 30,290,124</b>	<b>\$ 9,719,823</b>	<b>\$ 30,290,124</b>	<b>\$ 9,719,823</b>

**CASH FLOW SUPPLEMENTARY INFORMATION**

Interest paid	\$ 469,105	108,947	\$ 1,069,848	108,947
Income taxes paid (received)	-	-	-	-

See Accompanying Notes to the Consolidated Financial Statements

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

**For the Nine Months Ended September 30, 2008**

**(In Canadian Dollars)**

**(Unaudited -Prepared by Management)**

Amended and Restated

	Share Capital	Warrants	Equity portion of convertible debenture	Contributed Surplus	Accumulated Other Comprehensive Income ("AOCl")	Deficit	Total Comprehensive Income (Loss)
<b>Balance, December 31, 2006</b>	\$ 19,179,824	\$ -	\$ -	\$ 1,767,651	\$ 128,815	\$ (1,810,102)	\$ -
Common shares issued	41,872,907	-	-	-	-	-	-
Contributed surplus	-	-	-	(64,935)	-	-	-
Equity value of warrants granted in association with long term sales contract and private placement	-	14,237,946	-	-	-	-	-
Convertible debenture	-	1,140,565	1,513,003	-	-	-	-
Other comprehensive income (loss)	-	-	-	-	(1,436,741)	-	(1,436,741)
Net income (loss)	-	-	-	-	-	369,430	369,430
<b>Balance, December 31, 2007</b>	\$ 61,052,731	\$ 15,378,511	\$ 1,513,003	\$ 1,702,716	\$ (1,307,926)	\$ (1,440,672)	\$ (1,067,311)
Warrant exercised	\$ 20,616,843	\$ (2,834,871)	\$ -	\$ -	\$ -	\$ -	\$ -
Warrant expired	-	(2,001,870)	-	2,001,870	-	-	-
Options exercised	125,527	-	-	(63,107)	-	-	-
Convertible debenture matured by issuance of common shares	6,916,287	-	(1,513,003)	596,717	-	-	-
Stock-based compensation	64,441	-	-	27,483	-	-	-
Other comprehensive income (loss)	-	-	-	-	7,887,750	-	7,887,750
Net income (loss)	-	-	-	-	-	(3,491,503)	(3,491,503)
<b>Balance, September 30, 2008</b>	\$ 88,775,829	\$ 10,541,770	\$ -	\$ 4,265,679	\$ 6,579,824	\$ (4,932,175)	\$ 4,396,247

See Accompanying Notes to the Consolidated Financial Statements

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2008  
(Unaudited – Prepared by Management)

Amended and Restated

---

## 1. 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 (“GLG” or the “Company”). The principal business of the Company is to manufacture and sell a refined form of stevia. It also has a consumer division that is involved in the procurement and distribution of health and nutritional products, including protein and vitamin supplements, as well as food and dietary supplements. The Company is currently selling these nutritional products to its main customer, Shandong Yong He Tang Health Products Chain Stores Limited (“YHT”), through YHT's 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 4(a).

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 50,000,000 of the Company's common shares and a promissory note of \$880,000 - Note 4(b).

On August 21, 2007, the Company formed a wholly owned subsidiary, Chuzhou Runhai Stevia High Tech Co., Ltd, in the township of Mingguang and on November 16, 2007, another wholly owned subsidiary, Dongtai Runyang Stevia High Tech Co. Ltd, in the township of Dongtai for expansion of its operations in China.

On September 13, 2007, the Company formed a wholly owned subsidiary, Anhui Bengbu Huinong stevia High Tech Development Co., Ltd in the township of Bengbu for expansion of stevia seed development.

On September 30th 2007, the Company submitted an application to list on the TSX Exchange (Main Board). The Company's shares were listed and began trading on the TSX on December 11th, 2007.

On December 11, 2007, The Company completed a private placement that raised \$34,500,000 through the issuance of 11,500,000 shares at \$3.00 per share.

On December 28, 2007, the Company acquired two patents (one registered and one pending approval from the Chinese government) through its acquisition of Agricultural High-Tech Developments Ltd (“AHTD”) - Note 4(c).

On August 25, 2008, the Company formed a 55% owned subsidiary, GLG Weider Sweet Naturals Corp with Weider Global Nutrition. The subsidiary is dedicated to the sale of dietary and tabletop supplements containing various GLG stevia products.

These consolidated financial statements have been prepared on a going concern basis. The company has achieved a net loss of \$951,983 from operations in the current quarter, and has a cumulative deficit of \$3,980,192. 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 to repay its liabilities arising from normal business operations when they come due.

The company also must support operations and planned expansion for the next three 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.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), and in management's opinion, have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below. These financial statements do not contain all disclosures required by Canadian GAAP for annual financial statements, and accordingly, these financial statements should be read in conjunction with the audited financial statements of the Company for the year ended December 31, 2007. Interim results are not necessarily indicative of the results expected for the fiscal year.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a) Principles of consolidation

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and presented in Canadian dollars.

These consolidated financial statements include the accounts of the Company and all its significantly owned subsidiaries: Qingdao Runde Biotechnology Company Limited, Dongtai Runyang Stevia High Tech Company Limited, Chuzhou Runhai Stevia High Tech Company Limited, Anhui Bengbu HN High Tech Development Company Limited, Agricultural High-Tech Developments Limited, and 55% owned subsidiary, GLG Weider Sweet Naturals Corp.

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

### b) Cash and cash equivalent

Cash and cash equivalents, which include term deposits that are purchased three months or less from maturity, are presented net of outstanding items including cheques written but not cleared by the bank as at the balance sheet date.

### c) Investment

Temporary investment, which is a fixed term deposit, held at a chartered bank with a maturity date in excess of three months, is recorded at cost, which approximates fair value.

### d) Inventory

Inventories are stated at the lower of cost and net realizable value, using the weighted average cost method. Net realizable value represents the anticipated selling prices less all further costs for distribution.

### e) Foreign currency translation

All of the Company's subsidiaries in China operate as self-sustaining foreign operations, and the respective accounts have been translated into Canadian dollars in accordance with the current rate method. Assets and liabilities are translated at the exchange rates prevailing at the balance sheet dates, and revenue and expenses are translated on the basis of average exchange rates during the periods. Any gains or losses arising from the translation of these accounts are deferred and included as a component of shareholders' equity, as cumulative foreign currency translation adjustments.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

### f) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the following annual rates:

Ion exchange resin equipment	15 years	straight-line method (with 10% residual value)
Buildings	20 years	straight-line method (with 10% residual value)
Manufacturing equipment	10 years	straight-line method (with 10% residual value)
Motor vehicles	5 years	straight-line method (with 10% residual value)
Computer equipment	5 years	straight-line method (with 10% residual value)
Computer software	5 years	straight-line method (with 10% residual value)
Furniture and fixtures	5 years	straight-line method (with 10% residual value)

Beginning January 1, 2008, the Company changed its depreciation rate for Ion exchange equipment from 20 years to 15 years with the same residual value after discussion with the industry expert.

### g) Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is tested for impairment annually or when indicated by events or changes in circumstances, by comparing the fair value of a particular reporting unit to its carrying value. When the carrying value exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying value to measure any impairment loss.

### h) Intangibles

Intangible assets are amortized over the estimated useful life of each asset unless the life is determined to be indefinite. An intangible asset with an indefinite life is not amortized but will be tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

An impairment loss is recognized when the carrying value of the intangible asset exceeds the estimated undiscounted future cash flow expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the asset's carrying value over its fair value. Fair value is generally determined using a discounted cash flow analysis.

### i) Income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

### j) Revenue recognition

Revenue from product sales 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.

### k) Earnings per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercising of the options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

### l) Stock-based compensation

Canadian generally accepted accounting principles require the fair value of all share purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

### m) Use of estimates and measurement uncertainty

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include revenue recognition, the carrying amount of plant and equipment and valuation allowances for receivables and inventories, the evaluation of goodwill, intangible assets and licenses, and the determination of the value of warrants, deferred sales incentives, deferred revenue, convertible debenture and stock based compensation. Actual results may differ from those estimates.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

### n) Capitalization of interest costs

Interest on long term debt associated with the construction of long term assets and interest on advance from a customer are capitalized, where the borrowing costs is attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Where funds were borrowed specifically to obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

Where funds were not borrowed specifically to obtaining a qualifying asset, generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

### o) Comprehensive loss

Comprehensive loss comprises the Company's net loss and other comprehensive loss. Other comprehensive loss represents changes in shareholders' equity during a period arising from non-owner sources and, for the Company, principally includes unrealized gains and losses on foreign exchange translation. The Company's comprehensive loss, components of other comprehensive loss, and accumulated other comprehensive income are presented in the Consolidated Statements of Shareholders' Equity.

### p) Financial instruments

The Company classifies its financial instruments into one of the following categories: held-for-trading (assets and liabilities), assets available-for-sale, loans and receivables, assets held-to-maturity and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Transaction costs are included in the initial carry amount of financial instruments except for held-for-trading items in which case transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets and liabilities "held-for-trading" are subsequently measured at fair value with changes fair value recognized in net income. Financial assets "available-for-sale" are subsequently measured at fair value with changes in fair value recognized in other comprehensive income. Financial assets "held-to-maturity", "loans and receivables", and "other financial liabilities" are subsequently amortized using the effective interest rate method.

Financial instruments that are derivative contracts are considered "held-for-trading" unless they are designed as a hedge. Cash equivalents are classified as "held-for-trading" and are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts receivable and certain other assets that are financial instruments are classified as "loans and receivables". Accounts payable, interest payable, advance from a customer, deferred revenue, and convertible debenture are classified as "other financial liabilities". The Company currently does not have any hedges.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 3. CHANGES IN ACCOUNTING POLICIES

Accounting policies implemented effective January 1, 2008

Section 1400 “General Standards of Financial Presentation” requires management to assess and disclose the ability of the Company to continue as a going concern. Additional disclosure has been provided in Note 1.

Section 1535 “Capital Disclosures” requires disclosure regarding what the Company defines as capital and its objectives, policy and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements and, if not, the consequences of such non-compliance. Additional disclosure has been provided in Note 29.

Section 3031 “Inventories” which replaces Section 3030 “Inventories”, establishes standards for measurement and disclosure of inventories. Under the new section, inventories are required to be measured at the “lower of cost and net realizable value”, which is different from the existing guidance of the “lower of cost and market”. The new section contains guidance on the determination of cost and also requires the reversal of any write-downs previously recognized. Certain minimum disclosures are required, including the accounting policies used, carry amounts, amounts recognized as an expense, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expenses. The adoption of this standard does not have an impact on this Company’s consolidated financial statements. Additional disclosure has been provided in Note 8.

Section 3862 “Financial Instruments – Disclosure” and Section 3863 “Financial Instruments – Presentation” have replaced Section 3861 “Financial Instruments – Disclosure and Presentation”. These new sections incorporate many of the disclosure requirements of Section 3861, but place an increased emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments. Additional disclosure has been provided in Note 28.

International Financial Reporting Standards (“IFRS”)

On February 13, 2008, the CICA Accounting Standard Board confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required, for fiscal years beginning on or after January 1, 2011, for publicly accountable profit-oriented enterprises. After that date, IFRS will replace Canadian GAAP for those enterprises. Changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect the Company’s reported financial position and results of operations.

The Company is currently in the process of assessing the impact of these new accounting standards on its accounting and business process, identifying the resources to be used in the conversion project and developing preliminary conversion plan. The conversion plan also incorporates continuous and active dialogue with the Company’s independent auditors throughout the conversion process. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements. Initial training programs have been provided to relevant employees. The Company will follow the key events timeline proposed by the Accounting Standards Board (“AcSB”) to obtain training and thorough knowledge of IFRS, finalise assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the 2011 changeover.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 4. BUSINESS COMBINATION

### a) Grand Leaf International Ltd

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 Biotechnology Co., Ltd.

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:

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

The promissory note holder was repaid in full in 2007.

### c) Agricultural High Tech Developments Limited (AHTD)

On December 27, 2007, the Company completed its transaction to purchase all the issued and outstanding shares of AHTD from all the shareholders of AHTD. AHTD owns two-patented technology, one registered and one pending approval from the Chinese government. The purchase price is 12,500,000 common shares of the Company. 30% (3,750,000 common shares) were issued on closing of the transaction. 35% (4,375,000 common shares) will be issued upon AHTD providing seedlings for planting 30,000 mu of stevia, which will yield 5,000 metric tons of leaf in 2008. The balance of shares will be issued upon AHTD providing seedlings for planting 60,000 mu of stevia, which will yield 8,000 metric tons of leaf in 2009.

Purchase consideration for this acquisition was determined in accordance with paragraphs 1581-25 of the CICA Handbook. The value assigned was based on the average closing price of the Company's shares for the month of July 2007 when the terms of the acquisition were announced and were also in the same month that the acquisition was approved by the Company's Board of Directors and its Shareholders. The acquisition was formally closed on December 27, 2007 and 3,750,000 common shares were issued to the seller. 8,750,000 common shares have been reserved for issuance contingent upon the satisfactory delivery against specified performance targets in 2008 and 2009. The company's interest in the net assets acquired at fair value is \$42,916,667 (12,500,000 common shares at \$3.4333 per shares).

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 4. BUSINESS COMBINATION (continued)

In accordance with CICA Handbook section 1581.29 (contingent consideration) only the first 3,750,000 common shares \$12,875,000 (3,750,000 common shares at \$3.4333 per shares) has been recognized on the balance sheets as at December 31, 2007, and as the next two share tranches will only be issued if specified performance criteria are met in 2008 and 2009. The contingent consideration balance is \$30,041,375 (8,750,000 common shares at \$3.4333 per share).

## 5. CASH AND CASH EQUIVALENTS

The cash and cash equivalents include bank savings accounts, short-term bank deposits, and banker's acceptance with maturity dates of three months or less.

## 6. LOANS RECEIVABLE

The loan amount of \$1,982,181 (US\$1,870,000), due from YHT is not secured by any tangible assets. The interest receivable on the loans is \$199,546 (2007 - \$199,546) due from YHT. These interests are due with the same dates corresponding to the loans.

On September 8, 2008, the Company negotiated and signed a Heads of Agreement with Shandong Yong He Tang Health Products Chain Stores Limited (“YHT”) to restructure its existing business relationship with YHT from direct operational involvement in YHT’s business to a relationship of passive investor in YHT. The course of action was seen by Management as the best strategy to create value for its shareholders and to maintain focus on furthering the stevia business opportunity.

The Heads of Agreement key terms include:

- (1) The two parties’ intent is to terminate the amended and assigned supply agreement as of December 31, 2008.
- (2) The two parties’ intent is to terminate GLG’s right of first refusal to purchase YHT.
- (3) No additional interest would be accrued by GLG on the existing loan balance starting the month of September 2008.
- (4) No additional commissions would be charged by GLG to YHT starting the month of September 2008.
- (5) GLG is to convert all amounts owed into shares in YHT at a 2.2 conversion rate (e.g. for every \$1 in debt, GLG will receive \$2.20 in equity) and will become a passive shareholder in YHT.
- (6) If this agreement is not finalized by December 31, 2008, the Company would resume the interest on loan receivable and commission income from the month of September 2008.
- (7) The Head of Terms negotiation is open until December 31, 2008 and as of the date of the financial statements, no conclusion has been reached.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 6. LOANS RECEIVABLE (continued)

	September 30, 2008	December 31, 2007
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.	\$ 317,997	\$ 299,067
b) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, originally due on April 23, 2008, extended to April 23, 2009.	317,997	299,067
c) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, originally due on May 3, 2008, extended to May 3, 2009.	370,997	348,911
d) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, originally due on May 19, 2008, extended to May 19, 2009.	53,000	49,844
e) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, originally due on August 14, 2008, temporary extended by the Head of Terms no later than December 31, 2008.	529,994	498,443
f) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, originally due on September 5, 2008, temporary extended by the Head of Terms no later than December 31, 2008.	79,499	74,767
g) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, originally due on October 2, 2008, temporary extended by the Head of Terms no later than December 31, 2008.	79,499	74,767
h) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, originally due on November 1, 2008, temporary extended by the Head of Terms no later than December 31, 2008.	79,499	74,767
i) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on January 10, 2009.	105,999	99,689
j) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on February 26, 2009.	47,700	44,860
Amounts payable within one year	(1,982,181)	(1,719,633)
<b>Amount payable over one year</b>	\$ -	\$ 144,549

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 7. TAXES RECOVERABLE

The taxes are value-added taxes paid on purchases in China and GST paid in Canada. These taxes are recoverable from the respective authorities upon filing of the prescribed returns.

## 8. INVENTORY

The Company measures its inventory at the lower of cost or replacement cost with respect to raw materials and the lower of cost and net realizable value (“NRV”) with respect to finished goods and work-in-progress. Cost of purchase includes purchase price, applicable taxes and other costs related to the acquisition of raw materials. Cost of conversion of inventories includes direct labour, direct production costs, indirect labour, capitalized interest and fixed production overhead. Depreciation is calculated on straight line basis. Depreciation rates, the economic life of fixed assets deployed in the production process and their residual value are based on internal knowledge and industry practices.

The Company calculates its inventory on a weighted average basis. The Company re-evaluates its inventories regularly to ensure it is carried at the lower of cost or NRV. The loss is recognized if the net realizable value is lower than the carrying cost. NRV is based on market selling price less cost of completion and estimated cost necessary to make the sale.

For the nine months ended September 30, 2008, the amount of inventories recognized as expense was \$3,842,766. There was no write-down of inventories recognized as an expense, nor any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as expense. No adjustment was made to the opening retained earnings. There were no capital spares in inventory.

	September 30, 2008	December 31, 2007
Raw material	\$ 13,862,622	\$ 8,329,402
Work in process	6,272,919	95,101
Finished goods	2,424,833	438,687
	\$ 22,560,374	\$ 8,863,190

## 9. PREPAID EXPENSES

	September 30, 2008	December 31, 2007
Advance to suppliers	\$ 184,041	\$ -
Insurance	42,557	
Prepaid design engineering	-	29,630
Rent	126,199	26,169
Other	285,715	11,880
	\$ 638,512	\$ 67,679

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2008  
(Unaudited – Prepared by Management)

Amended and Restated

## 10. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2008 (Unaudited)			December 31, 2007		
	Cost	Accumulated	Net Book	Cost	Accumulated	Net Book
		Amortization	Value		Amortization	Value
Ion exchange resin equipment	\$ 8,342,327	\$ 689,453	\$ 7,652,874	\$ 7,291,452	\$ 278,141	\$ 7,013,311
Construction in progress	28,492,151	-	28,492,151	3,473,925	-	3,473,925
Manufacturing equipment	6,210,798	566,208	5,644,590	2,203,854	175,288	2,028,566
Buildings	2,659,442	118,057	2,541,385	834,663	39,651	795,012
Leasehold land use rights	904,010	-	904,010	592,614	-	592,614
Motor vehicles	110,218	14,302	95,916	70,934	2,498	68,436
Road	1,812	41	1,771	-	-	-
Computer equipment	66,140	17,786	48,354	10,818	5,618	5,200
Computer software	17,524	17,382	142	17,311	16,578	733
Furniture and fixture	83,774	8,633	75,141	31,470	2,376	29,094
	\$ 46,888,196	\$ 1,431,862	\$ 45,456,334	\$ 14,527,041	\$ 520,150	\$ 14,006,891

Construction in progress is the cost related to the construction of two new leaf processing facilities at its subsidiaries Runhai in Mingguang and Runyang in Dongtai, China

The leasehold represents land use rights for a term of 50 years. The lands are vacant and reserved for the Company's expansion of operations in China.

The total amortization charge to the Cost of Sales for the nine months period ended September 30, 2008 was \$733,575 (2007 – \$476,727).

Property, plant and equipment have been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries (Note 29d)

## 11. RESTRICTED CASH

The Company is required to hold a guaranteed investment certificate with a bank as collateral for the Company's credit cards issued to several employees.

## 12. CUSTOMER RELATIONSHIP

In conjunction with the customer signing the five year supply agreement, the Company issued three shares purchase warrants in July 2007.

The first warrant allowed the customer to purchase 14,365,642 common shares of the Company at exercise price of \$3.50 per share. The second warrant allowed the customer to purchase 5,223,943 common shares at an exercise price of \$4.44 per share. As described in note 22, portions of the first warrants were extended into three expiring dates. The third warrant was cancelled.

The warrants are considered as a sales incentive under CICA Handbook section 3870 paragraph 11. The warrants were valued using the Black Scholes Option Pricing Model, based on the events occurred after the year end, which had adjusted values of the warrants. The values of the warrants have been estimated to be \$10,919,330 on the date of adjustment on January 30, 2008 with the following assumptions:

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 12. CUSTOMER RELATIONSHIP (continued)

Risk-free interest rate:	4%
Dividend yield:	0%
Volatility:	45%
Expected time to maturity:	14 months to March 31, 2009

The customer relationship needed to match with the revenue recognized over the five year sales period. It is being amortized against the revenue over the five-year period based on the ratio of actual sales to planned sales volume. The unamortized balance of the customer relationship was \$15,313,610 as at September 30, 2008.

## 13. INTANGIBLE ASSETS

On December 27, 2007, the Company acquired all issued and outstanding shares of Agricultural High-Tech Developments Limited (AHTD), a company incorporated under the laws of the Marshall Islands. AHTD owns patents relating to new stevia seedling and breeding technology. One patent has been registered with the Chinese government and another one is pending.

The purchase price is in the form of 12,500,000 the Company common shares. 3,750,000 shares have been issued on December 27, 2007. 4,375,000 shares and the balance are to be issued based on performance in 2008 and 2009. The acquisition costs are recorded at the fair value at the acquisition date.

\$12,392,188 is recognized as intangible assets on September 30, 2008 as explained in Note 4(c). The intangible assets are estimated to have a useful life of 20 years and will be amortized over that period, subject to annual impairment review.

The amortization for nine months period ending September 30, 2008 is \$482,813.

## 14. 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.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 14. LICENSES

(continued)

- 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.

## 15. ACCOUNTS PAYABLE

Included in accounts payable is \$160,339 (December 31, 2007 - \$210,000) resulted from consulting services provided by the Company's management.

## 16. ADVANCES FROM A CUSTOMER

The Company signed a five year supply agreement and a prepayment agreement for 2007/08 orders with one of the Company's customers whereby the customer will finance up to US\$7,000,000 for the purchase of stevia leaves, which shall be further processed into the stevia extract to be shipped to the customer. The prepayment will be repaid upon sale of stevia extracts to that customer. Interest at LIBOR + 3.25% was charged per annum, payable on a quarterly basis until September 15, 2008, original maturity date of the balance. The repayment of balance has been extended with interest bears at LIBOR plus 10.5% per annum from September 15, 2008 to November 30, 2008, the extended maturity date of the advance. The balance of the advance as of September 30, 2008 was \$3,016,051 (US\$2,845,600). (Note 17)

In July 2008, the Company entered into another supply and prepayment agreement with the same customer whereby the customer financed \$21,198,000 (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 same customer. (Note 32g) The prepayment and accrued interest will be repaid upon sale of stevia extracts to that customer. Interest at LIBOR + 6% is charged per annum. 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 September 30, 2008 was \$21,198,000 (US\$20,000,000) and interest accrued for the period was \$408,742 (US\$385,641.74)

## 17. DEFERRED REVENUE

In July 2007, the Company received a restructuring fee of \$2,649,750 (US\$2,500,000) from a customer from an amendment to the previously signed long-term renewable supply agreement. As a result, the deferred revenue will be amortized against the revenue over the one-year period from October 1, 2008 to September 30, 2009, based on the ratio of actual shipments made in a month against the total order sales volume. The unamortized balance of the deferred revenue was \$2,649,750 (US\$2,500,000) as at September 30, 2008.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 18. ECONOMIC DEPENDENCE

In accordance with paragraphs 3841.03 to 3841.06 in the CICA Handbook, the Company is economically dependent on one of its customers. The contract with this customer accounts for 66% of sales in the current year (2007 - 23%). The Company management expects that this customer will account for a larger percentage of its stevia sales based on the terms of the five year supply agreement with this customer.

## 19. CONVERTIBLE DEBENTURE

On June 22, 2007, the Company issued a convertible debenture and share purchase warrants for total gross proceeds of \$6,000,000. The convertible debentures were due on June 30, 2008 and bore interest at a rate of 12% per annum, payable semi annually in arrears beginning on December 31, 2007. The convertible debentures were convertible at the option of the holder into common shares with the first third of the principal convertible at a conversion price of \$2.80 per common share, the second third of the principal convertible at \$3.05 per common share and the remaining third at \$3.30 per common share.

The convertible debentures were issued with warrants to purchase up to 1,200,000 common shares of the Company. The warrants expire on June 22, 2009 and are each exercisable for one common share at \$3.05 for the first 600,000 common shares and \$3.30 for the second 600,000 common shares.

The Company allocated the gross proceeds received of \$6,000,000 from the issuance of the convertible debenture and warrants on a relative fair value basis as follows: \$3,346,432 to the convertible debenture, \$1,513,003 to the equity component of the convertible debenture, and \$1,140,566 to the warrants. The fair value of the convertible debenture was determined based on the future payments of principal and interest for a debt instrument of comparable maturity and credit quality but excluding any conversion option by the holder. The convertible debentures carry an effective interest rate of 18%. The warrants were valued using the Black-Scholes option pricing model using a risk-free interest rate of 4.06%, an expected life of 2 years and a volatility of 85%. The fair value of the equity component of the convertible debentures was valued using the Black-Scholes option pricing model using a risk-free interest rate of 4.67%, an expected life of 1 year and a volatility of 85%.

Over the term of the convertible debenture, the fair value of the convertible debenture was accreted to its face value. For the nine-month period ended September 30, 2008, the Company recorded accretion of \$1,257,718 (2007 - \$1,395,850) related to the convertible debenture as a charge to accretion expense and capitalized interest with a corresponding credit to the liability component of the convertible debenture based on a straight line method which approximates the effective interest method. Half of the interest is capitalized in accordance with the Company's accounting policies until the underlying assets were put in operation and half of the interest is expensed in the consolidated statements of operations. No additional accretion was set up since May 2008 due to the fact that the underlying construction in progress has been put in production. The capitalized interest has been amortized starting May 2008.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements  
For the Nine Months Ended September 30, 2008  
(Unaudited – Prepared by Management)

Amended and Restated

## 20. SHARE CAPITAL

Authorized

Unlimited number of common shares with no par value

Issued and outstanding:

	Number of Shares	Amount
<b>Balance at June 21, 2005</b>	13,260,000	\$ 1
Common shares issued pursuant to business combination Note 4(b)	79,661,000	1,473,816
Options exercised at \$0.10 per share	30,000	3,000
Stock - based compensation	-	-
<b>Balance at December 31, 2005</b>	92,951,000	\$ 1,476,817
Options exercised at \$0.10 per share paid by cash	860,000	86,000
Previously recognized	-	88,911
Shares issued at \$0.25 per share	4,506,900	1,126,725
Acquisition of Runde at \$0.32 per share Note 4(b)	50,000,000	16,000,000
Shares issued at \$0.32 per share	1,254,281	401,371
<b>Balance at December 31, 2006</b>	149,572,181	\$ 19,179,824
<b>Balance at December 31, 2006, reflecting the effect of the March 14, 2007 (3:1) stock consolidation.</b>	49,857,394	19,179,824
Options exercised at \$0.30 per share paid by cash	226,666	68,000
Previously recognized	-	64,935
Shares issued for services at \$1.20 per share	250,000	300,000
Private Placement issued at \$3.00 per share	11,500,000	28,564,972
Initial Shares issued for AHTD Acquisition	3,750,000	12,875,000
<b>Balance at December 31, 2007</b>	65,584,060	\$ 61,052,731
Warrants exercised at \$3.50 per share	3,591,410	14,553,341
Options exercised at \$0.30 per share paid by cash	208,067	62,420
Reclassification of contributed surplus as a result of options exercised	-	63,107
Issuance of restricted share units	1,170,614	64,441
Convertible debenture exercised into common shares	1,976,082	6,916,287
Warrants exercised at \$3.50 per share	1,494,429	6,063,502
<b>Balance at September 30, 2008</b>	74,024,662	\$ 88,775,829

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 20. SHARE CAPITAL (continued)

- a. On January 24, 2008, the Company issued 3,591,410 shares as sales incentive to a customer who exercised its warrant at \$3.50 per share.
- b. On May 7, 2008 and June 17, 2008, 33,333 options and 174,734 options were exercised respectively at \$0.30 per shares.
- c. On May 15, 2008, 1,170,614 of restricted share units were issued to certain officers and directors. Of which, 56,308 of the restricted share units are non-performance based and are subject to vesting periods from one year to three years. \$42,961 has been expensed in the quarter as stock based compensation.
- d. On June 30, 2008, the convertible debenture holder decided to exercise the convertible right and 1,976,082 common shares were issued to retire the convertible debenture at maturity. (Note 19)
- e. On August 27, 2008, a customer exercised some of its warrants and the Company issued 1,494,429 shares at \$3.50 per share.
- f. 3,306,635 common shares were released from escrow account in the second quarter, leaving a zero balance as of September 30, 2008.

## 21. STOCK OPTIONS

The Company is subject to the policies of the TSX, 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 new 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 during the period 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%
Dividend yield:	0%
Volatility:	140%
Expected time to maturity:	5 years

The following is a summary of option transactions:

	Number of Shares	Weighted Average Exercise Price Per Share
Balance, December 31, 2006	5,828,067	\$ 0.30
Options exercised	(226,667)	0.30
Options forfeited	(33,333)	0.30
Balance, December 31, 2007	5,568,067	\$ 0.30
Options granted	178,866	4.00
Options exercised	(208,067)	0.30
Balance, September 30, 2008	5,538,866	\$ 0.42

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 21. STOCK OPTIONS (continued)

The following table summarizes information about stock options outstanding at September 30, 2008:

Exercise Prices	Number Outstanding at September 30, 2008	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at September 30, 2008	Weighted Average Exercise Price
\$ 0.30	5,360,000	1.72	\$ 0.30	5,360,891	\$ 0.30
4.00	178,866	4.62	4.00	-	-
	5,538,866	1.81	\$ 0.42	5,360,891	\$ 0.30

For the quarter ended September 30, 2008, a total of \$18,322 is recorded as stock-based compensation expense on the consolidated statements of income.

## 22. WARRANTS

A summary of the Company's warrants issued and outstanding as at September 30, 2008 is as follows:

Issued Date	Balance December 31, 2007	Exercise Price per Warrant	Warrants issued during the period		Balance December 31, 2008	Expiry Date	Weight Average life	Remaining Life
			Exercised	Expired				
07/02/07 25% of first warrant as sales incentive to a customer	3,591,411	\$ 3.50	(3,591,410)	(1)	-	31/01/2008		
07/02/07 25% of first warrant as sales incentive to a customer	3,591,410	3.50		(3,591,410)	-	29/02/2008		
07/02/07 50% of first warrant as sales incentive to a customer.	7,182,821	3.50	(1,494,429)		5,688,392	31/03/2009	0.15	0.50
07/02/07 Second warrant to a customer as sales incentive	5,223,943	4.44			5,223,943	31/03/2009	0.14	0.50
12/11/07 Warrants to the private placement investors and broker	5,750,000	4.50			5,750,000	11/06/2009	0.21	0.70
12/11/07 Warrants to a broker	690,000	3.00			690,000	11/06/2009	0.03	0.70
12/11/07 Warrants to a broker	345,000	4.50			345,000	11/06/2009	0.01	0.70
06/22/07 Warrants to the convertible debenture holder	600,000	3.05			600,000	22/06/2009	0.02	0.73
06/22/07 Warrants to the convertible debenture holder	600,000	3.30			600,000	22/06/2009	0.02	0.73
	27,574,585	\$ 4.32	-	(5,085,839)	(3,591,411)	18,897,335		

25% of the first warrants to the customer were exercised on January 31, 2008. Another 25% were extended to February 29, 2008 and expired. The remaining 50% have been extended to March 31, 2009, of which 1,494,429 warrants were exercised in the quarter.

## 23. FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

Financial results stated in Renminbi (RMB) were translated into Canadian Dollars which resulted in a cumulative foreign exchange translation gain of \$7,887,750 for the 9 months ending September 30, 2008 in comparison to a cumulative foreign exchange translation loss of \$1,436,741 for the year ending December 31, 2007.

Asset and liability accounts at this period end were translated at the closing exchange rate of one RMB to 0.1548 Canadian Dollar (0.1353 - 2007). Share capital was translated at the historical rate when the shares were converted to Canadian Dollar, and retained earnings at the cumulative historic exchange rates. Income statement accounts were translated at the average exchange rate of one RMB to 0.1517 Canadian Dollar (0.1412 - 2007).

In accordance with Canadian financial reporting standards which came into effect during the year, unrealized foreign currency translation adjustments are reported as part of Other Comprehensive Income.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 24. RESERVE FOR EMPLOYEE BENEFIT

The laws in China require all wholly owned foreign entities to set aside 10% of retained earnings as a general reserve fund for employee benefit until such a fund has reached 50% of the Company's registered capital. The amount of reserve is \$277,687 for the period ending September 30, 2008 (2007 - \$139,474).

## 25. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended		Nine months ended	
	September 30		September 30	
	2008	2007	2008	2007
Accounts receivable	\$ 988,644	\$ (1,838,146)	\$ 2,405,083	\$ (2,250,104)
Interest receivable	137,948	-	(46,357)	-
Taxes recoverable	(123,471)	(94,975)	325,583	(71,567)
Inventory	(12,496,192)	(484,321)	(13,697,184)	(1,216,636)
Prepaid expenses	359,839	(763,786)	(570,833)	(105,388)
Accounts payable	799,144	29,863	854,923	329,199
Interest payable	16,813	-	29,435	-
Deferred revenue	2,649,750	-	2,649,750	-
	\$ (7,667,525)	\$ (3,151,365)	\$ (8,049,600)	\$ (3,314,496)

## 26. 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.

September 30, 2008	Canada	China	Total
Property, Plant, and Equipment \$	956 \$	45,455,378 \$	45,456,334
Revenue	-	5,234,730	5,234,730

  

September 30, 2007	Canada	China	Total
Property, Plant, and Equipment \$	141,594 \$	8,523,160 \$	8,664,754
Revenue	593,243	4,837,274	5,430,517

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 27. RELATED PARTY TRANSACTIONS

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

- a) Pursuant to the respective consulting agreements, the Company paid and/or accrued consulting fees for the third quarter of 2008 of \$123,848 (Q3 2007 - \$57,356) to three companies separately controlled by three officers.
- b) The Company entered into a 5-year facility rental agreement expiring on December 31, 2011 with a company that two officers have ownership interest in. During the quarter, the Company paid facility rental fees of \$30,751 (RMB 202,766) (Q3 2007 – \$28,031).
- c) The Company sold \$64,765 of goods to a company that two officers have ownership interest in.

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.

## 28. FINANCIAL INSTRUMENTS

- a) Fair Values

Fair Value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, accounts receivable, interest receivable, loans receivable, taxes recoverable, restricted cash, accounts payable, interest payable, convertible debentures and due to related parties approximates the fair value because of the short-term nature of these instruments.

- b) Credit Risk

The Company has a high concentration of credit risk as the accounts receivable were owed by fewer than five customers. However, the Company is in the opinion that it does not require collateral to support these financial instruments. The carrying amount of financial assets represents the maximum credit exposure. Based on historic default rates, the Company believes that there are minimal requirements for an allowance for doubtful accounts. As well, deposits by certain customers are often made which also helps to mitigate the risk if there is any.

- c) Currency Risk

The Company conducts its business primarily in Canadian dollars, RMB, and partly in U.S. dollars and Hong Kong dollars. The Company is exposed to currency risk as the functional currency of its subsidiaries is denominated in foreign currencies other than Canadian dollars. The Consolidated Statements of Operations of the Company's global operations are translated into Canadian dollars at the average exchange rates in each applicable period. To the extent the Canadian dollar strengthens against foreign currencies, the foreign currency conversion of these foreign currency denominated transactions into Canadian dollars results in reduced revenues, operating expenses and net income for the Company's international operations. Similarly, the Company's revenues, operating expenses and net income will increase for its international operations if the Canadian dollar weakens against foreign currencies. The Company cannot predict the effect foreign exchange fluctuations will have on its results going forward. However, if there is an adverse change in foreign exchange rates versus the Canadian dollar, it could have a material effect on other comprehensive income.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 28. FINANCIAL INSTRUMENTS

(continued)

The majority of the Company's assets is in 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 PRC State Administration of Foreign Exchange. Developments relating to the PRC's economy and actions taken by the PRC government could cause future foreign exchange rates to vary significantly from current or historical rates. The Company cannot predict nor give any assurance of its future stability. Future fluctuations in exchange rates may adversely affect the value, translated or converted into Canadian dollars of the Company's net assets and net profits. The Company cannot give any assurance that any future movements in the exchange rates of RMB against the Canadian dollar and other foreign currencies will not adversely affect its results of operations, financial condition and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Of the \$30,290,124 cash, cash equivalents and restricted cash as of September 30, 2008, \$1,934,823 is denominated in US Dollars (USD\$1,825,477), \$1,589,563 is denominated in Canadian Dollars, \$968 in Hong Kong Dollars (HKD\$7,636) and \$26,764,770 is denominated in Chinese Yuan (RMB 172,899,030).

### d) 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 maintains sufficient cash balances to meet current working capital requirements. The Company is dependent on obtaining regular financings in order to continue its expansion programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with different financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

On July 29, 2008 the Company has arranged secured credit lines in China with two financial institutions totaling \$38.7 million (RMB 250 million). The term of these two credit lines will commence on July 28, 2008 and end on July 27, 2009. The interest rates, which will be based on the benchmark one-year lending rate with discounts applied. The Company will use the funds to finance the leaf purchasing for customers other than the strategic partner and to finance capital expenditure. As at October 31, 2008, the Company has not been drawn under this facility.

### e) Interest Rate Risk

The Company is exposed to interest rate risk as the Company has a total of \$24,214,051 (US\$22,845,000) advances from a customer that are repayable by shipping of goods. Of which, \$21,198,000 (US\$20,000,000) bears interest at a rate of LIBOR plus 6% per annum, and the balance of \$3,016,051 (US\$2,845,600) bore interest at a rate of LIBOR plus 3.25% per annum until September 15, 2008, the original maturity date of the balance. The repayment of balance has been extended with interest bears at LIBOR plus 10.5% per annum from September 15, 2008 to November 30, 2008, the extended maturity date of the advance. Consequently, the Company does not currently use any derivative instruments to modify the nature of its debts so as to manage its interest rate risk. The Company minimizes its interest rate risk by managing its portfolio of debt, as well as managing the term to maturity. In addition, the Company invests surplus cash in bank deposits and short-term money market securities.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

## 29. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to continue 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 considers cash and cash equivalents, restricted cash, advance from a customer, convertible debenture and items included in shareholders' equity to be capital.

The Company manages the 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, or sell assets to reduce debt. In this respect, the Company monitors its debt to equity ratio.

Pursuant to Chinese regulations, the Company is required to make appropriations to reserve funds, based on after tax net income determined in accordance with generally accepted accounting principles of China (Note 24). The reserve funds are established for covering corporate obligations in the event of business liquidation. The reserve funds are recorded as part of retained earnings (deficit). The reserve funds are available for the Company to use but are not available for distribution to shareholders other than in liquidation and may limit repatriation of invested capital.

## 30. COMPARATIVE FIGURES

Certain prior year's figures have been reclassified to conform to the current financial statement presentation.

## 31. COMMITMENTS

- a) The Company has three 30-year leases with respect to the land, building and production equipment at the Qingdao factory in China. These leases expire in 2036 and the annual minimum lease payments are approximately \$10,363 (RMB 66,944).
- b) The Company has two 5-year leases with respect to additional land and production equipment at the Qingdao factory in China. The leases expire in 2011 and 2012, and the annual minimum lease payments are approximately \$122,992 (RMB 794,525).
- c) The Company entered into various contracts to build two new leaf processing facilities at its subsidiaries Runhai (Mingguang) and Runyang (Dongtai). The total commitments are approximately \$52,266,749 (RMB 337,640,498). Of which, \$19,331,932 (RMB 124,883,284) remains outstanding as of October 31, 2008.
- d) The Company obtained a 50-year land use right (400 mu) in the town of Dongtai for expanding its operations in China. The outstanding amount for the 50-year land use right is approximately \$201,240 (RMB 1,300,000).
- e) The Company has entered into a 20-year exclusive stevia growing area and leaf processing agreement with the Juancheng Government. GLG's is committed to building a 10,000 Metric Ton Leaf processing plant by September 30, 2009. It is estimated that the 2009 commitment is estimated at \$22,000,000 to construct this facility.

# GLG LIFE TECH CORPORATION

Notes to Interim Consolidated Financial Statements

For the Nine Months Ended September 30, 2008

(Unaudited – Prepared by Management)

Amended and Restated

---

## 31. COMMITMENTS

(continued)

- f) The Company entered into a 30-year agreement with the Dongtai City Municipal Government, located in the Jiangsu Province of China, for the lease of 300 mu or approximately 50 acres of land for its seed base operation. The rent is paid every 10 years approximately \$116,100 (RMB 750,000).
- g) Associated with the \$21,198,000 (US\$20,000,000) advance from a customer (note 16), the Company entered into a supply agreement with the customer. The Company is committed to deliver a certain amount of stevia extracts to the customer for the period from October 1, 2008 to September 30, 2009.

## 32. CONTINGENT LIABILITY

The Company is currently working through a contract issue with Northern Securities over additional consideration Northern is claiming it is due from the Company with respect to the Sponsorship Agreement signed on January 24th, 2007 by both parties. The issue centres around performance against original sponsorship agreement and the resulting payment for services rendered. On May 27, 2008, Northern has filed a claim for these amounts with the B.C. Supreme Court. The Company has filed its defense and has also filed a counter claim against Northern Securities. There is no certainty over the outcome of this lawsuit. The Company is confident in its position taken with respect to not paying Northern any additional fees due to failure to perform against the contract. However, should the issue be resolved in Northern's favour, the Company would be required to pay \$38,664 in cash and to issue 250,000 additional shares to Northern. Total contingent consideration would amount to \$846,164. The Company has paid initial sponsorship fees of \$10,000 and issued 250,000 shares at a 1.20 value for total consideration of \$310,000 as is reflected in Shareholder's Equity in 2007 under share issue costs.

**GLG LIFE TECH CORPORATION**  
**CONSOLIDATED EXPENSES**

(Schedule 1)

For the Nine Months Ended September 30, 2008

Amended and Restated

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
<b>EXPENSES</b>				
Professional fees	\$ 334,168	\$ 107,302	\$ 633,815	\$ 205,974
Consulting fees	245,000	74,483	714,943	215,164
Salaries and wages	367,902	33,037	645,093	83,450
Travel	55,043	48,660	183,201	131,933
Office	169,059	32,496	351,384	66,619
Vehicle	36,474		83,578	
Rental	84,304	34,072	196,863	63,213
Insurance	29,212	15,307	47,484	41,166
Meals and entertainment	22,530	11,796	56,863	25,991
Listing fee	4,317	12,758	35,209	16,056
Interest and bank charges	3,097		7,661	
Amortization	195,061	5,241	555,217	10,894
Business taxes and licenses	116		63,238	
Delivery, freight and express	2,506		15,400	
Securities	9,019		28,855	
Sponsorship fees	-	150,000	-	160,000
Miscellaneous	-	6,878	-	21,391
Stock-based compensation	61,283		91,924	
Advertising and promotion	49,522		95,464	
Research and development	17,328		21,828	
	\$ 1,685,941	\$ 532,030	\$ 3,828,020	\$ 1,041,851