



**GLG Life Tech  
Corporation  
Management's  
Discussion &  
Analysis**

June 30

**2009**

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[Dated: August 11, 2009]

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## Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of GLG Life Tech Corporation is dated as of August 11, 2009, which is the date of filing of this document. It provides a review of the three and six months ended June 30, 2009 relative to the comparable periods of 2008. The three month period represents the second quarter of our 2009 fiscal year.

This MD&A relates to the consolidated financial condition and results of operations of GLG Life Tech Corporation ("GLG" or the "Company") together with GLG's subsidiaries in the People's Republic of China ("China"). As used herein, the word "Company" means, as the context requires, GLG and its subsidiaries. The common shares of GLG are listed on the Toronto Stock Exchange (the "Exchange") under the symbol "GLG". Except where otherwise indicated, all financial information reflected herein is expressed in Canadian dollars and determined on the basis of Canadian generally accepted accounting principles ("Canadian GAAP"). This MD&A should be read in conjunction with the consolidated annual financial statements of GLG for the year ended December 31, 2008, and notes thereto. Additional information relating to GLG Life Tech Corporation including GLG's Annual Information Form can be found on GLG's web site at [www.glglifetech.com](http://www.glglifetech.com) or on the SEDAR web site for Canadian regulatory filings at [www.sedar.com](http://www.sedar.com).

The preparation of the consolidated interim financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated interim financial statements and the reported amounts of revenue and expenses during the reporting period. GLG bases its estimates on historical experience, current trends and various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

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GLG has issued guidance on and reports on certain non-GAAP measures that are used by management to evaluate the Company's performance. Because non-GAAP measures do not have a standardized meaning, securities regulations require that non-GAAP measures be clearly defined and qualified, and reconciled with their nearest GAAP measure. Where non-GAAP measures are reported, GLG has provided the definition and reconciliation to their nearest GAAP measure in section "NON-GAAP Financial Measures".

## Forward-Looking Statements

Certain statements in this Management's Discussion and Analysis ("MD&A) constitute "forward-looking statements". Such forward-looking statements include, without limitation, statements evaluating the market, potential demand for stevia and general economic conditions and discussing future-oriented costs and expenditures. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases or words and phrases that state or indicate that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. While we have based these forward-looking statements on our current expectations about future events, the statements are not guarantees of our future performance and are subject to risks, uncertainties, assumptions and other factors which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such factors include amongst others the effects of general economic conditions, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations, industry supply levels, competitive pricing pressures and misjudgements in the course of preparing forward-looking statements. Specific reference is made to the risks described herein under the heading "Risks Related to our Business" and "Risks Associated with Doing Business in the People's Republic of China" for a discussion of these and other sources of factors underlying forward-looking statements and those additional risks set forth under the heading "Risk Factors" in our Annual Information Form for the financial year ended December 31, 2008. In light of these factors, the forward-looking events discussed in this MD&A might not occur. Further, although the Company has attempted to identify factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. As there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements, readers should not place undue reliance on forward-looking statements. Financial outlook information contained in this MD&A about prospective results of operations, capital expenditures or financial position is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information as of the date hereof. Such financial outlook information should not be used for purposes other than those for which it is disclosed herein.

## Overview

GLG is a world leader in the production of high quality stevia extract. Our vertically integrated strategy includes stevia seed development, growth and refining operations as well as final manufacturing of formulated product for consumers. Stevia is a natural, calorie free sugar substitute, derived from the leaves of the stevia plant scientifically known as *Stevia Rebaudiana Bertoni*.

Upon the harvesting of the stevia leaf it is further processed by GLG for the commercial sale of the resulting industrial powder to the food and beverages Industry. Cargill Incorporated ("Cargill") announced in May 2007 it will be producing the world's first commercial scale natural, zero-calorie high intensity sweetener, rebiana. GLG is a strategic supplier to Cargill for high quality stevia extract for GLG's rebiana product. The two companies have worked in close partnership to develop an integrated supply chain from stevia leaf growing to high quality extract manufacturing.

GLG is one of the largest low cost/high quality producers of high grade stevia extract in the world today. By vertically integrating our operations, high quality stevia is produced through our growing and production process including the development of seeds, growth of seedlings, planting, leaf harvesting, extraction and refining.

GLG has its primary extract manufacturing capabilities and agricultural assets located throughout China. GLG entered into the stevia production business in December 2006 with the acquisition of 100% ownership of Qingdao Runde Biotechnology Company, Ltd. ("Runde"). This turnkey plant provided GLG with an annual capacity for high grade stevia extract of 200 metric tons (MT). The facility has been upgraded to 1000 MT annual capacity of high grade stevia extract. The Company believes demand for stevia could increase significantly over the coming years and has invested in the capacity needed for this projected growth. GLG has also established four other subsidiaries in China. Anhui Bengbu HN Stevia High Tech Development Company Limited ("Bengbu") was established in November 2007 as a seed base and for R&D operations for GLG in China. The seed base that was acquired from Agricultural High Tech Developments, Ltd. ("AHTD") in December 2007 is part of the Bengbu subsidiary. Dongtai Runyang Stevia High Tech Company Limited ("Runyang") – Runyang was established in November 2007 for the purpose of processing stevia leaf grown and harvested in the Dongtai region of China into stevia extract. Its initial facilities were constructed during 2008 and their initial operations were announced in January 2009. Runyang is able to process 18,000 MT per year of stevia leaf at its processing facility pursuant to the investment agreement with the Dongtai People's Government announced in August 2007. Chuzhou Runhai Stevia High Tech Company Limited ("Runhai") – Runhai was established in September 2007 for the purpose of processing stevia leaf grown and harvested in the Mingguang region of China into stevia extract. Its initial facilities were constructed during 2008 and their initial operations were announced in January 2009. Runhai is able to process 18,000 MT per year of stevia leaf at its processing facility pursuant to the investment agreement with the Mingguang People's Government announced in August 2007. Qingdao Runhao Stevia High Tech Company Limited ("Runhao") was established in May 2009 for the purpose of producing high grade stevia extract up to RA 97 grade.

GLG Weider Sweet Naturals Corporation (“GLG-Weider”) – GLG-Weider was established in September 2008 and is focused on the sales and distribution of high grade stevia extract to the global food and beverage industry. GLG owns 55% of GLG-Weider and Weider Global Nutrition II LLC owns the remaining 45%. GLG-Weider was incorporated under the laws of the Province of British Columbia.

GLG experiences a competitive advantage due to patent-pending seedlings that have higher Rebaudioside A (RA) content (the sweet component of the stevia leaf), vertically integrated operations (R&D, seed base, and processing facilities), proprietary processing technology and lower labour costs given the location of its operations.

Stevia is a safe, healthy alternative to artificial sweeteners and sugar. It includes no additional chemicals and provides a healthy, 100% natural solution for consumers. Indigenous to Paraguay, stevia has been used to sweeten food and beverages for hundreds of years.

## **2009 Corporate Developments for the six months ended June 30, 2009**

### **New Stevia Leaf Processing Facilities announced in January 2009**

On January 6, 2009, the Company announced that it had commenced initial operations at its two new stevia processing facilities in the cities of Mingguang (Anhui Province) and Dongtai (Jiangsu Province), China where the Company's major stevia leaf growing areas are located. The facilities each have a capacity of 18,000 MT of throughput per year and increase the Company's total raw leaf processing capacity from an existing 5,000 MT to 41,000 metric tons, an increase of 720%. Production at these two new facilities ramped up over the first quarter as they completed extensive food safety audits which were all completed by mid-March 2009.

Subsequent to completion of the food safety audits, the processing of intermediate grade stevia extract (RA 60) has progressed and the performance of the new facilities and new technologies have exceeded Management's expectations with respect the decreased cycle time to produce stevia extract and the reduction in water required during the processing of stevia extract. Extract production is now benefiting significantly from the new stevia leaf processing facilities.

The plan to increase high grade stevia capacity was announced by the Company on January 14, 2009. The addition of increased high grade stevia capacity will allow the new leaf processing facilities to run at higher capacity. The first phase of the new high grade stevia capacity is expected to be complete by year-end 2009 which is expected to facilitate increased throughput of high grade stevia extract and rebiana products.

### **GLG Weider Venture Update**

GLG Weider Sweet Naturals Corp (SN) has been marketing high grade stevia extract and rebiana products globally since its inception September 2008. Through its direct sales force, Sweet Naturals has an active prospect base of several hundred small, medium and large food and beverage companies. SN is in discussion with prospects at various stages of the sales process for the sale of high grade stevia (RA

and STV), rebiana (RA 97), co-products, and granulated and formulated bulk tabletop sweetener material.

Stevia, and especially rebiana as a sweetener, is gathering considerable momentum and generating significant interest in the global food and beverage market. SN has seen increasing numbers of general inquiries and product requests not only in the US, but also across Asia and South America in countries where the sweetener is also approved for use as a food ingredient. SN is currently actively marketing and selling in the following countries:

1. United States
2. China
3. Japan
4. Korea
5. Australia
6. New Zealand
7. The Philippines
8. South America (Brazil, Chile, Paraguay)
9. Turkey
10. Thailand
11. Vietnam
12. Indonesia
13. Russia
14. Algeria
15. Mexico
16. Canada

SN's sales cycle follows a typical sales process beginning with initial contact with prospective customers, followed by a request and fulfillment of a sample order of SN's products. The prospective customers will then test SN's sample with a particular food or beverage application testing various recipes and formulations in both existing and new products. This testing phase of the process typically takes from six to eighteen months to complete depending on the prospective customer's experience in working with stevia as a sweetener. As a result of the length of the sales, marketing and product development

process, SN expects to see product launches from their customer base starting in the third quarter of 2009 with larger purchase orders to follow.

SN has added a number of customers in the first six months of 2009 and expects to contract with a growing number of its prospective customers over the next several quarters. SN announced on May 12, 2009 its supply contract with Zevia LLC in the United States. Zevia has been recognized by SPINS, a division of AC Nielson for retail performance, as the #1 selling diet soda in the all natural food category as well as the #3 best selling product of all carbonated beverages in the all natural food category. Zevia has achieved national distribution in the United States including through major retailers such as Whole Foods. SN is also currently in discussion with a number of large multinational companies for the sale of its high grade stevia products including rebiana. A number of these discussions are at the purchase order phase and the Company expects to see increased revenues from these starts during the third quarter.

#### 2009 Stevia leaf crop in China

For the leaf crop for 2009, GLG has been active working with the local Chinese governments in its three exclusive growing areas during the first six months of 2009. Key activities included preparation of proprietary seedlings for the 2009 crop and the recruitment of farmers in cooperation with local governments to grow stevia using GLG's exclusive proprietary seedlings and the planting of seedlings for the 2009 stevia crop.

As GLG's gross profit margin is significantly influenced by the quality of the stevia leaf crop harvested in any given year, GLG's strategy to improve gross margin is (1) increase the amount of proprietary GLG high Rebaudioside A seedlings into each year's crop and (2) follow quality standards for crop purchase to minimize the amount of moisture and foreign material in the leaf purchased.

GLG commenced its 2009 stevia leaf purchase program late in July, 2009.

#### New Purchase Order from Cargill received during the second quarter

On May 5, 2009, GLG announced that it has received an initial order from Cargill valued at US\$ 40.5 million for the delivery of high grade stevia extract beginning October 2009. Further, GLG has agreed to make additional product available to Cargill during the next 18 months for a possible increase in the order size.

#### New Subsidiary Established in Qingdao for new rebiana facility

On January 14, 2009, the Company announced plans to build a new 2,000 metric ton rebiana facility. In May 2009, the Company entered into a long term investment agreement ("Agreement for Investment in High Grade Stevia Powder") with the Qingdao Export Refine Management Committee for this new facility. The new subsidiary is called Qingdao Runhao Stevia High Tech Company Limited ("Runhao") and in May 2009, Runhao was established for the purpose of processing intermediate stevia extract into rebiana and other high grade stevia extract products. The investment agreement states that a total area of 1,300 mu of land (approximately 214 acres) will be made available to Runhao and was

discounted by approximately 80% from the market values. The first phase of the development will occupy 370 mu of land (approximately 61 acres). The Government is responsible to make the land ready for use, the construction of a four lane road to service the facility and to assist Runhao obtain all necessary permits. The investment agreement calls for GLG to invest US\$ 30 million in registered capital in Runhao within two years of the subsidiary being established. This timetable for investment can be extended by an additional year if GLG 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. The plans for this facility are to develop within the next eighteen months a 2,000 metric ton rebiana facility. Runhao was incorporated in China and is a 100% owned wholly-owned foreign enterprise under Chinese law.

#### New Loan facility arranged in China

On June 25, 2009, GLG announces that the Company has arranged an additional credit facility of RMB 250 million with the Agricultural Bank of China. At current exchange rates, these credit lines will provide GLG approximately \$42 million in capital. The term of this credit facility varies from one to three years for amounts drawn down and is open for use by all GLG Chinese subsidiaries as needed. Interest rates are to be set on each draw down of the facility based on the prevailing market rates.

## Results

The following results should be read in conjunction with the interim statements for the period ending June 30, 2009 and the consolidated financial statements of GLG for the years ended December 31, 2008 and 2007. Certain prior year's figures have been reclassified to conform to the current financial statement presentation.

In thousands Canadian \$, except per share amounts	Second quarter 2009	Second quarter 2008	% Change	Six months 2009	Six months 2008	% Change
Revenue	10,805	1,092	890%	13,806	1,933	614%
Cost of Sales	9,163	799	1047%	10,745	1,372	683%
% of Revenue	85%	73%	12%	78%	71%	7%
Gross Profit	1,642	293	461%	3,061	560	446%
% of Revenue	15%	27%	(12%)	22%	29%	(7%)
General and Administration Expenses	2,486	1,293	92%	5,236	2,142	144%
% of Revenue	23%	118%	(95%)	38%	111%	(73%)
Income (loss) from Operations	(844)	(1,000)	16%	(2,175)	(1,582)	(38%)
% of Revenue	(8%)	(92%)	84%	(16%)	(82%)	66%
Other Income (Expenses)	1,190	(606)	297%	255	(958)	127%
% of Revenue	11%	(55%)	66%	2%	(50%)	51%
Net Income (loss) before Income Taxes and Non- Controlling Interests	347	(1,606)	122%	(1,920)	(2,540)	24%
% of Revenue	3%	(147%)	150%	(14%)	(131%)	117%
Net Income (loss)	371	(1,606)	123%	(1,129)	(2,540)	56%
Net Income (loss) per share (Basic)	0.00	(0.02)	121%	(0.01)	(0.04)	62%
Net Income (loss) per share (Diluted)	0.00	(0.02)	117%	(0.01)	(0.04)	62%
Total Comprehensive (Loss) income	(7,597)	1,123	(776%)	(6,230)	2,582	(341%)
% of Revenue	(70%)	103%	(173%)	(45%)	133%	(178%)
EBITDA (1)	1,677	(481)	449%	2,033	(831)	345%

In thousands Canadian \$, except per share amounts	Second quarter 2009	Second quarter 2008	% Change	Six months 2009	Six months 2008	% Change
% of Revenue	16%	(44%)	60%	15%	(43%)	58%

(1) EBITDA is defined in the section Non-GAAP Financial Measures along with the details of the calculation.

## Results from Operations

The following results should be read in conjunction with the interim statements for the period ending June 30, 2009 and the consolidated financial statements of GLG for the years ended December 31, 2008 and 2007. Certain prior year's figures have been reclassified to conform to the current financial statement presentation.

### Revenue

Revenue for the six months ended June 30, 2009 were \$ 13.8 million, an increase of 614% over \$1.9 million in revenue for the comparable period in 2008 which were derived entirely from stevia sales. Revenue for the second quarter ended June 30, 2009 was \$10.8 million, an increase of 890% over \$1.1 million in revenue for the second quarter in 2008. The increase in stevia revenues was driven by;

- (1) New production capacity coming on line at GLG's plants at Mingguang and Dongtai during the first quarter which materially improved the Company's production throughput of final product. (Leaf processing capacity increased from 5,000 metric tons per year to 41,000 metric tons with the addition of Mingguang and Dongtai facilities).
- (2) Higher demand and purchase orders for the Company's high grade stevia extract products in 2009 versus 2008. (2009 deliverable order backlog stood at \$40.5 million as at June 30, 2009)
- (3) Greater shipments of higher value stevia extract than in the comparable period against existing purchase orders.
- (4) Generation of \$0.8 million in seedling sales during the second quarter.

Inventory decreased from \$33.1 million as at December 31, 2008 to \$32.1 million as at June 30, 2009. The key drivers for the net changes in inventory at the end of June were; (a) the decrease in raw materials inventories to develop finished product to meet current customer orders; (b) the increase in work in progress inventories to meet 2009 customer order commitments;(c) the increase in by-product inventories available for sale or further processing into final products; and (d) the increase in finished product inventories to meet current 2009 customer orders.

## Cost of Sales

Cost of Sales for the six months ended June 30, 2009 were \$ 10.7 million, an increase of 683% over \$1.4 million in cost of sales for the comparable period in 2008. The increase in cost of sales year over year and for the quarter was driven by;

- (1) New production capacity coming on line at GLG's plants at Mingguang and Dongtai during the first quarter which materially improved the Company's production throughput of final product. (Leaf processing capacity increased from 5,000 metric tons per year to 41,000 metric tons with the addition on Mingguang and Dongtai facilities). During the quarter the Company was not operating at full capacity at these facilities and there are resulting higher fixed costs charged against cost of sales which has decreased gross profit margin.
- (2) There were also higher costs experienced at the start-up of these new facilities. The Company has seen production costs at its new facilities consistently decline during the second quarter from its start-up time during February and March in the first quarter as production management improves its efficiencies. The higher production costs seen at the initial start-up of the facilities did flow through the cost of goods sold during the second quarter.
- (3) Larger shipments of higher value stevia extract than in the comparable period against existing purchase orders also drive the increase in cost of sales for the 6 month and 3 month periods.
- (4) The commencement of expensing the interest capitalized into inventory associated with a customer's order that started delivery during the second quarter. This accounted for approximately 5% of cost of sales for the second quarter.

The key components of stevia cost of sales in include:

- a. stevia leaf (71% of costs of sales for fiscal 2008)
- b. salaries and wages of manufacturing labour
- c. manufacturing overhead used in the production of stevia extract, including supplies, power and water.
- d. depreciation of the stevia extract processing plants.

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

- a. The price paid for stevia leaf and the stevia leaf quality, which is impacted by crop quality for a particular year/period. This is the most important factor that will impact the gross profit of GLG's stevia business.
- b. The price per kilogram for which the extract is sold.
- c. The sale of by-products (also known as co-products). There were a very small number of co-product sales during the year due to the focus on production of high grade stevia. Sales of by-products have

historically increased the overall gross profit of the stevia business. The GLG Weider venture will be focused on also selling other GLG product lines during 2009 including co-products extract (mixture of steviol glycosides) and highly pure STV extract.

d. Other factors which also impact stevia cost of sales to a lesser degree include:

- salaries and wages of manufacturing labour ;
- capacity utilization;
- water and power consumption;
- manufacturing overhead used in the production of stevia extract, including supplies, power and water;
- depreciation on stevia extract processing plant;
- interest on leaf purchases; and
- net VAT paid on export sales.

GLG's stevia business is affected by seasonality. The harvest of the stevia leaves typically occurs starting at the end of the July through the fall of each year. GLG's operations in China are also impacted by Chinese New Year celebrations during the month of January or February each year where many businesses close down operations for approximately two weeks. GLG's production year runs October 1 through September 30 each year. Therefore inventory levels are typically higher in the fourth quarter until raw material is converted into finished products and shipped to customers.

## Gross Profit

Gross profit for the six month period ending June 30, 2009 was \$3.1 million, an increase of 446% over \$0.6 million in gross profit for the comparable period in 2008. The absolute increase in gross profit can be attributed to increased stevia sales. The gross profit margin for the 6 months ended June 30, 2009 was 22% compared to 29% gross profit margin achieved on sales for the comparable period in 2008. The gross profit margin decline was driven by the same factors as described under cost of sales for the three and six month periods.

Gross profit for the second quarter ending June 30, 2009 was \$1.6 million, an increase of 461% over \$0.3 million in gross profit for the second quarter of 2008. The main driver for the increase in gross profit for the second quarter 2009 compared with the second quarter of 2008 was a higher volume of high grade stevia extract sales.

## General and Administration Expenses

In thousands Canadian \$	Second quarter 2009	Second quarter 2008	% Change	Six months 2009	Six months 2008	% Change
General and Administration Expenses	2,486	1,293	92%	5,236	2,142	144%
% of Revenue	23%	118%	(95%)	38%	111%	(73%)

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

In thousands Canadian \$	Second quarter 2009	Second quarter 2008	% Change	Six months 2009	Six months 2008	% Change
SG&A	\$1,708	\$1,077	58%	\$3,688	\$1,751	111%
Stock based compensation	\$474	\$31	1429%	\$975	\$31	3045%
G&A Amortization and Depreciation Expenses	\$304	\$185	64%	\$573	\$360	59%
% of Revenue	23%	118%	95%	38%	111%	73%

Each of these expense categories is discussed in further detail in the next three sections.

SG&A expenses for the six months ended June 30, 2009 were \$3.7 million an increase of \$1.9 million or 111% over the same period for 2008 of \$1.8 million. The key expense categories that increased were salaries, consulting fees, office and travel which accounted for 78% of the year over year increase. GLG’s employee count at the end of June 30, 2009 was 1,185, a 46% increase of 808 people over year end 2008. Approximately 75% of employees work in the production function of the Company.

SG&A expenses for the three months ended June 30, 2009 were \$1.7 million which is an increase of \$0.6 million or 58% over the same period for 2008. The key expense categories that increased were salaries, consulting fees, office and travel which accounted for 95% of the year over year increase.

SG&A expenses decreased \$0.3 million comparing the second quarter of 2009 to the first quarter of 2009 which was within the expected range as discussed in the first quarter 2009 MD&A. The cost

reductions resulted from the transfer of production employee costs from SG&A expenses to production costs as the new facilities were fully operational during the second quarter and because there was a reduction in one time start-up costs associated with the new facilities.

Stock based compensation was \$0.5 million for the second quarter of 2009 compared with \$0.03 million in the second quarter of 2008. GLG had an amended stock compensation plan approved by its shareholders at its annual general meeting in June 2008. Under the amended plan, the number of common shares available for issue is 10% of the issued and outstanding common shares. Prior to 2008, the Company did not grant stock options since 2005. Grants made during 2008 were 1,474,480 compensation securities including both options and restricted shares. 84% of these grants have three year vesting and performance criteria set by the Compensation Committee of the Board in order to be fully earned by the recipients. The majority of the second quarter 2009 stock compensation expenses were associated with the grants from 2008. An additional grant was made by the Board of Directors during the second quarter of 2009. This amounted to 1,500,000 compensation securities including both options and restricted shares. 81% of these grants have three year vesting and performance criteria requirements set by the Compensation Committee of the Board in order to be fully earned by the recipients.

G&A related depreciation and amortization expenses for the three months ended June 30, 2009 was \$0.3 million, an increase of 64% over \$0.2 million for the comparable period in 2008. The main driver for the increase in amortization is related to the increase in intangible patent amortization related to the acquisition of Agricultural High Tech Developments Limited.

## Other Income (expenses)

In thousands Canadian \$	Second quarter 2009	Second quarter 2008	% Change	Six months 2009	Six months 2008	% Change
Other Income (expenses)	\$1,190	(\$606)	297%	\$255	(\$958)	(127%)
% of Revenue	11%	(55%)	66%	2%	(50%)	51%

Other income for the six months ended June 30, 2009 was \$0.3 million, a 127% increase compared to other income of (\$1.0) million for the comparable period in 2008. There were two items that contributed the majority to the other income (expenses) for the six months ended June 30, 2009; (1) unrealized foreign exchanges gains on US\$ dollars denominated liabilities that GLG was holding during the period (\$1.3 million) and (2) interest expenses (\$1.1 million). Interest expenses of \$1.1 million for the six month period ending June 30, 2009 were related to (1) the US\$ 20 million advances from a customer and (2) the bank loans in China. With respect to the US\$ 20 million facilities and associated

interest due on the facility, it is expected to be repaid as GLG ships product to this customer during 2009.

Other Income (expenses) for the second quarter 2009 was \$1.2 million an increase of 294% over the second quarter 2008 (\$0.6 million) and was impacted by the same items as described for the six months period.

### Foreign Exchange gains (losses)

GLG reports in Canadian dollars but earns most of its revenues in US dollars and incurs most of its expenses in Chinese Yuan ("RMB"). Impacts of the appreciation of the Chinese Yuan against the Canadian dollar are shown separately in Accumulated Other Comprehensive income ("AOCI") on the Balance Sheet. As of June 30, 2009, the exchange for RMB per Canadian dollar was 5.8754, or an appreciation of 5.5% from the exchange rate on December 31, 2008 (5.5710). The balance of the AOCI was \$15.6 million on June 30, 2009 compared to balance of \$20.7 million as at December 31, 2008.

The exchange rate fluctuations of the US dollar and the Canadian dollar had a significant impact on unrealized foreign exchanges losses reflected on the first six months income statement in 2009. The table below shows the change in the Canadian dollar relative to the US dollar from year-end 2008 to June 30, 2009. During the first quarter of 2009 the Canadian dollar declined approximately 3% relative to the US dollar. During the first quarter GLG recognized \$0.7 million of unrealized foreign currency losses attributed to the decline in the Canadian dollar relative to the US dollar. During the second quarter of 2009 the Canadian dollar appreciated 8.5% relative to the US dollar. During the second quarter GLG recognized \$2.0 million of unrealized foreign currency gains attributed to the increase in the Canadian dollar relative to the US dollar.

Impacts of the appreciation of the Chinese Yuan against the Canadian dollar are shown separately under the Accumulated Other Comprehensive Income account on the Balance Sheet. The following table presents the exchange rate movement for the Canadian dollar relative to the US dollar and RMB as shown below. The Canadian dollar depreciated against the US dollar by 3% from year-end 2008 to the end of the first quarter 2009. The appreciation of the US dollar relative to the Canadian dollar had an impact on the first quarter revenues results as the majority of GLG's revenues for the period were based on US dollar contracts. The Canadian dollar appreciated against the US dollar by 8.5% from the end of the first quarter 2009 to June 30, 2009. The depreciation of the US dollar relative to the Canadian dollar had an impact on the second quarter revenues results as the majority of GLG's revenues for the period were based on US dollar contracts.

Exchange rates Noon rate (as compared to the Canadian \$)	2006 Dec 31	2007 Dec 31	2008 Dec 31	2009 Mar 31	2009 June 30
U.S. Dollars	0.8581	1.0120	0.8166	0.7928	0.8602
Chinese Yuan	6.6845	7.3910	5.5710	5.4230	5.8754

The following table presents the exchange rate movement for RMB relative to the US dollar as shown below. The US dollar was essentially flat against the RMB at the end second quarter of 2009 compared to March 31, 2009.

Exchange rates	2006 Dec 31	2007 Dec 31	2008 Dec 31	2009 Mar 31	2009 June 30
Chinese Yuan	7.8175	7.3141	6.8223	6.8456	6.8448

## Net Income (loss)

In thousands Canadian \$	Second quarter 2009	Second quarter 2008	% Change	Six months 2009	Six months 2008	% Change
Net Income (loss)	371	(1,606)	123%	(1,129)	(2,540)	56%

The net income for the three months ending June 30, 2009 was \$0.4 million, in comparison with a net loss of \$1.6 million for the comparable period in 2008. The basic income per share was \$0.00 for the three months ending June 30, 2009 compared with a loss per share of \$0.01 for the comparable period in 2008. Net Income improved to \$0.4 million for the three month period ending June 30, 2009 in comparison to the loss of 1.6 million for the second quarter 2008. This \$2 million improvement was driven by (1) higher gross profit margin from increased production at GLG's new facilities in Mingguang and Dongtai (\$1.3 million) and (2) unrealized foreign exchange gains driven by an appreciation of the Canadian dollar relative to US dollar in the second quarter (\$1.8 million) which were offset by an increase in G&A expenses (\$1.2 million). The six month net loss per share for the period ending June 30, 2009 improved by \$1.4 million compared to the same period in 2008. This \$1.4 million lower loss was also driven by the same factors compared to the same period for 2008. For the six month period the improvement in net loss compared to the previous year was driven by (1) higher revenues and gross profit margin from increased production at its new facilities in Mingguang and Dongtai (\$2.5 million), (2) unrealized foreign exchange gains driven by an appreciation of the Canadian dollar relative to US dollar in the second quarter (\$1.3 million), and (3) an income tax recovery of \$0.7 million which were offset by an increase in G&A expenses (\$3.1 million).

## Comprehensive Income

In thousands Canadian \$	Second quarter 2009	Second quarter 2008	% Change	Six months 2009	Six months 2008	% Change
Net Income (loss)	\$371	(\$1,606)	123%	(\$1,129)	(\$2,540)	56%
Other Comprehensive (Loss) income	(\$7,968)	\$2,729	(392%)	(\$5,101)	\$5,121	(200%)
Total Comprehensive (Loss) income	(\$7,597)	\$1,123	(776%)	(\$6,230)	\$2,582	(341%)

The Company recorded total comprehensive loss of \$6.2 million for the first six months of 2009, comprising \$1.1 million of net loss and \$5.1 million of other comprehensive loss. The Company recorded total comprehensive loss of \$7.6 million for the three months ended June 30, 2009, comprising \$0.4 million of net income and \$8.0 million of other comprehensive loss. The other comprehensive loss was solely made up of the currency translation adjustments recorded on the revaluation of the Company's investments in self-sustaining Chinese subsidiaries due to the strengthening of the Canadian dollar against the Renminbi (RMB) during the second quarter. This loss is held in accumulated other comprehensive income (loss) until it is realized, at which time it is included in net income.

## NON-GAAP Financial Measures

### Earnings Before Interest Taxes and Depreciation ("EBITDA")

EBITDA for the quarter ended June 30, 2009 was \$1.7 million, an increase of 449% over negative \$0.5 million in EBITDA for the comparable period in 2008. The main drivers for the increase in EBITDA for the three months ended June 30, 2009 compared to the corresponding period 2008 is attributable to (1) higher stevia revenue and gross profit for the second quarter 2009 as compared to the second quarter of 2008, (2) reduction in one-time start up related costs and (3) transfer of production staff costs from general and administrative costs to production costs with the start-up of operations at its new facilities in Mingguang and Dongtai.

EBITDA for the six months ended June 30, 2009 was \$2.0 million, an increase of 345% over negative \$0.8 million in EBITDA for the comparable period in 2008.

The following table provides reconciliation to Canadian GAAP Net Income.

In thousands Canadian \$	Second quarter 2009	Second quarter 2008	Six months 2009	Six months 2008
Income (loss) before income taxes and non-controlling interests	\$347	(\$1,606)	(\$1,920)	(\$2,540)
Add:				
Non-Controlling Interest	\$39	-	\$81	-
Depreciation and Amortization	\$1,519	\$510	\$2,664	\$742
Net Interest Expense	\$1,306	\$582	\$1,550	\$934
Foreign Exchange (gains) losses	(\$2,007)	\$2	(\$1,316)	\$2
Non-Cash Share Compensation Expense	\$474	\$31	\$975	\$31
EBITDA	\$1,677	(\$481)	\$2,033	(\$831)
% Revenue	16%	(44%)	15%	(43%)

## Summary Quarterly Results

The selected consolidated information below has been gathered from GLG's quarterly consolidated financial statements for the previous eight quarterly periods:

In thousands Canadian dollars, except per share amounts	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2	2008 Q1	2007 Q4	2007 Q3
Revenue	\$10,805	\$3,001	\$4,657	\$3,302	\$1,092	\$841	\$3,727	\$2,258
Gross Profit	\$1,642	\$1,419	\$939	\$832	\$293	\$268	\$896	\$823
Gross Profit %	15%	47%	20%	25%	27%	32%	24%	36%
Net Income (Loss)	\$371	(\$1,500)	(\$7,115)	(952)	(\$1,606)	(\$934)	\$456	(\$468)
Basic (Loss) Per Share	\$0.00	(\$0.02)	(\$0.10)	(\$0.01)	(\$0.02)	(\$0.01)	\$0.01	(\$0.01)
Diluted (Loss) Per Share	\$0.00	(\$0.02)	(\$0.10)	(\$0.01)	(\$0.02)	(\$0.01)	\$0.00	(\$0.01)
EBITDA (1)	\$1,677	\$270	(\$77)	(\$123)	(\$481)	(\$350)	\$451	\$431

1. EBITDA is defined in the section Non-GAAP Financial Measures along with the details of the calculation. EBITDA does come directly from the financial statements and its calculation is defined above.

Note: 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.

### Quarterly Net Income (Loss)

Net income for the second quarter 2009 was \$0.4 million, versus a loss of \$1.6 million in the second quarter of 2008 or a \$2.0 million decrease in loss. The decreased loss was driven by an improvement in gross profit margin in the second quarter of 2009 by \$1.3 million, and an increase in other income of \$1.8 million which was offset by an increase sales general and admin expenses of \$1.2 million.

Net loss for the first quarter 2009 was \$1.5 million, versus a loss of \$7.1 million in the fourth quarter of 2008 or a \$5.6 million decrease in loss. The decreased loss was driven by an improvement in gross profit margin in the first quarter of 2009 by \$0.5 million, decreased stock based compensation expenses of \$0.7 million, decreased unrealized foreign currency losses of \$2.1 million, and decreased provisions on loans of \$3.1 million and were offset by a decrease in income tax recoveries of \$0.7 million.

The net losses for the first through fourth quarters in 2008 were driven by the Company's strategy to expand the scale of its stevia business in 2008 to meet increased customer demand and industry growth. The Company invested in new facilities and expanded its staff during 2008 which contributed to the majority of the losses for the quarters.

The net losses for the third and fourth quarter 2007 were driven by the interest expense of the convertible debenture.

### Quarterly Basic and Diluted Earnings (loss) per Share

The basic earnings and diluted earnings per share were \$0.00 for the second quarter 2009 compared with (\$0.02) for the first quarter of 2009. The improvement in earnings per share for the second quarter compared to the first quarter of 2009 can be attributed to high gross profit which was driven by higher revenues and higher other income generated in the second quarter relative to the first quarter.

The basic loss per share and diluted loss per share were (\$0.02) for the first quarter 2009 compared with (\$0.10) for the fourth quarter of 2008. The fourth quarter loss per share was driven by increased stock based compensation, unrealized foreign currency losses and a provision on amounts owed to the Company by YHT.

## Capital Expenditures

In thousands Canadian	Second quarter 2009	Second quarter 2008	% Change	Six months 2009	Six months 2008	% Change
Capital Expenditures	\$3,230	\$10,175	(68%)	\$12,594	\$13,538	(6.7%)

Capital expenditures for the 3 months ended June 30 2009 equal \$3.3 million, being \$7.1 million from cash flow statement (Cash Flow used by investing activities) + (\$2.6 million) accounts payable reduction related to the purchase of plant, property and equipment (PP&E) + (\$1.2 million) prepaid expenses reduction on quarter end balance sheet related to 2008 PP&E expenditures.

GLG's capital expenditures of \$3.3 million for the second quarter of 2009 reflected a decrease of 68% in comparison to \$10.2 million in the second quarter of 2008. The second quarter capital expenditures were primarily incurred for the new rebiana facility that is currently under construction. The completion date for this facility is expected in December 2009 and the initial construction cost of the first 1,000 RA 97 metric ton line is expected to be approximately \$12 million.

Capital expenditures for the 6 months ended June 30 2009 equal \$12.6 million, being \$10.1 million from cash flow statement (Cash Flow used by investing activities) + \$1.4 million accounts payable increase related to the purchase of plant, property and equipment (PP&E) + \$1.1 million prepaid expenses increase on June 30, 2009 balance sheet related to 2008 PP&E expenditures.

GLG's capital expenditures for the six months ended June 30, 2009 of \$12.6 million reflected a decrease of 6.7% in comparison to \$13.5 million for the comparable period in 2008. The majority of these capital expenditures were incurred in the first quarter of 2009 driven by the completion of the leaf processing facilities by the Runhai (Mingguang) and Runyang (Dongtai) subsidiaries (approximately \$8 million). Capital expenditures incurred during the second quarter of the fiscal year were primarily incurred in the set-up and construction of the Company's new rebiana facility (approximately \$3 million).

The following table presents the current capacity levels for GLG's facilities as of the date of the MD&A compared to year-end 2008.

Production Capacity (Metric Tons)	Year end 2008	Current	Expected Capacity Year-end 2009
Leaf Processing	5,000	41,000	41,000
Intermediate Powder (RA 60)	500	4,000	4,000
High Grade Stevia (RA 80)	1,000	1,000	3,000
Rebiana (RA 97)	500	500	1,500

## Liquidity and capital resources

In thousands dollars	Canadian	June 30, 2009	March 31, 2009	December 31, 2008
Cash and cash equivalents		\$18,391	\$8,618	\$7,363
Working Capital		(\$16,093)	(\$13,460)	(\$2,562)
Total Assets		\$188,368	\$188,282	\$174,361
Total Liabilities		\$74,416	\$69,456	\$57,364
Advances from Customers		\$17,332	\$25,540	\$24,492
Loans Payable		\$35,231	\$17,149	\$10,232
Total Equity		\$111,864	\$118,698	\$116,829

Cash and cash equivalents as at June 30, 2009 increased by \$9.8 million compared to the end of the first quarter in 2009. Working capital decreased by \$2.6 million for the second quarter compared to the end of the first quarter in 2009. The working capital decrease can be attributed to a net increase in current liabilities during the second quarter of \$7.0 million compared to the net increase in current assets of \$4.3 million during the same period. The increase in current liabilities during the second quarter was driven by a number of factors. Short term loans increased during the second quarter by a net \$19 million and shareholder loans increased by \$2.3 million which were offset by a decline in advances due to customers of \$8.2 million, a decrease in interest payable of \$1.6 million and a reduction of accounts payable and accruals of \$2.9 million. The factors that increased the current assets by \$4.3 million include the net increase in cash of \$9.8 million which were offset by a reduction in inventory of \$4.3 million and a reduction in accounts receivable by \$0.7 million.

Cash generated by operating activities before changes in non-cash working capital items was \$0.2 million in the three months ending June 30, 2009 compared to \$0.7 million used in the comparable period of 2008 reflecting the higher cash generated by operations as shipments of stevia increased significantly over the comparable period in 2008. Non-cash working capital items generated \$1.5 million of cash. The biggest sources of non-cash working capital (adjusted for foreign currency impacts) in the quarter were driven by increased sales and a corresponding inventory reduction of \$1.6 million, a reduction in accounts receivable of \$0.6 million and an increase in accounts payable of \$4.2 million which was driven by investment in GLG's new rebiana line. These non-cash working capital items were offset by a decrease in deferred revenue of \$0.7 million, a decrease in interest payable of \$1.6 million, an increase in prepaid expenses of \$1.9 million and an increase in taxes receivable of \$0.7 million.

Cash used by investing activities was \$7.1 million during the second quarter of 2009, compared to \$10.0 million in the same period in 2008. These capital expenditures were for GLG new rebiana facility and payment related to the construction in Dongtai and Mingguang for the new stevia leaf processing plants.

Cash generated by financing activities was \$15.9 million in the second quarter of 2009 compared to \$0.4 million in the same period in 2008. The key item that generated the increase in cash generated by financing activities during the second quarter came from a net increase in short term bank loans in China of \$20.5 million as well as a \$2.3 million shareholder loan which was offset by the repayment of advances from customers of \$6.2 million and other short term loans of \$1 million.

The working capital decrease can be attributed to a net increase in short term loans for the first six months of \$25 million. The short term loan increase of \$25 million was used to fund \$12.6 million in capital expenditures (including a net increase in accounts payable related to capital expenditures of \$1.4 million), \$1 million cash flow used to fund operations over the six month period and the net increase in cash of \$11 million.

Cash generated by operating activities before changes in non-cash working capital items was \$0.3 million in the first six months of 2009 compared to \$0.9 million used in the comparable period of 2008 reflecting the higher cash generated by operations as shipments of stevia increased significantly over the comparable period in 2008. Non-cash working capital items used \$1.3 million of cash. The biggest uses for non-cash working capital (adjusted for foreign currency impacts) in the six month period were driven by asset construction and inventory production that increased the refundable value added tax accounts in China (\$3.2 million), an increase in inventory (\$0.8 million), a decrease in interest payable (\$1.0 million), and a decrease in deferred revenue (\$1.3 million) which were offset by a reduction in accounts receivable (\$1.9 million), prepaid expenses (\$2.4 million) and an increase in accounts payable (\$0.6 million). The \$1 million reduction in Interest payable is more of a one-time item as it reflects the fact that interest on the US\$ 20 million customer advance had been accruing from mid-July 2008 to the second quarter of 2009 when shipments starting to made which reduced this balance.

Cash used by investing activities was \$10.1 million in the first six months of 2009, compared to \$13.4 million in the same period in 2008. The majority of the cash outflow was to finance the remainder of the construction in Dongtai and Mingguang for the new stevia leaf processing plants in the first three months of 2009.

Cash generated by financing activities was \$22.9 million in the first six months of 2009 compared to \$11.6 million in the same period in 2008. The key item that generated the increase in cash generated by financing activities during the six months came from a net increase in short term bank loans in China of \$26.1 million which was offset by the repayment of advances from customers of \$5.8 million.

## Financial Resources

Cash and cash equivalents increased by \$11.0 million during the first six months of 2009. Working capital (unadjusted for foreign exchange impacts) decreased by \$13.5 million from the year-end 2008 position. The working capital decrease can be attributed to a net increase in short term liabilities during the first six months of \$19.8 million compared to the net increase in current assets of \$6.3 million during the same period. The increase in current liabilities during the first six months of 2009 was driven by a number of factors. Short term loans increased during the six month period by a \$25 million and

shareholder loans increased by \$2.3 million, an increase of accounts payable and accruals of \$2 million which were offset by a decline in advances due to customers of \$7.2 million, a decrease in interest payable of \$1.0 million and a decrease in deferred revenue of \$1.3 million. The factors that increased the current assets by \$6.3 million include the net increase in cash of \$11 million and taxes receivable of \$3 million which were offset by a reduction in inventory of \$0.4 million, a reduction in prepaid expenses of \$4.8 million and a reduction in accounts receivable of \$2 million.

The Company's working capital and working capital requirements fluctuate from quarter to quarter depending on, among other factors, the annual stevia harvest in China (third and fourth quarter each year), the production output along with the amount of sales conducted during the period. The value of raw material in inventory is the highest in the fourth quarter due to the fact that the Company purchases leaf during the third and fourth quarter for the entire production year which runs October through September each year. The Company's principal working capital needs include accounts receivable, taxes receivable, inventory, prepaid expenses, and other current assets, and accounts payable and interest payable.

The Company's capital expenditure estimate for 2009 is \$20 million to \$25 million (see 2009 Outlook section for further details) of which \$10 million has already been paid for. The Company plans to finance these investment needs with cash on hand and credit available from its existing credit facilities in China.

As at June 30, 2009 the Company has at its disposal bank credit facilities of approximately \$42 million of which \$10.2 million are drawn. An additional \$10.2 million was drawn subsequent to June 30, 2009. The Company also had \$18.4 million of cash and cash equivalents as at June 30, 2009. Over the course of fiscal 2009, \$19.9 million in short term loans in China will mature and the Company expects it will be able to renew these loan facilities for another year when they come due.

## Balance Sheet

In comparison to December 31, 2008, the total assets increased by \$14 million which was split by an increase in current assets of \$6.3 million and an increase in fixed and other long term assets of \$7.7 million. The increased in fixed assets reflects the increased investments made during the first six months of fiscal 2009 in completion of the Mingguang and Dongtai stevia extract facilities and the investment in the rebiana facility being constructed in Qingdao. With respect to the plant property values on the balance sheet, the strengthening of the Canadian Dollar versus the RMB resulted in the conversion of the balance sheets of foreign subsidiaries at lower rates, thus decreasing the Canadian dollar value of balance sheet items.

Current liabilities increased by a \$19 million driven by the net increase in short term loans which were offset by a decrease in advances to customers and interest payable. Shareholder's equity decreased by \$5 million which was driven by the six month net loss of \$1.1 million for the six months ended June 20, 2009 as well as a decline in the accumulated other comprehensive income account of \$5 million. With

respect to the decline in the other comprehensive income account, the strengthening of the Canadian Dollar versus the RMB resulted in the conversion of the balance sheets of foreign subsidiaries at lower rates.

### **Advances from customers and Interest Payable**

In July 2008, the Company negotiated a new customer prepayment for the amount of US\$20 million (CDN\$25.2 million) during the third quarter of 2008 for the delivery of high grade stevia extract for the period October 1, 2008 through September 30, 2009. The US\$20 million was received in July 2008 and this prepayment bears an interest cost of LIBOR plus 6% during the term of this prepayment financing. The Company will deliver product against this obligation over the period October 1, 2008 through September 30, 2009. 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 \$17,098,478 (US\$14,708,368) (December 31, 2008 - \$24,492,000 or US\$20,000,000) and interest accrued was \$17,477 (US\$ 15,034) (June 30, 2008 - nil).

### **China Lines of Credit and Short Term Loans**

During 2008 and 2009, the Company obtained five loans to finance its expansion.

A loan of \$6.3 million (RMB 37 million), which was obtained from Dongtai Rural Credit Union, bears interest of 6.66% per annum and matures on November 20, 2009.

A loan of \$8.5 million (RMB 50 million), which was obtained from Construction Bank of China, bears interest of 5.31% per annum and matures on December 25, 2009.

A loan of \$5.1 million (RMB 30 million), which was obtained from Construction Bank of China, bears interest of 4.86% per annum and matures on September 30, 2009.

A loan of \$5.1 million (RMB 30 million), which was obtained from Construction Bank of China, bears interest of 5.31% per annum and matures on March 31, 2010.

A loan of \$10.2 million (RMB 60 million), which was obtained from Agriculture Bank of China, bears interest of 5.31% per annum and matures on June 15, 2010.

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.

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

## Contractual obligations

- a) The Company has two five 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.
- d) As of June 30, 2009 the Company is committed to deliver US\$ 18.1 million of stevia extract of which the \$US 20 million advance from a Strategic Customer 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) On May 16, 2009, the Company entered into a long term investment agreement (“Agreement for Investment in High Grade Stevia Powder”) with the Qingdao Export Refine Management Committee for this new facility. The new subsidiary is called Qingdao Runhao Stevia High Tech Company Limited (“Runhao”) and in May 2009, Runhao was established for the purpose of processing intermediate stevia extract into rebiana and other high grade stevia extract products. The investment agreement states that a total area of 1,300 mu of land will be made available to Runhao and was discounted by approximately 80% from the market values. The first phase of the development will occupy 370 mu of land. The Government is responsible to make the land ready for use, the construction of a four lane road to service the facility and to assist Runhao obtain all necessary permits. The investment agreement calls for GLG to invest US\$ 30 million in registered capital in Runhao within two years of the subsidiary being established. This timetable for investment can be extended by an additional year if GLG makes the request to the Government. The first phase of its facility construction is targeted to deliver a 2,000

metric ton rebiana facility with the first 1,000 metric ton rebiana line due 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.

A summary of the Company's contractual obligations with defined payment dates is presented below.

In thousands of Canadian \$	2009	2010	2011	2012	2013	Thereafter,	Total
Customer prepayment*	\$17,098	-	-	-	-	-	\$17,098
Operating Leases	\$125	\$197	\$170	\$-	\$-	\$269	\$760
Capital expenditure commitments	\$2,000						\$2,000
Investment Agreement Commitments	\$1,000		\$24,000				\$25,000
<b>Total</b>	<b>\$20,223</b>	<b>\$197</b>	<b>\$24,170</b>	<b>\$-</b>	<b>\$-</b>	<b>\$269</b>	<b>\$44,858</b>

\* This amount is expected to revolve each year and will renew in June of a fiscal year to finance the next leaf harvest payments to farmers.

## Capital Structure

Outstanding Share Data as at August 11, 2009

	Shares
Common Shares Issued August 11, 2009	80,618,391
Reserved For Issuance	
Stock Options	4,945,133
Reserved for Issuance – Other	250,000
Reserved for Issuance - AHTD acquisition	4,375,000
Total Reserved for Issuance	9,570,133
Fully Diluted Shares August 11, 2009	90,188,524

China laws require all wholly foreign-owned enterprises to set aside 10% of retained earnings as a general reserve fund for employee benefits every year until such a fund has reached 50% of the Company's registered capital. 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. The total reserve of the Company at June 30, 2009 is \$0.4 million (December 31, 2008 - \$0.3 million). This reserve fund applies to all of

GLG's China based subsidiaries. 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.

## Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

## Transactions with Related Parties

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

a) 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 (June 30, 2008 - \$234,751) of which \$304,382 remained as an accounts payable as at June 30, 2009 (December 31, 2008 - \$75,000).

b) Pursuant to a management services agreement, the Company recorded management expenses of \$182,779 (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).

c) During the period, the Company obtained \$2,316,600 (US\$ 2,000,000) non-secured loan from an officer and director of the Company (December 31, 2008 - Nil). 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 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. The use of proceeds is for corporate working capital and the required initial investment in GLG's new Runhao subsidiary in China.

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

## 2009 Outlook

### Market and Operations 2009 Outlook

The Company expects the demand for its stevia products to be significantly stronger in 2009 compared to 2008. This expectation is driven by the new markets that opened up for stevia when it was approved as a food ingredient rather than just as a dietary supplement late in 2008. The major geographic market that has opened up for high purity Rebaudioside A stevia extract products is the US. There were several important product launches in the US at the end of 2008 and in the first quarter of 2009. GLG's alliance partner Cargill successfully launched a tabletop sweetener (TRUVIA™) in July 2008 using rebiana. The Coca-Cola Company has launched Sprite Green, Odwalla juices and Vitaminwater10 using rebiana late in the fourth quarter of 2008 and during the first quarter of 2009. PepsiCo has also launched a series of beverages sweetened with high purity Rebaudioside A. The Company expects numerous new product launches in 2009 based on the feedback received from customers and prospects. The current economic recession has the potential to impact the Company's financial results negatively if food and beverage companies delay their plans to launch new stevia based products.

GLG's key operational objectives for 2009 are:

1. Commence operation of new facilities to increase production capacity and revenues (Completed)
2. Prepare necessary GLG proprietary seedlings to meet expected demand from customers for Q4 2009 and 2010 (Completed).
3. Organize stevia growers in partnership with local governments in China to meet expected 2009 stevia demand (Completed).
4. Generate additional sales growth from the GLG Weider venture.
5. Complete a new rebiana production facility (Phase One – 1,000 Metric Tons) by year-end 2009
6. Continue R&D program for high RA yielding seeds and seedlings.

GLG's outlook for 2009 is:

	2009 Estimate	2008 Actual
Revenue	\$50 to \$60 million	\$ 9.9 million
EBITDA	\$8 to \$12 million	(\$1.0 million)
Capital Expenditures (Capex)	\$20 to \$25 million	\$ 57.8 million

## Revenue and EBITDA - 2009 Outlook

GLG's stevia operations are expected to account for 100% of revenue growth in 2009. This growth will be based on delivery against existing customer orders for 2009 as well as expected new orders for the 2009/2010 delivery period. 2009 revenue is expected to be significantly weighted towards the second half of 2009. This expectation is driven by the following:

- a) The Company has approximately US\$29 million under contract for delivery in 2009 as of June 30, 2009. This would equate to CDN\$33.3 million using an average exchange rate assumption of \$1.15 per US\$ for the balance of 2009 (*Foreign Currency Forecast Source: RBC FINANCIAL MARKETS MONTHLY, July 9, 2009*).
- b) There was limited production and shipments in the first quarter due to plant commissioning activities and the customary plant shut down in February for Chinese New Year celebrations.
- c) The new facilities underwent food safety audits which were completed mid-March following which the new production facilities at Dongtai and Mingguang are ramping up their production levels and commencing customer shipments.
- d) New customer contracts are expected to be closed during 2009 with delivery starting in the third and fourth quarters of 2009 to meet the remaining \$2.9 million (US\$2.5 million) in revenue expected to be delivered during 2009 to meet the lower end of revenue guidance.
- e) GLG expects to generate the majority of the 2009 projected EBITDA starting in the second half of 2009 based on sufficient revenue being generated to cover cash related operating expenses.

## Capital Expenditures - 2009 Outlook

Capital expenditures are anticipated to be approximately \$20 million to \$25 million and include amounts required to complete the Mingguang and Dongtai facilities during the first quarter of 2009, as well as the first 1,000 MT line of Phase One of the new rebiana facility (Phase One = 2,000 metric tons rebiana capacity). The Company expects to fund these capital expenditures through its existing banking arrangements in China.

## Critical Accounting Estimates and Assumptions

The preparation of consolidated financial statements that conform with Canadian generally accepted accounting principles (GAAP) requires us to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosures of contingent liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting period. The Company calculates its estimates using detailed financial models that are based on historical experience, current trends and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. In our judgment, the accounting policies and estimates detailed in Note 2 of the Notes to the Consolidated Financial Statements for the period ended June 30, 2009 do not require us to make assumptions about matters that are highly uncertain and accordingly none of the estimates is considered a "critical accounting estimate" as defined in Form 51-102F1.

## **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.

## **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 to 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 will 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 to 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.

## **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.

While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences on recognition, measurement and disclosures. We commenced our IFRS conversion project in the second quarter of 2008. The project consists of four phases: awareness raising; assessment; design; and implementation. With the assistance of an external expert advisor, we have completed the awareness-raising phase and have completed a high level review of the major differences between Canadian GAAP and IFRS (the assessment phase). Subsequently, we will initiate the design phase, which will involve establishing issue-specific work teams to focus on generating options and making recommendations in identified areas. Initial training programs have been provided to relevant employees in 2008. 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.

## Disclosure Controls and Internal Controls over Financial Reporting

The Company's disclosure controls and procedures were designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation.

The Company's management, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, are also responsible for establishing and maintaining internal control over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There have been no changes in the Company's internal control over financial reporting for the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

The Company's disclosure controls and procedures were designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. In March 2008, the Company has adopted a Corporate Disclosure Policy. A Disclosure Committee has been established to oversee the Corporate Disclosures. The Policy has been communicated to management and being implemented accordingly.

The Company's management, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded, based on its evaluation, that the disclosure controls and procedures were effective.

The Company's management, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting as at June 30, 2009, and has concluded, based on its evaluation, that certain controls within its ICFR were not effective for the quarter ended June 30, 2009.

The Company did not have sufficient accounting documentation, policy, procedures or segregation of duties for certain transaction cycles. Specifically, the Company does not have a significant number of staff in China that possesses an understanding of Canadian public capital market requirements and Canadian GAAP. Furthermore, effective controls over accounting for income taxes and the application of Canadian GAAP to certain complex transactions was not effective.

To address the above issues, during 2008, the Company hired additional financial staff at the head office to oversee the financial reporting and consulted with tax advisors on various tax issues. The Company continues to determine other appropriate remediation plans, such as reviewing the organizational structure of the accounting group to strengthen its resources to reflect the Company's growth and the Company is executing its formal documented evaluation process to evaluate compliance of internal control over financial reporting for purposes of National Instrument 52-109. This evaluation process will be completed in 2009. Subsequent to the period, the Company hired an experienced accountant in China with knowledge of Chinese GAAP for public company reporting to help address some of the issue related to having limited personnel in China who have public company reporting experience.

It should be noted that while the officers of the Company have certified the Company's Interim Filings, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or implemented, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

## **Risks Related to our Business**

This section describes the material risks affecting the Company's business, financial condition, operating results and prospects. A prospective investor should carefully consider the risk factors set out below and consult with his, hers or its investment and professional advisors before making an investment decision. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material, but which also may have a material adverse effect on the Company's business, financial condition, operating results or prospects. In that case, the trading price of the common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

There are a number of risk factors that could materially affect the business of GLG, which include but are not limited to the risk factors set out below. The Company has been structured to minimize these risks as best possible. More details about the following risk factors can be found in the Company's Annual Information Form filed on SEDAR at [www.sedar.com](http://www.sedar.com).

- Intellectual Property Infringement
- Product Liability Costs
- Manufacturing Risk
- Inventory Risk
- Customer Concentration Risk
- Competition
- Government Regulations
- Consumer Perception of Products
- Changing Consumer Preferences
- Market Acceptance
- Dependence on Key Personnel
- Volatility of Share Prices

## **Risks Associated with Doing Business in the People's Republic of China**

The Company faces the following additional risk factors that are unique to it doing business in China. More details about the following risk factors can be found in the Company's Annual Information Form.

- Government Involvement
- Changes in the Laws and Regulations in the People's Republic of China
- The Chinese Legal and Accounting System

- Currency Controls
- Additional Compliance Costs in the People's Republic of China
- Difficulties Establishing Adequate Management, Legal and Financial Controls in the People's Republic of China
- Capital Outflow Policies in the People's Republic of China
- Jurisdictional and Enforcement Issues
- Political System in the People's Republic of China

## **Additional Information**

Additional information relating to the Company is available on its website ([www.glglifetech.com](http://www.glglifetech.com)), in its Annual Information Form available on SEDAR ([www.sedar.com](http://www.sedar.com)).