

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited - Prepared by Management)

September 30, 2007

GLG LIFE TECH CORPORATION

(Formerly GLG Life Tech Limited)

INDEX TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September-30-07

	Page
NOTICE TO SHAREHOLDERS	1
FINANCIAL STATEMENTS	
Interim Consolidated Statement of Income and Deficit	2
Interim Consolidated Balance Sheet	3
Interim Consolidated Statement of Cash Flows	4
Notes to Interim Consolidated Financial Statements	5-19

GLG LIFE TECH CORPORATION

(Formerly GLG Life Tech Limited)

NOTICE TO SHAREHOLDERS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007

Responsibility for Financial Statements

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

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

Auditor's involvement

The auditors of GLG Life Tech Corporation have not performed a review of the unaudited financial statements for the nine-month period ended September 30, 2007.

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
INTERIM CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT
For the nine months ended September 30,
(Unaudited - Prepared by Management)

	Three months ended		Nine months ended	
	2007	2006	2007	2006
SALES (Note 15)	\$ 2,258,810	\$ 184,821	\$ 5,430,517	\$ 416,534
COST OF SALES	1,435,725	-	3,669,710	-
GROSS MARGIN	823,085	184,821	1,760,807	416,534
EXPENSES				
Consulting fees	74,483	75,741	215,164	242,959
Professional fees	107,303	29,527	205,975	104,225
Travel	48,660	8,709	131,933	27,220
Salaries and wages	33,037	-	83,450	-
Office	32,496	4,920	66,619	9,155
Occupancy costs	34,072	6,739	63,213	16,106
License and insurance	15,307	6,125	41,166	14,649
Entertainment	11,796	1,897	25,991	3,237
Other	6,878	-	21,391	-
Exchange Sponsorship fees	150,000	-	160,000	-
Amortization of property, plant and equipment	5,241	511	10,894	1,533
Listing expense	12,758	600	16,056	2,400
	532,030	134,769	1,041,851	421,484
INCOME (LOSS) FROM OPERATIONS	291,055	50,052	718,956	(4,950)
OTHER INCOME (EXPENSES)				
Loss on foreign currency translation	(205,233)	(200)	(282,911)	(82,723)
Interest expenses (Note 20)	(275,397)	-	(334,214)	-
Interest income	47,019	35,583	136,762	72,471
NET INCOME FOR THE PERIOD	(142,556)	85,435	238,593	(15,202)
DEFICIT, BEGINNING OF PERIOD	(1,428,953)	(2,119,816)	(1,810,102)	(2,019,179)
DEFICIT, END OF PERIOD	\$ (1,571,509)	\$ (2,034,381)	\$ (1,571,509)	\$ (2,034,381)
EARNINGS PER SHARE				
Basic	\$ (0.00)	\$ 0.00	\$ 0.00	\$ (0.00)
Fully diluted	\$ (0.00)	n.a.	\$ 0.00	n.a.
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	50,208,287	32,529,880	50,208,287	31,561,994
Fully diluted	86,068,078	n.a.	86,068,078	n.a.

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
INTERIM CONSOLIDATED BALANCE SHEET
(Unaudited - Prepared by Management)

	September 30, 2007	December 31, 2006
ASSETS		
CURRENT		
Cash	\$ 9,719,823	\$ 922,085
Investment	-	20,000
Subscriptions receivable	-	380,492
Accounts receivable	2,823,235	573,131
Taxes refundable	95,257	23,690
Inventories (Notes 4 & 23)	1,361,755	145,119
Prepaid expenses & Deposits (Note 5)	1,733,582	1,628,194
Loans receivable (Note 6)	1,775,975	-
	17,509,627	3,692,711
LOANS RECEIVABLE (Note 6)	140,125	1,945,115
PLANT AND EQUIPMENT (Note 7)	8,339,263	8,137,435
GOODWILL (Note 3b)	7,587,798	7,587,798
LICENSES (Note 8)	5	5
	\$ 33,576,818	\$ 21,363,064
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,546,075	\$ 1,216,876
Advances from customers (Note 9)	4,068,251	-
Loans payable (Note 10)	-	-
Convertible debenture (Note 10)	5,694,915	-
Discount on convertible debenture (Note 10)	83,585	-
Convertible note payable (Note 3b)	-	880,000
	11,392,827	2,096,876
SHAREHOLDERS EQUITY		
SHARE CAPITAL (Note 11)	19,612,759	19,179,824
EQUITY PORTION OF CONVERTIBLE DEBENTURE (Note 10)	305,085	-
EQUITY PORTION OF SALES CONTRACT (Note 9)	3,104,315	-
CONTRIBUTED SURPLUS	1,702,716	1,767,651
CUMULATIVE TRANSLATION ADJUSTMENT	(969,375)	128,815
DEFICIT (Note 12)	(1,571,509)	(1,810,102)
	22,183,991	19,266,188
	\$ 33,576,818	\$ 21,363,064

Approved on behalf of the Board:

"Brian Palmieri"

Director

"Jinduo Zhang"

Director

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the three and nine months ended September 30,
(Unaudited - Prepared by Management)

	Three months ended		Nine months ended	
	2007	2006	2007	2006
Operating activities				
Net income (loss) for the period	\$ (142,556)	\$ 85,435	\$ 238,594	\$ (15,202)
Items not involving cash				
Accretion on convertible debenture	35,105	-	41,792	-
Capitalized Interest	(132,532)		(132,532)	-
Sponsorship Fees compensated through Stock issue	150,000		150,000	
Amortization of property, plant and equipment	139,698	511	377,818	1,533
	49,715	85,946	675,672	(13,669)
Changes in non-cash working capital				
Decrease (Increase) in accounts receivable	(1,838,146)	(136,853)	(2,250,104)	(208,982)
Decrease (Increase) in taxes refundable	(94,975)	2,001	(71,567)	(3,818)
Decrease (Increase) in inventory	(484,321)	-	(1,216,636)	-
Decrease (Increase) in prepaids	(763,786)	6,125	(105,388)	(9,851)
Increase (Decrease) in accounts payable	29,863	41,970	329,199	139,434
Increase in advances from customers	4,822,858	-	7,172,566	-
	1,721,208	(811)	4,533,742	(96,886)
Investing activities				
Decrease in temporary investment	20,000	-	20,000	-
Decrease in loans receivable	-	(642,575)	(170,216)	(1,156,490)
Acquisition of plant and equipment	(182,776)	-	(1,204,045)	-
	(162,776)	(642,575)	(1,354,261)	(1,156,490)
Financing activities				
Subscriptions receivable	-	-	380,492	-
Short Term Note Payable	(1,112,589)		-	
Loans payable	(385,165)		-	
Convertible debenture	-		6,000,000	
Convertible note payable	(408,120)		(880,000)	
Issuance of share capital	3,000	10,000	68,000	1,142,725
	(1,902,874)	10,000	5,568,492	1,142,725
Non-cash currency translation adjustments	(40,449)	-	49,765	-
Increase in cash	(384,891)	(633,386)	8,797,738	(110,651)
Cash, beginning of period	10,104,714	1,395,694	922,085	872,959
Cash, end of period	\$ 9,719,823	\$ 762,308	\$ 9,719,823	\$ 762,308
Supplemental disclosure of cash flow information				
Interest received in cash	\$ 10,918	\$ 8,909	\$ 21,216	\$ 14,225
Interest paid in cash	\$ 108,947	\$ -	\$ 108,947	\$ -
Income taxes paid in cash	\$ -	\$ -	\$ -	\$ 5,000
Non-cash transaction:				
Common shares issued for services received	\$ -	\$ -	\$ 150,000	\$ -

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

1. BASIS OF PRESENTATION

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

2. DESCRIPTION OF BUSINESS

The Company was incorporated under the Companies Act (British Columbia) on June 5, 1998. On March 14, 2007, the Company changed its name to GLG Life Tech Corporation ("GLGT" or the "Company"). The principal business of the Company is to manufacture and sell a refined form of stevia and to procure and distribute health and nutritional products, including protein and vitamin supplements, food supplements 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"), that currently has 1,218 retail locations in China.

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

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

Board).

These consolidated financial statements have been prepared on a going concern basis. The company has achieved a net profit from operations of \$238,583 in the current period, and has a cumulative deficit of \$1,571,509. Its ability to continue as a going concern is still dependent upon the ability of the company to continue to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The company also must support operations and planned expansion for the next twelve months. The outcome of these matters cannot be predicted with certainty at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the company be unable to continue as a going concern.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

3. BUSINESS COMBINATION

(a) Grand Leaf

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

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

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

(b) Qingdao Runde

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

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

The common shares issued were subject to a four-month hold period imposed by the CNQ. The convertible promissory note was paid in full on July 4, 2007.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

4. INVENTORIES

Inventories consist of the following:

	September 30	December 31
	2007	2006
Raw material	\$ 262,362	\$ 115,080
Work in Process	430,854	29,974
Finished goods	668,539	65
	\$ 1,361,755	\$ 145,119

5. PREPAID EXPENSES

	September 30	December 31
	2007	2006
Deposit on inventory & capital equipment	\$ 1,508,605	\$ 1,623,405
Prepaid Corporate transaction costs	\$ 150,000	-
Other	74,977	4,789
	\$ 1,733,582	\$ 1,628,194

6. LOANS RECEIVABLE

	September 30	December 31
	2007	2006
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.	\$ 307,396	\$ 338,281
b) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on April 23, 2008.	307,396	338,281
c) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on May 3, 2008.	358,628	394,662
d) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on May 19, 2008.	51,233	56,380
e) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on August 14, 2008.	512,326	563,801
f) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on September 5, 2008.	76,849	84,570
g) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on October 2, 2008.	76,849	84,570
h) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on November 1, 2008.	76,849	84,570
i) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on January 9, 2009.	102,465	-
j) Amount due from YHT bearing interest at 2% above the prime commercial lending rate posted by a chartered bank, due on February 27, 2009.	46,109	-
	\$ 1,916,100	\$ 1,945,115
Short term portion:	1,613,828	-
Long term portion:	\$ 302,273	\$ 1,945,115

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

6 LOANS RECEIVABLE (Continued)

The total amount due, US\$1,870,000 (December 31, 2006 - US\$1,725,000), from YHT is not secured by any tangible assets. The Company, however, has negotiated the first right of refusal to acquire all of the shares of YHT as described in Note 8d, along with the established distribution network of 1,218 retail locations across China. In management's opinion, the distribution network has a value exceeding the current amount owing as of the period end date.

7. PLANT AND EQUIPMENT

	September 30		
	Cost	Accumulated Amortization	Net
Building	\$ 838,779	\$ 32,254	\$ 806,525
Computer equipment	9,944	4,977	4,966
Computer software	15,915	13,926	1,989
Manufacturing equipment	2,028,688	142,447	1,886,241
Office equipment	48,259	2,730	45,529
Ion exchange resin equipment	5,820,098	226,086	5,594,012
	\$ 8,761,683	\$ 422,421	\$ 8,339,263

As at September 30, 2007, \$368,264 of the amortization is expensed as part of cost of sales.

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

8. LICENSES

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

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

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
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9. ADVANCES FROM CUSTOMERS

During the period, the Company signed a five year supply agreement and a prepayment agreement for the 2007/08 order 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. US\$3,000,000 was received on June 22, 2007 and US\$4,000,000 has been received in July. The prepayment will be repaid upon sale of stevia extracts to that customer, which is expected to commence on September 1, 2007 through to August 31, 2008 on a monthly basis. Interest at Libor + 3.25% is charged per annum, payable on a quarterly basis.

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

The first warrant will allow the customer to purchase up to 20% of the Company's shares, determined on a fully diluted basis on or before January 31, 2008 at an exercise price of \$3.50 per share. The second warrant will allow the customer to purchase common shares of the Company equal to 10% of the Company's total shares on a fully diluted basis between January 31, 2008 to March 31, 2009, and the final warrant will allow the customer to bring its total percentage ownership of the Company to a total of 35% of the Company's total outstanding common shares on a fully diluted basis between January 31, 2009 and March 31, 2010. The exercise price under the latter two warrants will be equal to the average closing price of the Company's shares for the 10 trading days prior to the first day of each exercise period. Subsequent to the period, the issuance of share purchase warrants has been approved by the Company's shareholders and its board of directors.

The Warrants are considered a sales incentive under CICA Handbook section 3870 paragraph 11. Accordingly the warrants were valued using Black Scholes Option Pricing Model to value the first warrant. The other two warrants cannot be measured at this time as they are dependent upon future stock pricing data. The value of the sales incentives will therefore be increased as stock pricing data becomes known and the warrants can be valued. This will occur in Q1/08 for the second warrant and Q1/09 for the third warrant. The value of the first warrant represents the sales incentive value established at the time the warrant was granted.

The Initial value of the sales incentive was determined to be \$3,104,315. For financial statement presentation purposes it is netted against the value of customer advance of \$US 7 Million and presented as \$4,068,251. The sales incentive balance will be amortized over the life of the sales contract based on the agreed minimum quantities to be shipped per year. There were no shipments against this contract in the third quarter.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
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10. CONVERTIBLE DEBENTURE

On June 22, 2007, the Company issued convertible debentures ("Debentures") and share purchase warrants ("Warrants") to purchase shares of the Company's common shares for a total gross proceeds of \$6,000,000. The Debentures are due on June 30, 2008 and bear interest at a rate of 12% per annum, payable semi-annually in arrears beginning on December 31, 2007. The Debentures are convertible into common shares with the first third of the principal converted at a conversion price of \$2.80 per common share, the second third of the principal converted at \$3.05 per common share and the remaining converted at \$3.30 per common share. The 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 of the Company at a price of \$3.05 for the first 600,000 common shares and \$3.30 for the second 600,000 common shares.

The Debentures are convertible, at the option of the holder, at any time prior to maturity. Since redemption can be made either by cash or by common shares at the option of the Company, the Debentures are classified as a compound financial instrument for accounting purposes.

The values of the Debentures is comprised of a \$5,694,915 fair value of the Debentures, \$305,085 fair value of the holder's option to convert the principal balance into common shares, and fair value of the Warrants. These components have been measured at their respective fair values on the date that the Debentures and Warrants were issued. The \$5,694,915 fair value of the Debentures is classified as a liability and the \$305,085 combined fair value of the conversion option and Warrants have been classified in shareholders' equity. Over the one year term of the Debentures, the fair value of the Debentures are accreted to their face value. The period accretion of the Debentures are charged to accretion expenses. For the period ended September 30, 2007, the Company recorded accretion of \$83,585 related to the Debentures as a charge to accretion expense with a corresponding credit to the liability component of the Debentures based on a straight line method which approximates the effective interest method.

During the period, the holder of the convertible debenture paid \$383,400 in excess of the debenture amount. As at June 30, 2007, the balance owing plus interest of 14% per annum amounted to \$385,165. The Company has repaid the holder the excess plus interest subsequent to the period. See also Note 19.

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September 30, 2007
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11. SHARE CAPITAL

a) Authorized

Unlimited number of common shares with no par value

b) Issued and outstanding

	Number of Shares	Amount	Contributed Surplus
Balance at December 31, 2005	30,983,667	\$ 1,476,817	\$ 1,856,562
Options exercised at \$0.10 per share			
Paid by cash	286,667	86,000	
Previously recognized	-	88,911	(88,911)
Shares issued at \$0.25 per share	1,502,300	1,126,725	
Acquisition of Runde at \$0.32 per share (Note 3b)	16,666,667	16,000,000	
Shares issued at \$0.32 per share	418,094	401,371	
Balance at December 31, 2006	49,857,394	\$ 19,179,824	\$ 1,767,651
Options exercised at \$0.30 per share			
Paid by cash	226,666	68,000	
Previously recognized	-	64,935	(64,935)
Shares issued for services at \$1.20	250,000	300,000	
Balance at September 30, 2007	50,334,060	\$ 19,612,759	\$ 1,702,716

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

c) Escrow

As at June 30, 2007, there are 6,613,269 common shares held in escrow. The Company had a total of 9,919,901 shares which were subject to escrow which are being released over a period of 36 months with 15% released from escrow every six months after June 21, 2005, of which 3,306,632 has been released as at June 30, 2007. The voluntary pooling agreement was terminated on June 21st, 2007.

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NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
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11. SHARE CAPITAL (Continued)

d) Stock Options

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

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

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

As at September 30, 2007, 226,667 options have been exercised and 33,333 options have terminated, leaving 5,568,067 options outstanding.

e) Warrants

A summary of the Company's warrants issued and outstanding as at September 30, 2007 is as

Warrants issued during the period	Exercise Price Per Warrant	Expiry Date
600,000	\$3.05	June 22, 2009
600,000	\$3.30	June 22, 2009
<u>14,365,642</u>	<u>\$3.50</u>	<u>January 31, 2008</u>
<u>15,565,642</u>		

See also Note 9.

12. DEFICIT

The laws in China require all wholly owned foreign entities to set aside 10% of retained earnings as a general reserve fund every year until such a fund has reached 50% of the Company's registered capital. This fund is allowed to be distributed to shareholders at the time of winding up. The amount of reserve of Runde is \$91,369 (December 31, 2006 - \$9,048).

13. RELATED PARTY TRANSACTIONS

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

- (a) Paid and accrued consulting fees of \$238,900 (September 30, 2006 - \$134,525) to one officer directly, one company that one officer is employed by and; to two companies separately controlled by two officers.
- (b) Paid legal fees, disbursement and provincial sales taxes of \$60,704 (September 30, 2006 - \$44,639) to a law firm of which the Company's secretary is an associate counsel.
- (c) Received income of \$593,243 (September 30, 2006 - \$416,534) from a company formally controlled by a former director for the procurement of goods. The director has terminated their role with the Company as of April 14th, 2006.

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.

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

14. SEGMENTED INFORMATION

The Company's activities are in two reportable segments of (1) procuring and distributing health and nutritional products, including protein and vitamin supplements, food supplements and dietary supplements and (2) stevia manufacturing.

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

	China	Canada	
	Manufacturing	Procurement	Total
Plant property and equipment	\$ 8,197,669	\$ 141,594	\$ 8,339,263
Total assets	\$ 22,764,910	\$ 10,811,908	\$ 33,576,818
Revenue	\$ 4,837,274	\$ 593,243	\$ 5,430,517
Net income (loss)	\$ 899,427	\$ (660,833)	\$ 238,593

15. SALES AND COST OF SALES

	September 30, 2007		
	Stevia	Procurement	Total
Sales	\$ 4,837,274	\$ 593,243	\$ 5,430,517
Cost of sales	3,575,956	93,754	3,669,710
Gross margin	\$ 1,261,318	\$ 499,489	\$ 1,760,807
	December 31, 2006		
	Stevia	Procurement	Total
Sales	\$ 753,943	\$ 656,734	\$ 1,410,677
Cost of sales	549,654	-	549,654
Gross margin	\$ 204,289	\$ 656,734	\$ 861,023

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

16. FINANCIAL INSTRUMENTS

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 judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, investment, subscriptions receivable, accounts receivable, taxes refundable, accounts payable and convertible note payable approximates the fair value because of the short-term nature of these instruments. The fair value of loans receivable approximates the fair value because they bear a fair interest rate.

Credit Risk

The Company has a high concentration of credit risk as the accounts receivable were owned by fewer than four customers. The Company does not believe it requires collateral to support these financial instruments.

Currency Risk

The Company is exposed to currency risk as its subsidiaries functional currency is denominated in a foreign currency. Unfavourable changes in the applicable exchange rate may result in a decrease or increase in the cumulative translation adjustment. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

17. SUBSEQUENT EVENTS

On July 1, 2007, the Company signed a letter of agreement to purchase all of the issued and outstanding shares of Agriculture High Tech Developments Ltd. ("AHTD") from all the shareholders of AHTD. The purchase price for the acquisition of AHTD is 12,500,000 common shares of the Company. 30% of the shares will be issued upon closing of the transaction, 35% of the 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 and the balance of the 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.

(b) On August 16, 2007, The Company became party to two separate supplemental agreements and investment agreements with two local government authorities, The Mingguang People's Government and the Dongtai People's Government. The agreements spell out investments to be made by the Company and also give the Company exclusive rights to acquire stevia leaf in the large growing areas as well as the exclusive rights which will allow the Company to be the only company that will be approved for constructing new stevia manufacturing facilities within the respective area. These exclusive rights to leaf and construction per the agreement are for a 10 year period. It is expected that the Company will supply seedlings provided from its seed base operation, as disclosed in Note 17(a) above, for the growing of the high quality stevia in this exclusive area.

(c) On August 30th, GLG Life Tech established a new subsidiary for the manufacture of stevia products. The subsidiary name is Chuzhou Runhai Stevia High Tech Co., Ltd. Initial capitalization of Runhai was \$US 1 Million and was paid into Runhai on August 31st. Runhai was consolidated as a 100% wholly owned subsidiary for the third quarter. On September 13th, GLG Life Tech established a new subsidiary for its Seed Base Operations. The subsidiary name is Anhui Bengbu Huinong Stevia High Tech Development Co., Ltd. And is a 100% owned Wholly Owned Foreign Enterprise.

18. COMPARATIVE FIGURES

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

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

19. CHANGES IN ACCOUNTING POLICY - CONVERTIBLE DEBENTURE

During the third quarter 2007, GLG changed its accounting policy for the treatment of the convertible debenture identified above in note 10. Under the previous accounting policy, the equity component of the debenture was valued using the Black-Scholes valuation model and the residual value of the debenture was allocated to its debt component. In the case of this Convertible Debenture, Due to the limited trading volumes of the company's shares, management has determined that a more reliable value can be determined by determining the value of the debenture's debt component and allocating the residual value to the option component, as described in CICA Handbook section 3861 paragraph 22.

To effect the newly adopted accounting policy, the valuation of the debt component has been established using a discount rate that is the equivalent of the interest rate that would be needed to finance subordinated debt without an attached equity component, which has been determined to be 18% based on the rate to be paid by the company on new Subordinated Debt as of June 22, 2007. Using this valuation methodology, the value of the liability portion of the debenture has been established at \$5,694,915 and the remaining \$305,085 value of the combined debenture allocated to its equity component, which consists of warrants and the debenture's conversion option. During the term of the debentures, the fair value will be accreted to their face value, with the accretion of the liability portion reported in net income as an adjustment of interest expense, and the accretion of the equity portion as a charge to retained earnings.

This change in the measurement basis of the convertible debenture has been applied retrospectively to the date the debentures and warrants were issued, with the comparative financial statements restated to reflect the change. The effect of this accounting policy change on the financial statements for the six months ended June 30, 2007 is provided as follows:

INCOME STATEMENT

In Q2, GLG Reported

6 Months ending June 30th, 2007

Income before interest and income taxes	\$	350,223
Net Interest Expense (Income)	\$	36,287
Income before Income Taxes	\$	313,936
Income Taxes		-
Net Income	\$	313,936

	<u>Restated</u>	<u>6 Months</u>
6 Months ending June 30th, 2007	<u>6 Months</u>	<u>6 Months</u>
	<u>ending June</u>	<u>ending June</u>
	<u>30th, 2007</u>	<u>30th, 2007</u>
Income before interest and income taxes	\$ 350,223	\$ 350,223
Net Interest Expense (Income)	\$ (30,926)	\$ 36,287
Income before Income Taxes	\$ 381,149	\$ 313,936
Income Taxes	-	-
Net Income	\$ 381,149	\$ 313,936

Effect on 6 months ended June 30th, 2007

Decrease in Interest Expense	\$	(67,213)
Decrease in Income taxes payable		
Increase in Net Income	\$	67,213

There were no other prior period effects as Convertible debenture liability was occurred on June 22, 2007.

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

19. CHANGES IN ACCOUNTING POLICY - CONVERTIBLE DEBENTURE (Continued)

BALANCE SHEET	<u>6 Months</u>	
	<u>ending June</u>	<u>6 Months</u>
	<u>30th, 2007</u>	<u>ending June</u>
	<u>(Restated)</u>	<u>30th, 2007</u>
Convertible Debenture Liability	\$ 5,694,915	\$ 2,619,080
EQUITY PORTION OF CONVERTIBLE DEBENTURE	\$ 305,085	\$ 3,380,920
	\$ 6,000,000	\$ 6,000,000

20 CHANGES IN ACCOUNTING STANDARDS - INTEREST CAPITALISATION

During the third quarter 2007, the Company adopted a new policy to capitalise interest associated with the construction of long term assets. The Company has commenced an extensive plant expenditure program in 2007 that is currently planned to occur over the next few years. Prior to July 1st, the majority of GLG's plant was acquired through the Runde acquisition in December 2006 (as described in Note 3). Accordingly, management has decided to adopt an interest capitalisation program as of July 1st.

The policy that GLG follows is as follows:

1. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset.
2. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
3. Where funds were borrowed specifically to obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation 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.
4. 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 capitalisation shall be determined by applying a capitalisation rate to the expenditures on that asset.
5. The capitalisation 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.

Specific Borrowing applicable to this policy:

\$6 Million Convertible Debenture, Interest Rate 12%, Due June 2008.

Management has determined that \$3 Million of this debt is attributable to the plant construction program that commenced in 2007 and is expected to complete in 2008.

	<u>9 Months Ended</u>
	<u>September 30th, 2007</u>
Amount of Borrowing Costs Capitalised during the period	\$ 132,532
Capitalisation Rate used (effective interest rate on on Convertible Debentures)	18%
Total Interest Expense for the period before portion capitalised	\$ 265,064
Total Interest Expense for the period after portion capitalised	\$ 132,532

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

21 CHANGES IN ACCOUNTING STANDARDS

Effective, January 1, 2007, The Company adopted new accounting standards related to comprehensive income and financial instruments. These accounting standards were adopted on a prospective basis with no restatement. The adoption of these standards has not had a material effect on the financial statements with respect to the Company's Financial instruments, most of which are carried at amortised cost, being classified as loans and receivables or other financial liabilities. With respect to comprehensive income, the effect of this change (described below) is also not significant. Comprehensive income and accumulated other comprehensive income include certain items that would not normally be included in net income or retained earnings. In the Company's case, such items include only cumulative unrealised foreign exchange gains and losses, which had previously reported as shareholder equity. Effective January 1, 2007, the cumulative balance of such unrealized gains and losses has been reclassified as "accumulated other comprehensive income". Comprehensive income for the period, and changes in accumulated other comprehensive income are as follows:

	Three months ended		Nine months ended	
	2007	2006	2007	2006
COMPREHENSIVE INCOME FOR THE PERIOD				
NET INCOME (LOSS) FOR THE PERIOD	\$ (142,556)	\$ 85,435	\$ 238,593	(\$15,202)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized exchange loss on translation of self sustaining foreign operations	\$ (326,955)	\$ -	\$(1,098,190)	\$ -
COMPREHENSIVE INCOME (LOSS)	\$ (469,511)	\$85,435	(\$859,597)	(\$15,202)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
BALANCE, BEGINNING OF PERIOD	\$ (642,420)	\$ -	\$ 128,815	\$ -
Other comprehensive loss for the period	\$ (326,955)	\$ -	\$(1,098,190)	\$ -
BALANCE, END OF PERIOD	(\$969,375)	\$ -	\$ (969,375)	\$ -

GLG LIFE TECH CORPORATION
(Formerly GLG Life Tech Limited)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited - Prepared by Management)

22 CONTINGENT LIABILITIES

On January 24th, 2007, The Company entered into a Sponsorship Agreement with Northern Securities to sponsor the Company for its TSX Listing Application. The Company paid initial sponsorship fees of \$10,000 and issued 250,000 shares at a 1.20 value for total consideration of \$310,000 in Q1. If the Company's TSX Listing application is successful and the listing of its shares on the TSX is completed, GLG will pay Northern Securities \$10,000 in fees as well as issue Northern Securities an additional 250,000 shares at \$1.20 per share in consideration for the sponsorship services provided to the Company in 2007. These two items would equate to \$310,000 of additional expense should GLG be successful in its listing application with the TSX.

23 COMMITMENTS

The Company has contractual commitments to purchase stevia leaves to meet its customer contractual commitments for its stevia products over the next 11 months. The contractual value of the stevia leave purchase commitments is \$US 8 Million and is expected to be received and due for payment over the next 90 days.