



GLG LIFE TECH CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2012

(Unaudited – Prepared by Management)

Notice of No Auditor Review of Interim Financial Statements

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

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with U.S. GAAP for a review of interim financial statements by an entity's auditors.

GLG LIFE TECH CORPORATION
Interim Consolidated Balance Sheets
(Unaudited - Expressed in Canadian Dollars)

		September 30, 2012	December 31, 2011
	Note		
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 3,106,984	\$ 4,486,838
Accounts receivable	4	10,318,516	7,124,710
Taxes recoverable	5	6,235,443	8,583,119
Inventory	6	44,792,935	66,740,868
Prepaid expenses	7	7,136,215	6,639,713
Total Current Asset		71,590,093	93,575,248
Property, Plant, and Equipment	8	102,167,988	112,255,188
Intangible Assets	9	25,971,015	27,949,699
Total Assets		\$ 199,729,096	\$ 233,780,135
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Short term loans	10	\$ 65,066,094	\$ 70,574,229
Accounts payable and accruals	11	27,103,347	31,651,426
Interest payable		1,548,064	215,554
Advances from customers		1,124,550	825,120
Deferred revenue		-	109,460
Total Current Liabilities		94,842,055	103,375,789
Due to related parties	12	6,767,372	-
Deferred income tax liability		20,150	-
Total Liabilities		101,629,577	103,375,789
EQUITY			
Stockholders' Equity			
Common Stock: no par value; unlimited shares authorized; issued and outstanding: 32,915,634 (December 31, 2011- 32,915,634 shares)	13	190,264,382	189,335,257
Additional paid-in capital	13	26,905,644	26,429,140
Accumulated other comprehensive income		10,891,918	14,462,164
Deficit		(131,621,848)	(101,999,019)
Total GLG Life Tech Corporation Stockholders' Equity		96,440,096	128,227,542
Non-controlling interests		1,659,423	2,176,804
Total Stockholders' Equity		98,099,519	130,404,346
Total Liabilities and Stockholders' Equity		\$ 199,729,096	\$ 233,780,135

Nature of Operations and Liquidity Risk (Note 1)

Commitments (Note 17)

Contingent liabilities (Note 18)

Subsequent events (Note 20)

See Accompanying Notes to the Interim Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

"Sophia Leung "

Director

"David Hall "

Director

GLG LIFE TECH CORPORATION

Interim Consolidated Statements of Operations and Comprehensive Loss

For the three and nine months ended September 30

(Unaudited - Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
REVENUE	\$ 5,778,455	\$ 1,740,318	\$ 13,431,649	\$ 24,366,977
COST OF SALES	9,696,731	4,833,315	21,672,435	23,216,794
GROSS (LOSS) PROFIT	(3,918,276)	(3,092,997)	(8,240,786)	1,150,183
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	3,586,985	10,755,867	11,606,568	31,208,172
(LOSS) BEFORE THE UNDERNOTED	(7,505,261)	(13,848,864)	(19,847,354)	(30,057,989)
OTHER INCOME (EXPENSES)				
Goodwill and intangible asset write downs	-	(12,189,321)	-	(12,189,321)
Provisions for inventories write-off	(5,167,568)	-	(5,273,514)	-
Interest expense	(1,882,530)	(1,172,194)	(4,975,050)	(4,254,701)
Interest income	5,041	35,319	9,792	173,353
Other income (expenses)	(198,154)	(3,733)	65,140	(3,733)
Foreign exchange (loss) gain	(637,914)	502,728	(115,722)	110,652
	(7,881,125)	(12,827,201)	(10,289,354)	(16,163,750)
(LOSS) BEFORE INCOME TAXES	(15,386,386)	(26,676,065)	(30,136,708)	(46,221,739)
INCOME TAX (EXPENSE) RECOVERY	-	495,942	(3,502)	(416,544)
NET (LOSS)	(15,386,386)	(26,180,123)	(30,140,210)	(46,638,283)
NET (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST	(294,936)	(1,552,598)	(517,381)	(3,744,987)
NET (LOSS) ATTRIBUTABLE TO GLG LIFE TECH CORPORATION	(15,091,450)	(24,627,525)	(29,622,829)	(42,893,296)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign Currency Translation Adjustment	(1,789,674)	11,499,076	(3,570,246)	9,650,242
COMPREHENSIVE (LOSS)	(16,881,124)	(13,128,449)	(33,193,075)	(33,243,054)
NET (LOSS) PER SHARE				
Basic & Diluted	(0.46)	(0.74)	(0.90)	(1.35)
Weighted Average Number of Shares Outstanding				
Basic and diluted	32,915,634	33,126,634	32,915,634	31,829,901

See Accompanying Notes to the Interim Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Interim Consolidated Statements of Equity

For the nine months ended September 30, 2012

(Unaudited - Expressed in Canadian Dollars)

	Common Shares		Additional Paid in Capital	Accumulated Other Comprehensive Income ("AOCI")	Deficit	Total Equity Attributable to the Company	Non- controlling Interest	Total Equity
	Shares	Amount						
Balance, December 31, 2011	32,915,634	\$ 189,335,257	\$ 26,429,140	\$ 14,462,164	\$ (101,999,019)	\$ 128,227,542	\$ 2,176,804	\$ 130,404,346
Stock-based compensation	-	929,125	476,504	-	-	1,405,629	-	1,405,629
Change in foreign currency translation	-	-	-	(3,570,246)	-	(3,570,246)	-	(3,570,246)
Net (loss)	-	-	-	-	(29,622,829)	(29,622,829)	(517,381)	(30,140,210)
Balance, September 30, 2012	32,915,634	\$ 190,264,382	\$ 26,905,644	\$ 10,891,918	\$ (131,621,848)	\$ 96,440,096	\$ 1,659,423	\$ 98,099,519

See Accompanying Notes to the Interim Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Interim Consolidated Statements of Cash Flows

For the three and nine months ended September 30

(Unaudited - Expressed in Canadian Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Cash Flows From Operating Activities				
Net (loss)	\$ (15,386,386)	\$ (26,180,123)	\$ (30,140,210)	\$ (46,638,283)
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	253,329	763,879	1,405,629	2,385,999
Amortization of property, plant and equipment and intangible as	3,657,897	2,713,792	8,722,899	7,141,510
Goodwill and intangible asset write downs	-	12,189,321	-	12,189,321
Loss on disposal of property, plant and equipment	-	-	295,693	-
Provisions for receivables	-	400,783	(24,412)	400,783
Provisions for inventories write-off	5,167,568	-	5,273,514	-
Unrealized foreign exchange loss (gain)	58,520	(937,070)	80,376	(318,162)
Deferred income tax expense (recovery)	16,312	(490,063)	20,150	407,095
Changes in non-cash working capital items (Note 14)	4,355,892	1,661,504	9,089,852	(5,501,844)
Net cash from (used in) operating activities	(1,876,868)	(9,877,977)	(5,276,509)	(29,933,581)
Cash Flows From Investing activities				
Proceeds on disposal of property, plant and equipment	-	-	207,307	-
Purchase of property, plant and equipment	-	(2,356,949)	(152,438)	(7,181,723)
Net cash used in operating activities	-	(2,356,949)	54,869	(7,181,723)
Cash Flow From Financing activities				
Repayment of short term loans	(530,514)	(15,043,667)	(3,331,971)	(32,971,667)
Issuance of common shares, net of share issuance costs	-	-	-	54,187,643
Exercise of stock options	-	-	-	52,234
Equity contribution by non-controlling interests	-	1,801,261	-	6,815,567
Advances from customers	182,172	467,327	328,871	486,152
Advance from (repayment to) related parties	1,046,821	-	6,767,372	(6,125,436)
Net cash from (used in) financing activities	698,479	(12,775,079)	3,764,272	22,444,493
Effect of exchange rate changes on cash and cash equivalents	552,491	1,441,012	77,514	270,984
NET DECREASE IN CASH AND CASH EQUIVALENTS	(625,898)	(23,568,993)	(1,379,854)	(14,399,827)
CASH AND CASH EQUIVALENTS, beginning of period	3,732,882	32,986,381	4,486,838	23,817,215
CASH AND CASH EQUIVALENTS, end of period	\$ 3,106,984	\$ 9,417,388	\$ 3,106,984	\$ 9,417,388

See Accompanying Notes to the Interim Consolidated Financial Statements
Supplemental Cash Flow Information (Note 14)

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

GLG Life Tech Corporation (the “Company”) was incorporated under the Companies Act (British Columbia) on June 5, 1998 and changed its name to GLG Life Tech Corporation on March 14, 2007. The Company’s shares trade on the Toronto Stock Exchange (“TSX”) under the symbol “GLG”. The Company is a vertically integrated producer of high-grade stevia extract. The operations include stevia seed breeding, propagation, growth and harvest, extraction, refining and formulation. The Company also has an 80% interest in Dr. Zhang’s All Natural and Zero Calorie Beverage and Foods Company (“ANOC”) formed in 2010. ANOC is focused on the sales and distribution of consumer food and beverage products in China. These consumer products are sweetened with the Company’s stevia products and have low or zero calories.

These unaudited interim consolidated financial statements (“interim financial statements”) have been prepared by management in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the nine months ended September 30, 2012, the Company incurred a net loss of \$30,140,210 (2011 – \$42,893,296). As at September 30, 2012 the Company had an accumulated deficit of \$131,621,848 (2011 – \$ 101,999,019), working capital deficit of \$23,251,962 (2011 – \$9,800,541) and a net cash outflow used in operations of \$5,276,509 (2011 - \$29,933,581). The Company has had a successful history in renewing its short term loans over the past three years and plans to continue to renew these loans as they become due in the current fiscal year. However, if the Company is unable to refinance its credit facilities of \$65,066,094 (see also Note 10), the Company will require alternative forms of financing. There can be no assurance the Company will be successful in this endeavor and these circumstances lead to substantial doubt about the ability of the Company to continue as a going concern.

These interim financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company is subject to the consideration and risks of operating in China. These include risks associated with the political and economic environment, foreign currency exchange and the legal system in China.

The economy of China differs significantly from the economies of the “western” industrialized nations in such respects as structure, level of development, gross national product, growth rate, capital reinvestment, resource allocation, self-sufficiency, rate of inflation and balance of payments position, among others. The Chinese economy has experienced significant growth in the past several years, but such growth has been uneven among various sectors of the economy and geographic regions. Actions by the Chinese government to control inflation have significantly restrained economic expansion in the recent past. Similar actions by the Chinese government in the future could have a significant adverse effect on economic conditions in China.

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN, Continued

Many laws and regulations dealing with economic matters in general and foreign investment in particular have been enacted in China. However, China still does not have a comprehensive system of laws, and enforcement of the existing laws may be uncertain and sporadic.

The Company's operating assets and primary sources of income and cash flows originate in China. The China economy has, for many years, been a centrally planned economy, operating on the basis of annual, five-year and ten-year state plans adopted by central China governmental authorities, which set out national production and development targets. The China government has been pursuing economic reforms since it first adopted its "open-door" policy in 1978. There is no assurance that the China government will continue to pursue economic reforms or that there will not be any significant change in its economic or other policies, particularly in the event of any change in the political leadership of, or the political, economic or social conditions in China. There is also no assurance that the Company will not be adversely affected by any such change in governmental policies or any unfavorable change in the political, economic or social conditions, the laws or regulations, or the rate or method of taxation in China. As many of the economic reforms, which have been or being implemented by Chinese government, are unprecedented or experimental, they may be subject to adjustment or refinement, which may have adverse effects on the Company. Further, through state plans and other economic and fiscal measures, it remains possible for the China government to exert significant influence on the China economy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared by management in accordance with U.S. GAAP and are presented in Canadian dollars. These interim financial statements include the accounts of the Company and its subsidiaries after elimination of all significant intercompany accounts and transactions. The interim financial statements are presented in Canadian dollars and have been prepared in accordance with the US GAAP for interim financial information. Accordingly, the interim financial statements do not include all of the information and disclosures for complete financial statements. These interim financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2011.

In the opinion of management, these interim financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Results of operations for the periods presented are not necessarily indicative of results of operations for the full year.

3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

There are no recently issued accounting pronouncements that are expected to have a significant impact on the Company's accounting policies.

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

4. ACCOUNTS RECEIVABLE

	September 30, 2012		December 31, 2011	
Accounts Receivable	\$	16,699,329	\$	13,529,934
less allowance for doubtful accounts		(6,380,812)		(6,405,224)
	\$	10,318,516	\$	7,124,710

5. TAXES RECOVERABLE

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

6. INVENTORY

	September 30, 2012		December 31, 2011	
Raw material	\$	17,532,495	\$	17,420,060
Work in process		21,812,036		41,558,934
Finished goods		5,448,404		7,761,874
	\$	44,792,935	\$	66,740,868

For the quarter ended September 30, 2012, Management assessed the valuation of inventory based on the lower of cost or net realizable value. The Company recorded an impairment charge to its inventory of \$5,273,514 (September 30, 2012 – nil). This impairment charge also included a write-down of ANOC inventory to reflect products that have been discontinued.

7. PREPAID EXPENSES

	September 30, 2012		December 31, 2011	
Prepayment for raw material	\$	2,542,057	\$	1,161,889
Prepayment for construction and equipment		395,215		351,637
Insurance		176,302		73,755
Rent and deposits		2,677,279		2,535,470
Prepayment for ANOC production costs		1,231,071		1,873,511
Others		114,291		643,451
	\$	7,136,215	\$	6,639,713

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

8. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2012			December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Ion exchange resin equipment	\$ 15,453,029	\$ 3,863,617	\$ 11,589,412	\$ 15,956,718	\$ 3,650,078	\$ 12,306,640
Manufacturing equipment and Biological assets	52,344,003	15,610,246	36,733,757	54,148,504	12,286,649	41,861,855
Buildings	57,151,778	8,500,068	48,651,710	59,060,216	6,865,135	52,195,081
Leasehold & land use rights	4,596,541	325,368	4,271,173	4,684,652	131,762	4,552,890
Construction in progress	-	-	-	129,207	-	129,207
Computer equipment and software	706,595	302,984	403,611	733,372	224,951	508,421
Motor vehicles and Furniture and fixture	1,146,772	628,447	518,325	1,182,492	481,398	701,094
	\$ 131,398,718	\$ 29,230,730	\$ 102,167,988	\$ 135,895,162	\$ 23,639,973	\$ 112,255,189

There was nil interest capitalized to property, plant and equipment during the nine months ended September 30, 2012.

9. INTANGIBLE ASSETS

	September 30, 2012			December 31, 2011			
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Impairment Loss	Net Book Value
Customer relationship	\$ 10,876,254	\$ 5,403,678	\$ 5,472,576	\$ 15,416,254	\$ 4,719,607	\$ 4,540,000	\$ 6,156,647
Patents and acquired technologies	26,533,750	6,035,311	20,498,439	26,533,750	4,740,698	-	21,793,052
	\$ 37,410,004	\$ 11,438,989	\$ 25,971,015	\$ 41,950,004	\$ 9,460,305	\$ 4,540,000	\$ 27,949,699

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

10. SHORT TERM LOANS

The Company's short term loans consisted of borrowings from a private lender and four banks in China as follows:

Short term borrowing from a private lender as at September 30, 2012 and December 31, 2011:

September 30, 2012	December 31, 2011	Loan amount in USD	Maturity Date	Interest rate per annum
\$ 531,182	\$ 549,180	\$ 540,000	October 9, 2012	8.00%

Short term bank loans as at September 30, 2012:

Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
\$ 469,498	3,000,000	July 28, 2012	7.71%	Agricultural Bank of China
4,381,984	28,000,000	July 28, 2012	7.71%	Agricultural Bank of China
1,564,994	10,000,000	April 18, 2012	7.71%	Agricultural Bank of China
1,532,524	9,792,521	March 28, 2012	7.71%	Agricultural Bank of China
9,389,965	60,000,000	June 9, 2012	6.81%	Agricultural Bank of China
3,129,988	20,000,000	June 16, 2012	6.81%	Agricultural Bank of China
12,519,954	80,000,000	June 20, 2012	6.81%	Agricultural Bank of China
2,660,490	17,000,000	July 25, 2012	7.08%	Agricultural Bank of China
15,038,071	96,090,263	February 25, 2012	6.40%	Bank of Communication
3,129,988	20,000,000	August 26, 2012	7.22%	Bank of China
624,886	3,992,894	September 29, 2012	7.22%	Bank of China
2,660,490	17,000,000	December 1, 2012	7.54%	Huishang Bank
4,694,983	30,000,000	December 17, 2011	9.09%	Construction Bank of China
2,737,097	17,489,500	December 23, 2011	9.09%	Construction Bank of China
\$ 64,534,912	412,365,178			

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

10. SHORT TERM LOANS, Continued

Short term bank loans as at December 31, 2011:

	Loan amount in C\$	Maturity Date	Interest rate per annum	Lender	
\$	484,801	3,000,000	July 28, 2012	7.71%	Agricultural Bank of China
	4,524,814	28,000,000	July 28, 2012	7.71%	Agricultural Bank of China
	1,616,005	10,000,000	April 18, 2012	7.71%	Agricultural Bank of China
	1,616,005	10,000,000	March 28, 2012	7.71%	Agricultural Bank of China
	9,696,029	60,000,000	June 9, 2012	6.81%	Agricultural Bank of China
	3,232,010	20,000,000	June 16, 2012	6.81%	Agricultural Bank of China
	12,928,039	80,000,000	June 20, 2012	6.81%	Agricultural Bank of China
	2,747,208	17,000,000	July 25, 2012	7.08%	Agricultural Bank of China
	4,848,015	30,000,000	December 17, 2011	6.06%	Construction Bank of China
	3,005,625	18,599,111	December 23, 2011	6.06%	Construction Bank of China
	16,160,049	100,000,000	Dec 17, 2011	7.98%	Bank of Communication
	2,541,976	15,730,000	Dec 23, 2011	7.87%	CITIC Bank
	3,232,010	20,000,000	August 26, 2012	7.22%	Bank of China
	645,254	3,992,894	September 29, 2012	7.22%	Bank of China
	2,747,208	17,000,000	December 1, 2012	7.54%	Huishang Bank
\$	70,025,049	433,322,005			

In general, the short term loans and bank loans do not have any attached covenants. Please see below for an overview of the short term loans with the banks:

1. The short term loan with CITIC Bank matured on February 13, 2012 and was repaid in the second quarter.
2. Two short term loans due to Construction Bank of China matured on December 17, 2011 and December 23, 2011, respectively.
3. Two short term loans due to the Bank of China matured on August 26, 2012 and September 29, 2012, respectively.
4. The short term loan due to Bank of Communication matured on February 25, 2012.
5. Eight short term loans due to Agricultural Bank of China were matured on July 28, 2012, April 18, 2012, March 28, 2012, June 9, 2012, June 16, 2012, June 20, 2012 and July 25, 2012.

All loans, except for the loan with CITIC Bank, were not repaid on the maturity dates and are currently payable. These loans are classified on the balance sheet as current liabilities. The Company is currently in discussion with these banks to renew the matured loans. Traditionally, short term loans in China require repayment before completion of renewal by the banks. The Company did not have the funds to

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

repay the short term loans when they came due as part of the renewal process. The banks have not demanded immediate repayment of these loans and the Company is currently in discussion with these banks to formally renew these loans. The Company has a history of successfully renewing its short term loans since 2008 and believes these loans will be extended. However, there can be no guarantee that it will be successful in renewing these loans.

The assets of the Company's subsidiaries have been pledged as collateral for the short term bank loans. Land of two subsidiaries in China has also been used as collateral for the above facilities.

As part of the collateral agreement with CITIC Bank loan, a third party monitor was in place at one of GLG's subsidiaries to monitor inventory collaterals. The Company maintains access to its inventory at this subsidiary. The Citic Bank loan was repaid in its entirety subsequent to year end during the second quarter of 2012 and the third party monitor was removed after the loan was repaid.

11. ACCOUNTS PAYABLE AND ACCRUALS

	September 30, 2012	December 31, 2011
Raw material	\$ 3,158,284	\$ 3,181,096
Construction and equipment	6,445,152	6,388,331
Trade payable	17,499,910	22,081,999
	\$ 27,103,346	\$ 31,651,426

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

12. RELATED PARTIES TRANSACTIONS AND BALANCES

In addition to the transactions disclosed elsewhere in these interim financial statements, the Company has agreements with Grand Leaf Ltd. (“Grand Leaf”), GLG International Development Company (“GLG International”), and AAFAB Corporation (“AAFAB”) for executive and management consulting services. These Companies are related as they are owned by senior officials and directors of the Company. The amount of these transactions and outstanding balances as at September 30, 2012 are as follows:

- a) During the nine months ended September 30, 2012, the Company paid or accrued consulting fees totaling \$344,385 (2011 - \$352,630) for the services provided by Grand Leaf. As at September 30, 2012, there was \$344,385 (December 31, 2011 - \$nil) payable to Grand Leaf.
- b) During the nine months ended September 30, 2011 the Company paid or accrued consulting fees of nil (June 30, 2011 - \$34,715) to AAFAB. As at September 30, 2012 and December 31, 2011 there was nil payable to AAFAB.
- c) During the nine months ended September 30, 2012, the Company paid or accrued management fees totaling \$nil (2011 - \$300,000) to GLG International. As at September 30, 2012 there was \$400,000 (December 31, 2011 - \$400,000) included in accounts payable to GLG International.

During the quarter ended September 30, 2012, the Company obtained loans totaling CAD 1,046,821 from the Company’s Chairman and Chief Executive Officer (Lender) (CAD \$6,767,372 Nine months ended September 30, 2012). The loans bore interest at the US 10-year benchmark government bond rate plus 11% per annum for USD denominated loans or based on China 10-year benchmark government bond rate plus 11% per annum for RMB denominated loans. The Company used the loan proceeds for corporate working capital purposes and to fund the operations of the company in Canada and China. Subsequent to the end of the current quarter, the Company borrowed an additional CAD \$592,320 under the same terms and conditions of the previous loans.

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

13. SHARE CAPITAL

a) Capital stock

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

b) Stock options and restricted shares

The Company is subject to the policies of the TSX, under which it is authorized to grant options to officers, directors, employees and consultants enabling them to purchase common stock of the Company. The Company has one stock option and restricted share units plan (“Plan”) which was amended effective May 16, 2008 and reapproved by the Company’s shareholders on June 28th, 2011. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan.

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

13. SHARE CAPITAL, Continued

The Company is subject to the policies of the TSX, under which it is authorized to grant options to officers, directors, employees and consultants enabling them to purchase common stock of the Company. The Company has one stock option and restricted share units plan (“Plan”) which was amended effective May 16, 2008 and reapproved by the Company’s shareholders on June 28th, 2011. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan.

(i) Stock options

Under the Plan, options granted are non-assignable and the number of common shares available for issue is a maximum of 10% of the issued and outstanding common shares of the Company inclusive of any restricted share units granted under the Plan. The maximum term of an option is 5 years after the date of grant. The exercise price may not be less than the closing price of the Company’s shares on the last business day immediately preceding the date of grant.

The following summarizes information about the stock options outstanding and exercisable at September 30, 2012:

Exercise price	Number outstanding at September 30, 2012	Weighted average remaining contractual life (years)	Weighted average exercise price
\$16.00	44,716	0.62	\$16.00
\$8.60	88,100	1.75	\$8.60
\$7.79	85,336	2.68	\$7.79
\$8.11	6,000	3.12	\$8.11
\$8.90	142,627	3.66	\$8.90
\$6.33	-	2.88	\$6.33
\$1.32	9,000	2.28	\$1.32
	375,779	2.59	\$9.23

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13. SHARE CAPITAL, Continued

Summary of option transactions:

	Number of options		Weighted average exercise price per option	Weighted average fair value per option
Balance at December 31, 2010	256,040	\$	9.53	4.24
Options granted	304,303		8.75	5.56
Options forfeited	(173,176)		8.64	5.57
Options exercised	(6,388)		8.18	5.33
Balance at December 31, 2011	380,779	\$	9.34	
Options granted	9,000		1.32	-
Options forfeited	(14,000)		8.90	-
Options exercised	-		-	-
Balance at September 30, 2012	375,779	\$	9.23	

During the nine months ended September 30, 2012, the Company recorded stock-based compensation expense in the amount of \$476,504 related to restricted shares (September 30, 2011 - \$641,000).

9,000 (September 30, 2011 – 304,303) stock options were granted and 14,000 options were forfeited (September 30, 2011 – 16,750). The options granted during the period ended September 30, 2012 vest over two year periods.

As at September 30, 2012, the total remaining unrecognized compensation costs associated with stock options totaled \$315,528 (September 30, 2011 - \$1,497,910) which will be amortized over the weighted average remaining life of 2.59 years. The aggregate intrinsic value of vested and exercisable stock options was \$nil (September 30, 2011 - \$Nil).

(ii) Restricted share units

Under the Plan, restricted share units granted are non-assignable and the number of common shares available for issue is a maximum of 10% of the issued and outstanding common shares in the Company inclusive of any stock options granted under the Plan. Holders of restricted share units are entitled to voting rights and dividends. The maximum vesting period for restricted share units are 5 years from the date of grant unless otherwise approved by the Board of Directors. Restricted share units are issued to certain employees and have performance criteria, which are based on production and financial targets.

GLG LIFE TECH CORPORATION

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13. SHARE CAPITAL, Continued

The vesting periods for restricted shares as at September 30, 2012 are as follows:

Number of restricted share units at September 30, 2012	Vesting period (years)	Performance based
107,323	-	No
311,295	-	Yes
225,000	-	Yes
37,193	2.68	No
36,000	2.65	No
538,849	7.69	Yes
200,000	8.65	Yes
1,455,660	4.17	

During the nine months ended September 30, 2012, there were no restricted shares issued (2011 – 459,000). The Company recorded stock-based compensation expense in the amount of \$929,125 related to restricted shares (2011 - \$1,744,988).

As of September 30, 2012, there was \$5,134,638 of total unrecognized compensation cost related to non-vested restricted shares. That cost is expected to be recognized over the weighted average remaining life of 4.17 years.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Accounts receivable	\$ (1,005,730)	\$ 1,180,678	\$ (2,579,915)	\$ 16,281,146
Taxes recoverable	789,852	(1,921,452)	2,092,031	(702,494)
Inventory	7,794,806	(1,677,725)	14,014,891	(23,497,183)
Prepaid expenses	(864,724)	(188,258)	(1,686,001)	(7,832,235)
Accounts payable and accruals	(3,199,875)	4,313,774	(3,974,204)	10,388,501
Interest payable	836,293	(46,783)	1,332,510	(237,279)
Deferred revenue	5,270	1,270	(109,460)	97,700
	\$ 4,355,892	\$ 1,661,504	\$ 9,089,852	\$ (5,501,844)

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

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15. SEGMENTED INFORMATION

Sales to external customers:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Stevia Products	\$ 5,653,043	\$ 722,563	\$ 12,977,757	\$ 16,961,381
Consumer Products	125,412	1,017,755	453,892	7,405,596
	\$ 5,778,455	\$ 1,740,318	\$ 13,431,649	\$ 24,366,977

The Company generates sales to external customers in the following geographical locations:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
China	\$ 5,188,142	\$ 1,412,866	\$ 12,363,136	\$ 14,995,651
North America	590,313	327,452	1,068,513	9,371,326
	\$ 5,778,455	\$ 1,740,318	\$ 13,431,649	\$ 24,366,977

During the nine months ended September 30, 2012, three customers (2011 - two customers) of the Stevia products segment individually represented 10% or more of total consolidated revenue. The sales to these customers represented 42% (2011 - 60%) of the total consolidated revenue for the period.

	Three months ended September 30,		Nine months ended September 30,	
Operating Loss	2012	2011	2012	2011
Stevia Products	\$ (6,435,544)	\$ (6,204,525)	\$ (17,608,690)	\$ (11,505,479)
Consumer Products	(1,069,717)	(7,644,339)	(2,238,664)	(18,552,510)
	\$ (7,505,261)	\$ (13,848,864)	\$ (19,847,354)	\$ (30,057,989)

GLG LIFE TECH CORPORATION

Notes to the Interim Consolidated Financial Statements

Nine Months Ended September 30, 2012 and 2011

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15. SEGMENTED INFORMATION, Continued

The Company has property, plant and equipment in the following reportable segments and geographic locations:

	September 30, 2012	December 31, 2011
Stevia Products	\$ 101,333,032	\$ 111,130,772
Consumer Products	834,956	1,124,416
	\$ 102,167,988	\$ 112,255,188
China	\$ 102,065,483	\$ 112,122,801
North America	102,505	132,387
	\$ 102,167,988	\$ 112,255,188

16. INCOME TAXES

The effective tax rate for the period differs from the statutory Canadian tax rate of 26.5% and is primarily due to valuation allowances on net operating losses and permanent differences not subject to tax.

The amount of liability for uncertain tax positions as of September 30, 2012 was nil.

GLG LIFE TECH CORPORATION

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17. COMMITMENTS

- a) The Company renewed two 5-year operating lease with respect to land and production equipment at the Qingdao factory in China. The lease expires in 2016, and the annual minimum lease payments are approximately \$156,000 (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 \$124,000 (RMB 790,000) is paid every 10 years.
- c) The Company entered into a 5-year agreement for office premises beginning June 1, 2011. The annual minimum lease payments are approximately \$142,000.
- d) The Company entered into various marketing and promotional short term contracts to support consumer business promotional campaigns. The total commitments related to these contracts as of September 30, 2012 are \$99,000 (RMB 634,375).
- e) In April 2008, the Company signed a 20-year agreement with the government of Juancheng County in the Shandong Province of China, which gave 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 \$58,998,000 (US\$60,000,000) over the life of the agreement to retain its exclusive rights. As of September 30, 2012, the Company had not made any investment in the region.

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

2012	\$	105,353
2013		366,615
2014		302,917
2015		304,293
2016		217,789
Thereafter		248,000
Total	\$	1,544,968

GLG LIFE TECH CORPORATION

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18. CONTINGENT LIABILITIES

The Company has learned that on December 14, 2011, a putative class action lawsuit was filed against the Company, its Chief Executive Officer and Chief Financial Officer in the U.S. District Court for the Southern District of New York. On January 26, 2012, a very similar putative class action lawsuit against the same defendants was filed in the U.S. District Court for the Southern District of New York. These lawsuits were consolidated into a single case on March 21, 2012, and a consolidated complaint was filed on May 10, 2012. On August 31, 2012, the company was served with proposed class action law suits filed in the Supreme Court of British Columbia and in the Ontario Superior Court of Justice. The Company has reviewed the allegations in the consolidated complaint and the Canadian claims, which concern certain purported misrepresentations and omissions in the Company's public filings, and believes that these allegations are completely without merit. The Company has retained counsel and will defend itself vigorously in these matters. For the US action, the Company and its Chief Financial Officer have filed a motion to dismiss the proceeding, which is currently pending. For the Canadian matter, the Company is awaiting the completion of service and the appointment of a case management judge which is likely to take several months.

An estimate of the possible loss or range of loss cannot be made at the date of release of the financial statements.

19. SEASONALITY

GLG's stevia business is affected by seasonality. The harvest of the stevia leaves typically start at the end of July and continue through to 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, during which many businesses close down operations for approximately two weeks. GLG's production year runs from October to September whereby raw materials are converted into WIP and finished goods.

20. SUBSEQUENT EVENTS

Subsequent to September 30, 2012, the British Columbia Securities Commission granted a partial revocation of the Cease Trade Order imposed May 2, 2012 in order to complete a loan to the Company from Dr. Luke Zhang (CEO of the Company) in the amount of US\$1,000,000 with an interest rate of 14.37% per annum payable semi-annually and with a maturity date of three years, and allow the Company to issue Dr. Zhang 100,000 warrants entitling the holder to purchase 100,000 common shares for \$2.50 per share for a period of two years. The warrants are subject to approval by the TSX. The use of proceeds is for corporate working capital purposes.

Subsequent to September 30, 2012, the Company borrowed an additional CAD \$592,320 (US\$ 600,000) under the same terms and conditions and the previous loans.