GLG LIFE TECH CORPORATION

MANAGEMENT DISCUSSION & ANALYSIS

For the Six Months Ended June 30, 2012

Dated: August 14, 2012

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") of GLG Life Tech Corporation is dated August 14, 2012, which is the date of filing of this document. It provides a review of the financial results for the six months ended June 30, 2012 compared to the same period in the prior year.

This MD&A relates to the consolidated financial condition and results of operations of GLG Life Tech Corporation ("we," "us," "our," "GLG" or the "Company") together with GLG's subsidiaries in the People's Republic of China ("China") and other jurisdictions. 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 U.S. generally accepted accounting principles ("US GAAP"). This MD&A should be read in conjunction with the interim consolidated financial statements and notes thereto for the six months ended June 30, 2012 as well as the annual consolidated financial statements and notes thereto and the MD&A of GLG for the year ended December 31, 2011. 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 or on the SEDAR web site for Canadian regulatory filings at www.sedar.com.

The preparation of the consolidated financial statements in conformity with U.S 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 MD&A constitute "forward-looking statements" and "forward looking information" (collectively, "forward-looking statements") within the meaning of applicable securities laws. 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 the Company has based these forward-looking statements on its current expectations about future

events, the statements are not guarantees of the Company's 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, consumer demand for our products and new orders from our customers and distributors, changing foreign exchange rates and actions by government authorities, uncertainties associated with legal proceedings and negotiations, industry supply levels, competitive pricing pressures and misjudgments in the course of preparing forward-looking statements. Specific reference is made to the risks described herein under the heading "Risks Related to the Company's 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 the Company's Annual Information Form for the financial year ended December 31, 2011. 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. The Company undertakes 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

We are a leading producer of high quality stevia extract. Stevia extracts, such as Rebaudioside A (or Reb A), are used as all natural, zero-calorie sweeteners in food and beverages. Our revenue is derived primarily through the sale of high-grade stevia extract to the food and beverage industry. We conduct our stevia development, refining, processing and manufacturing operations through our five wholly-owned subsidiaries in China. Our operations in China include four processing factories, stevia growing areas across 10 growing areas, and four research and development centers engaged in the development of high-yielding stevia seeds and seedlings. Our processing facilities have a combined annual throughput of 41,000 metric tons of stevia leaf and 1,500 metric tons of RA 97 or 2,000 metric tons of BlendSure™.

The Company also has an 80% interest in Dr.Zhang's All Natural and Zero Calorie Beverage and Foods Company ("AN0C") formed in 2010. AN0C 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.

Our revenues were $7.7 million for the six months ended June 30, 2012 compared to $22.6 million for the six months ended June 30, 2011.

We had a net loss attributable to the Company of $14.7 million for the six months ended June 30, 2012

compared to a net loss of $20.5 million for the six months ended June 30, 2011.

Factors Affecting the Company's Results of Operations

The Company's operating results are primarily affected by the following factors:

1. ***Consumer Demand***. The Company believes that consumer demand for food and beverage products and tabletop sweeteners produced with stevia extracts will continue to expand. The Company believes rebiana, which is extracted from stevia leaf, is positioned to become a leading high-intensity sweetener because it has zero calories, is 100% natural, is 200-300 times sweeter than sugar and does not have the perception of potential health risks that may be associated with artificial sweeteners. Additionally, the Company believes that consumer acceptance of stevia will increase in connection with regulatory approval in the US, China and elsewhere. The Company's results of operations will be affected by consumer acceptance of, and demand for, rebiana-sweetened products and the Company's ability to increase its production capacity in order to meet any increased demand.
2. ***Price of Stevia Extract***. The Company believes that it will be able to maintain a low cost of production of high-grade stevia extract through process innovation and vertical integration (from seedling development to high-grade stevia extract production). By maintaining a low cost of production, the Company believes it will be able to reduce the price it charges for high-grade stevia extract, thereby strengthening the competitive position of high-grade stevia extract relative to other high-intensity sweeteners and sugar.
3. ***Raw Material Supply and Prices; Cost of Sales.*** The price that the Company must pay for stevia leaf and the quality of such stevia leaf affects the Company's results of operations. The cost and quality of stevia leaf available is driven primarily by the rebaudioside A content contained in stevia leaf and the quality of the stevia harvested during a particular growing period. The key factors driving the Company's cost of sales include the cost of stevia leaf, stevia leaf quality, salaries and wages of the Company's manufacturing labour, manufacturing overhead such as supplies, power and water used in the production of the Company's high-grade stevia extract, and depreciation of the Company's high-grade stevia extract processing plants.

Unfavourable changes in any of these general conditions could negatively affect the Company's ability to grow, source, produce, process and sell stevia and otherwise materially and adversely affect the Company's results of operations.

Critical Accounting Estimates and Assumptions

The Company's significant accounting policies are subject to estimates and key judgements about future events, many of which are beyond management's control. A summary of the Company's significant accounting policies is included in the Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2011.

The preparation of financial statements in conformity with generally accepted accounting principles requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to our financial statements.

We believe that our application of accounting policies, and the estimates inherently required therein, are reasonable. Our accounting policies and estimates are periodically re-evaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

Changes in Significant Accounting Policies

Prior to January 1, 2011, we prepared our consolidated financial statements in conformity with Canadian GAAP and provided a supplemental reconciliation to U.S. GAAP. Effective January 1, 2011, we adopted U.S. GAAP as the reporting standard for our consolidated financial statements. Our consolidated interim financial statements for the six months ended June 30, 2012, including related notes, have therefore been prepared in accordance with U.S. GAAP.

Inventory policy

We measure our inventory at the lower of cost or net realizable value (“NRV”) with respect to raw materials, finished goods and work-in-progress. NRV for finished goods and work-in-progress is generally considered to be the selling price in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale.

Provisions for excess, obsolete or slow moving inventory are recorded after periodic evaluation of historical sales, current economic trends, forecasted sales, estimated product lifecycles and estimated inventory levels. The accounting estimate related to valuation of inventories is considered a critical accounting estimate because it is susceptible to changes from period-to-period due to purchasing practices, accuracy of sales and production forecasts, introduction of new products, product lifecycles, product support, exchange rates, sales prices new competitive entrants and foreign regulations governing food safety. If actual results differ from our estimates, a reduction to the carrying value of inventory may be required, which will result in inventory write-offs and a decrease to gross margins.

Stock-based compensation

Our accounting estimate related to stock-based compensation is considered a critical accounting estimate because estimates are made in calculating compensation expense including expected option lives, forfeiture rates and expected volatility. The fair market value of our common stock on the date of each option grant was determined based on the closing price of common stock on the grant date. Expected option lives are estimated using vesting terms and contractual lives. Expected forfeiture rates and volatility are calculated using historical information. Actual option lives and forfeiture rates may be different from estimates and may result in potential future adjustments which would impact the amount of stock-based compensation expense recorded in a particular period.

Income taxes

We recognize future income tax assets when it is more likely than not that the future income tax assets will be realized. This assumption is based on management's best estimate of future circumstances and events. If these estimates and assumptions are changed in the future, the value of the future income tax assets could be reduced or increased, resulting in an income tax expense or recovery. We re-evaluate our future income tax assets on a regular basis.

Recognition and impairment of goodwill

Goodwill is tested for impairment at least annually or when indicated by events or changes in circumstances, by comparing the fair value of a particular reporting unit to its carrying value. When the carrying value of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill is compared with its carrying value to measure any impairment loss. We performed our last goodwill impairment test on December 31, 2011.

Property, plant and equipment and long-lived assets

Intangible assets include customer relationships, patents and technology. Intangible assets are amortized over the estimated useful life of each asset unless the life is determined to be indefinite.

We evaluate the recoverability of long-lived assets and asset groups whenever events or changes in circumstances indicate that the carrying value may not be recoverable. When such a situation occurs, the estimated undiscounted future cash flows anticipated to be generated during the remaining life of the asset or asset group are compared to its net carrying value. When the net carrying amount of the asset or asset group is less than the undiscounted future cash flows, an impairment loss is recognized to the extent by which the carrying amount of long lived assets or asset group exceeds its fair value.

Management’s estimates of product prices, foreign exchange, production levels and operating costs are subject to risk and uncertainties that may affect the determination of the recoverability of the long-lived asset groups. It is possible that material changes could occur that may adversely affect management’s estimates.

Corporate Developments for the six months ended June 30, 2012

On March 30, 2012 the Company announced the delay in the filing of its annual financial statements, its management discussion and analysis relating to its annual financial statements, its Annual Information Form (and related Form 40-F in the United States) and the CEO and CFO certifications (collectively, the "Required Documents") for the period ended December 31, 2011, beyond the prescribed deadline of March 30, 2012.

The Company worked to obtain further audit evidence, primarily from third parties, required by its auditor PricewaterhouseCoopers LLP ("PwC") in order to complete the audit. The Company's management, together with its audit committee continued to cooperate with its auditors to provide the information and expected that the Required Documents would be filed on or before April 30, 2012. There were no insolvency proceedings and there is no other material information concerning the affairs of the Company that has not been generally disclosed.

The Company applied to the applicable Canadian securities regulatory authorities for a management cease trade order ("MCTO") which was granted on April 10, 2012.. The Company's shares were halted from trading on the TSX and the Nasdaq Stock Market ("Nasdaq").

On April 30, 2012 the Company announced that PWC had required that the Company's Audit Committee engage a third-party audit firm in order to assist with third party audit evidence in order to properly conclude on certain third party transactions. The Company's Audit Committee engaged KPMG LLP in order to assist in the process. The Company's auditors have communicated to the Company that it has not uncovered any wrongdoing by the Company.

The Company also announced on April 30, 2012 that it had arranged an interim unsecured credit facility from its Chairman and Chief Executive Officer, Dr. Luke Zhang, in an amount of up to US$6.5 million to be advanced to the Company and its subsidiaries in China. The facility is for a three-year term and will bear interest at a rate ranging from 13% to 14.5% per annum. The Company intended to use the proceeds from the facility for general working capital purposes.

In connection with the Facility, the Company also granted an aggregate of 650,000 warrants to purchase common shares of the Company at an exercise price of $3.50 per common share for a period of three years. The grant of the warrants was subject to the approval of the Toronto Stock Exchange.

On May 2, 2012, the British Columbia Securities Commission ("BCSC") imposed a Cease Trade Order ("CTO") on the Company's shares for failure to file its annual financial statements, its management discussion and analysis relating to its annual financial statements, its Annual Information and the CEO and CFO certifications (collectively, the "Required Documents") for the period ended December 31, 2011, beyond the prescribed deadline of March 30, 2012. On May 3, 2012, the Investment Industry Regulatory Organization of Canada (IIROC) imposed a temporary suspension of trading in the shares of the Company.

On May 3, 2012 the Company received a notice from Nasdaq regarding noncompliance with Nasdaq Listing Rule 5250(c)(1) as a result of not timely filing its Form 40-F for the period ending December 31, 2011. Under Nasdaq Rules, the Company had until May 18, 2012 to submit a plan to regain compliance.

On May 31, 2012 the Company announced that its former auditor, PricewaterhouseCoopers LLP ("PwC") resigned effective May 22, 2012, at the request of the Company. Thomson Penner & Lo LLP ("TPL") was appointed as the successor auditor. In accordance with National Instrument 51-102, the Company filed the Change of Auditor Notice on SEDAR, together with letters from PwC and TPL, each confirming that it is in agreement with the statements contained in the notice, as applicable. TPL was the Company's previous auditor from 2005 to 2008.

PWC had not expressed any audit opinion in relation to the Company's most recently completed fiscal year, nor any subsequent periods. A description of the "reportable event" in connection with PwC's resignation was set out in the notice of change of auditor and PwC resignation letter and is available on Nasdaq. PwC had required an independent investigation from another large international accounting firm with respect to confirmation of third party information in connection with its audit opinion. The Company assessed the costs, delays, and uncertainties associated with the process proposed by PwC and determined that it was more likely to obtain a complete audit in a reasonable time and at a cost that it could afford if the Company appointed its previous auditor.

The Company also announced its intention to delist its shares from the Nasdaq Global Select Market as soon as practicable. The Company's shares of common stock will continue to be listed on the Toronto Stock Exchange. Following its delisting from Nasdaq, the Company intended to voluntarily terminate its public reporting obligations under the U.S. Securities Exchange Act as soon as possible.

The Company determined that the costs of maintaining GLG's listing and registration in the U.S. and complying with SEC reporting and other applicable U.S. obligations, including the provisions of the Sarbanes-Oxley Act of 2002, outweighed the benefits of continuing such listing and registration of the Company's shares. Also, in light of the Company's change in its independent auditor, the Company did not anticipate that it would be able to regain compliance with the Nasdaq rules within the time periods prescribed by Nasdaq.

On June 21, 2012, the Company reported that it was working with TPL on the completion and filing of its 2011 audited financials.

INTERNATIONAL SALES DEVELOPMENTS

On April 30, 2012, the Company announced that it had entered sales contracts relating to its stevia products approaching USD$7 million in the past few weeks and continued to focus on making progress on improving its stevia sales.

On June 21, 2012, the Company provided a presentation updating its sales efforts, focused on the strategy of selling directly through distributors and flavour houses. Notable sales successes included global tabletop sweetener, food service, dairy, and pharmaceutical companies, and regional RTD beverage, sweetener, water, consumer packaged goods and ice cream companies. The Company also engaged in selling to other stevia extract providers. New products launched by GLG customers included: flavoured water, fruit fillings, stevia-sweetened beverages, powdered blends, power bars, tabletop applications and flavoured milks.

Also on June 21, 2012, the Company provided an update on AN0C Stevia Solutions, its subsidiary focussed on providing product formulation expertise with stevia extracts to customers and potential customers. AN0C Stevia Solutions was developing products for six large food and beverage companies in China, with additional customers in the final stages of negotiation. Products include beverages, snack foods, spices and pharmaceuticals.

AN0C™ PROGRESS

On June 21, 2012 the Company provided an update on the key consumer target markets for RTD beverages as being 40 years or older, high net worth individuals who value their health, and students (especially university) focusing on younger female. The Key Product Focus for 2012 is on existing zero calorie tea and zero calorie vitamin enriched flavored water, the introduction of a limited number of new products in 2012, with the introduction of honey flavoured water in the second half of 2012.

AN0C's distribution channel focus includes: to increase distributors from the current level of 440, add distributors in specific channels (including schools, government, hospitals, train stations, internet cafés, and KTV & health clubs); and to focus on city centres (including financial district, hospital, school, transit and high end communities).

Results from Operations

The following results from operations have been derived from and should be read in conjunction with the Company's interim consolidated financial statements for the six month period ended June 30, 2012.

In thousands Canadian $, except per share amounts	3 Months Ended June 30		% Change	6 Months Ended Jun 30		% Change
	2012	2011		2012	2011	
Revenue	$6,761	$15,213	(56%)	$7,653	$22,627	(66%)
Cost of Sales	$9,438	$12,193	(23%)	$11,976	$18,383	(35%)
% of Revenue	140%	83%	56%	156%	81%	75%
Gross Profit	($2,677)	$3,020	(189%)	($4,323)	$4,244	(202%)
% of Revenue	(40%)	20%	(60%)	(56%)	19%	(75%)
Expenses	$4,467	$14,741	(70%)	$8,020	$20,452	(61%)
% of Revenue	66%	97%	(31%)	105%	90%	14%
Income (loss) from Operations	($7,144)	($11,721)	(39%)	($12,343)	($16,208)	(24%)
% of Revenue	(106%)	(77%)	(29%)	(161%)	(72%)	(90%)
Other Income (Expenses)	($1,272)	($1,642)	(23%)	($2,408)	($3,337)	(28%)
% of Revenue	(19%)	(11%)	(8%)	(31%)	(15%)	(17%)
Net Income (loss) before Income Taxes and Non-Controlling Interests	($8,416)	($13,363)	(37%)	($14,750)	($19,545)	(25%)
% of Revenue	(124%)	(88%)	(36%)	(193%)	(86%)	(106%)
Net Income (loss) after Income Taxes and Non-Controlling Interests	($8,293)	($12,514)	(34%)	($14,531)	($18,266)	(20%)
Earnings (loss) per share (Basic & Diluted)	($0.26)	($0.38)	(31%)	($0.45)	($0.59)	(23%)
Total Comprehensive Income (loss)	($7,725)	($11,925)	(35%)	($16,312)	($20,115)	(19%)
% of Revenue	(114%)	(78%)	(36%)	(213%)	(89%)	(124%)
Consolidated Depreciation & Amortization	$2,432	$2,338	4%	$5,065	$4,428	14%
% of Revenue	36%	20%	16%	66%	20%	47%
Stock based Compensation	$610	$779	(22%)	$1,152	$1,622	(29%)
% of Revenue	9%	5%	4%	15%	7%	8%
EBITDA (1)	($3,853)	($6,662)	(42%)	($5,639)	($7,967)	(29%)
% of Revenue	(57%)	(44%)	(13%)	(74%)	28%	(102%)

(1) EBITDA is a non-GAAP financial measure. GLG calculates it by adding to net income before taxes (1) Depreciation and amortization expense as reported on the cash flow statement, (2) Other Income (Expenses), (3) Stock-based compensation expense, and (4) Non-controlling interest. This might not be the same definition used by other companies. For the discussion of EBITDA, and the reconciliation of EBITDA to net income before taxes and after minority interest under US GAAP, please see 'Non-GAAP Financial Information".

In thousands Canadian $	3 Months Ended Jun 30,2012		6 Months Ended Jun 30, 2012	
	Stevia Business	AN0C Consumer Products Business	Stevia Business	AN0C Consumer Products Business
Revenue	$6,498	$264	$7,325	$328
Cost of Sales	$9,100	$338	$11,570	$405
Gross Profit (loss)	($2,602)	($74)	($4,245)	($77)
Gross Profit %	-40%	-28%	-58%	-23%
G&A (cash)	$1,981	$901	$3,530	$1,378
EBITDA	($3,445)	($407)	($4,908)	($731)
EBITDA as a % of revenue	(53%)	(154%)	(67%)	(223%)

Revenue

Revenue for the three months ended June 30, 2012 which was derived from stevia sales and the sale of consumer beverage products was $6.8 million, a decrease of 56% compared to $15.2 million in revenue for the same period last year. For the three months ended June 30, 2012, the total sales of $6.8 million are composed of stevia sales of $6.5 million and consumer product sales of $0.26 million.

Revenue for the six months ended June 30, 2012 was $7.7 million a decrease of 66% compared to $22.6 million for the same period in 2011. The total revenue was composed of $7.3 million for stevia sales and $0.3 million for consumer products sales.

Approximately 7% of sales for the three month period are derived from sales denominated in US dollars and 93% are derived from sales denominated in RMB. As at June 30, 2012, 100% of the Company's sales are in foreign currencies and translated into Canadian dollars for financial reporting purposes.

Stevia Business

Stevia sales of $6.5 million, for the three months ended June 30, 2012 were down by 38% compared to the stevia sales of $10.4 million in the prior period. This 38% decrease in sales comparing the second quarter in 2012 to the second quarter in 2011 was driven by a combination of lower prices and a different product mix. Prices are approximately 30 to 50% lower during the six months ended June 30, 2012 compared to the levels in the previous period. The Company introduced its new stevia extract pricing plan at the end of 2011 reflecting its new cost structure based on the H3 stevia leaf strain.

AN0C Consumer Products Business

The Company's consumer products business, AN0C had sales of $0.3 million in the second quarter of 2012 compared to $4.8 million in the comparative period. This represents a 93% decrease compared to the sales in the previous period. The Company had limited financial resources for marketing and promotion available in the second quarter to support advertising and promotions and the result of a lower advertising and marketing promotions spend is reflected in the lower sales in the period.

Cost of Sales

Cost of sales for the three months ended June 30, 2012 was $9.4 million compared to $12.2 million in cost of

sales for the same period last year and a decrease of 23%. Cost of sales as a percentage of revenues was 140% compared to 80% in the prior period, an increase of 60%. This was composed of $9.1 million for the stevia business and $0.3 million for the consumer products business. The cost of goods sold for the stevia business was significantly impacted by the capacity charges to the cost of goods sold. These charges ordinarily would flow to inventory; however, only two of GLG's manufacturing facilities were operating during the quarter and capacity charges of approximately $1.5 million were incurred.

Cost of sales for the six months ended June 30, 2012 was $11.9 million compared to $18.4 million for the same period in 2011 and a decrease of 35%. This was composed of $11.6 million for the stevia business and $0.4 million for the consumer products business. The cost of goods sold for the stevia business was significantly impacted by the capacity charges to the cost of goods sold. These charges ordinarily would flow to inventory; however, only two of GLG's manufacturing facilities were operating during the six months and capacity charges of approximately $3.0 million were incurred.

Stevia Business

For the three months ended June 30, 2012 the cost of sales related to the stevia business was $9.1 million compared to $7.9 million in cost of sales for the same period last year ($ 1.8 million increase or 15%). Cost of sales for stevia as a percentage of revenues was 140% compared to 76% in the prior period, an increase of 64%. The largest impact on the cost of sales was the fixed non-cash amortization charges in cost of sales that were not sufficiently covered by the low amount of revenue generated for the stevia segment and additional charges driven by lower utilization of stevia facilities in the quarter that would ordinarily flow to inventory during periods of higher plant utilization.

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

1. The price paid for stevia leaf and the stevia leaf quality, which is impacted by crop quality for a particular year/period and the price per kilogram for which the extract is sold. These are the most important factors that will impact the gross profit of GLG's stevia business;
2. salaries and wages of manufacturing labour;
3. The sale of by-products (also known as co-products) or further processing of by-products into high value added finished goods. Sales of by-products have historically increased the overall gross profit of the stevia business. With the addition of increased finished goods production facilities at Runhao, GLG expects continued processing of these by-products into additional finished products such as high purity RA and STV extracts as well as other finished products;
4. Other factors which also impact stevia cost of sales to a lesser degree include:
    - Water and power consumption;
    - Manufacturing overhead used in the production of stevia extract, including supplies, power and water;
    - Net VAT paid on export sales;
    - Exchange rate changes;
    - Depreciation and capacity utilization of the stevia extract processing plants; and

- Depreciation of intangible assets related to intellectual property.

GLG's stevia business is affected by seasonality. The harvest of the stevia leaves typically occurs starting at the end of the July and continues 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, during which many businesses close down operations for approximately two weeks. GLG's production year runs October 1 through September 30 each year.

AN0C Consumer Products Business

For the three months ended June 30, 2012, cost of sales related to the consumer products business was $0.3 million compared to $4.3 million for the prior period. AN0C Consumer product costs of goods sold includes costs associated with bottling the beverage products, supplies and ingredients used to manufacture the beverages, and shipping the products to the different distribution channels. Product costs represented 80% of the cost of sales for the quarter and 20% of costs of sales related to freight charges.

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

- The price paid for OEM manufacturing and bottling
- Material costs (bottles, caps, labels)
- Ingredient costs
- Shipping costs

Gross Profit (Loss)

Gross loss for the three months ended June 30, 2012 was $2.7 million, a decrease of 189% over $3.0 million in gross profit for the comparable period in 2011. The gross profit margin for the three months period ended June 30, 2012 for the Company as a whole was a negative 40% compared to a positive 20% for the three months ended June 30, 2011. On a disaggregated basis stevia products had a gross loss of negative 40% and the consumer products had a gross loss of negative 28%. The gross loss was significantly impacted by the capacity charges to the cost of goods sold. These charges ordinarily would flow to inventory; however, only two of GLG's manufacturing facilities were operating during the quarter and capacity charges of approximately $1.5 million were incurred.

Gross loss for the six months ended June 30, 2012 was $4.3 million compared to a positive $4.2 million gross profit for the comparable period in 2011. The gross profit margin decreased to negative 56% for the six months ended June 30, 2012 from a positive 19% for the comparable period in 2011. On a disaggregated basis, stevia products had a gross margin of negative 58% and the consumer products had a gross margin of negative 23%. The gross loss was significantly impacted by the capacity charges to the cost of goods sold. These charges ordinarily would flow to inventory; however, only two of GLG's manufacturing facilities were operating during the six months and capacity charges of approximately $3.0 million were incurred.

Stevia Business

The decrease in gross profit for the stevia business for the second quarter of 2012 compared to the second quarter of 2011 can be attributed to the factors detailed in the cost of sales and revenues section. Gross profit for the second quarter 2012 was negative 40%.

AN0C Consumer Products Business

For the AN0C consumer products business the gross profit margin was negative $0.1 million or negative 28% of revenues for the second quarter of 2012 compared with $0.6 million or 12% for the comparable period.

Selling, General, and Administration Expenses

Selling, General and administration ("SG&A") expenses include sales, marketing, general, and administration costs ("G&A"), stock -based compensation, and depreciation and amortization expenses on G&A fixed assets. A breakdown of SG&A expenses into these components is presented on the following page:

In thousands Canadian $	3 Months Ended June 30		% Change	6 Months Ended Jun 30		% Change
	2012	2011		2012	2011	
G&A Stevia	$1,974	$2,869	(31%)	$3,530	$5,480	(36%)
G&A AN0C	$901	$10,242	(1036%)	$1,378	$11,736	(752%)
Stock Based Comp	$610	$779	(22%)	$1,152	$1,622	(29%)
Amortization Stevia	$901	$851	6%	$1,800	$1,614	10%
Amortization AN0C	$80	$0	100%	$160	$0	100%
Total	$4,466	$14,741	(230%)	$8,020	$20,452	(155%)

G&A for the stevia business for the three months ended June 30, 2012 was $2.0 million compared to $2.9 million in the same period in 2011. The decrease of $0.9 million (31% decrease) was due to a significant reduction of salaries, operating expenses and professional fees during the three month period.

G&A for the consumer beverage business was $0.9 million for the three month period ended June 30, 2012 compared to $10.2 million for the prior period. 37% of these costs were related to advertising and marketing expenditures to promote the AN0C brand and business. The balance of the AN0C G&A costs were related to salary (29%) and other operating costs (34%).

Stock-based compensation was $0.6 million for the three months ended June 30, 2012 compared with $0.8 million in the same quarter of 2011. The number of common shares available for issue under the stock compensation plan is 10% of the issued and outstanding common shares. During the quarter, compensation from vesting stock based compensation awards was recognized, due to previously granted options, new granted and restricted shares.

G&A related depreciation and amortization expenses for the three months ended June 30, 2012 were $1.0 million compared to the $0.9 million at June 30, 2011.

G&A for the stevia business for the six months ended June 30, 2012 was $3.5 million compared to $5.5 million in the same period in 2011. The decrease of $2.0 million was due to a significant reduction of salaries, operating expenses and professional fees during the 6 months.

G&A for the consumer beverage business was $1.4 million for the six month period ended June 30, 2012

compared to $11.7 for the prior period. 27% of these costs were related to advertising and marketing expenditures to promote the AN0C brand and business. The balance of the AN0C G&A costs were related to salary (45%) and other operating costs (28%).

Stock-based compensation was $1.2 million for the six months ended June 30, 2012 compared with $1.6 million in the same period in 2011. During the period, compensation from vesting stock based compensation awards was recognized, due to previously granted options, new granted and restricted shares.

G&A related depreciation and amortization expenses for the six months ended June 30, 2012 were $2.0 million which is an increase of $0.4 million over the $1.6 million at June 30, 2011.

Other Expenses

In thousands Canadian $	3 Months Ended June 30		% Change	6 Months Ended Jun 30		% Change
	2012	2011		2012	2011	
Other Income (Expenses)	($1,272)	($1,643)	(23%)	($2,408)	($3,337)	(28%)
% of Revenue	(19%)	(11%)	(8%)	(31%)	(15%)	(17%)

Other expenses for the three months ended June 30, 2012 was $1.3 million, a $0.4 million decrease compared to $1.6 million for the same period in 2011. Other expenses are mainly driven by interest expense that is incurred on the Company's short term loans held in China and foreign exchange rate fluctuations. Interest expense increased by $0.2 million in the three months ended June 30, 2012 compared to June 30, 2011 due to the impact of higher interest rates on loans and no interest was capitalized in the current period compared to the $0.2 million capitalized in the previous period. Foreign exchange gains for the three months ended June 30, 2012 increased by $0.6 million to $0.4 million in Q2 2012 from $0.2 million loss for the same period in 2011.

Other expenses for the six months ended June 30, 2012 was $2.4 million, a $0.9 million decrease as compared to $3.3 million for the same period in 2011. Other expenses are mainly driven by interest expense that is incurred on the Company's short term loans held in China as well as foreign exchange gain/loss. Interest expense increased by $0.1 million in the six months ended June 30, 2012 compared to June 30, 2011 due to the decrease in the short term loan balance in China, combined with an increase in the average interest rate paid on the loans and no interest was capitalized in the current period compared to the $0.2 million capitalized in the previous period.. Foreign exchange gains increased by $0.9 million to $0.5 million compared to a foreign exchange loss of $0.4 million in 2011.

Foreign Exchange Gains (Losses)

GLG reports in Canadian dollars but earns revenues in US dollars and Chinese Yuan ("RMB") and incurs most of its expenses in RMB. Impacts of the appreciation or depreciation of the RMB against the Canadian dollar are shown separately in Accumulated Other Comprehensive income ("AOCI") on the Balance Sheet. As at June 30, 2012, the exchange rate for RMB per Canadian dollar was 6.2344 compared to the exchange rate of 6.1881 as at December 31, 2011 reflecting a depreciation of the RMB against the Canadian dollar. The balance of the AOCI was $12.7 million on June 30, 2012 compared to a balance of $14.5 million as at December 31, 2011.

The foreign exchange gain or loss is made up of realized and unrealized gains or losses due to the depreciation or appreciation of the foreign currency against the Canadian dollar. Foreign exchange gains of $0.4 million for the second quarter of 2012 was an improvement over the foreign exchange loss of $0.2 million for the

comparable period in 2011. The table below shows the change in the Canadian dollar relative to the US dollar from December 31, 20098 to June 30, 2012 and the exchange rate movement for the Canadian dollar relative to the US dollar and RMB as shown below.

Exchange rates	2012	2012	2011	2011	2011	2011	2010	2009
Noon rate (as compared to the Canadian $)	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	31-Dec
U.S. Dollars	1.0191	0.9991	1.0170	1.0389	1.0370	1.0290	1.0054	0.9515
Chinese Yuan	6.2344	6.3052	6.1881	6.1425	6.7024	6.734	6.6269	6.5232

Exchange rates	2012	2012	2009	2011	2011	2011	2010	2009
Noon rate (as compared to the US $)	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	31-Dec
Chinese Yuan	6.3535	6.2995	6.2933	6.3814	6.4633	6.5441	6.5911	6.8270

Income Tax Expense

In thousands Canadian $	3 Months Ended June 30		% Change	6 Months Ended Jun 30		% Change
	2012	2011		2012	2011	
Income tax recovery (expense)	$0	($1,093)	(100%)	($4)	($912)	(100%)
Income tax expense as a percent of revenue	0%	(7%)	7%	(%)	(4%)	4%

During the three months ended June 30, 2012 the Company recorded income tax expense of $0.0 million, a change of $1.1 million compared to the income tax expense of $1.1 million in the comparable period in 2011.

During the six months ended June 30, 2012 the Company recorded an income tax expense of $0.04 million compared to income tax expense of $0.9 million in 2011.

Net Income (Loss) Attributable to the Company

In thousands Canadian $	3 Months Ended June 30		% Change	6 Months Ended Jun 30		% Change
	2012	2011		2012	2011	
Net Loss	($8,293)	($12,514)	(34%)	($14,531)	($18,266)	(20%)
percent of revenue	(123%)	(82%)	(40%)	(190%)	(81%)	(109%)

For the three months ended June 30, 2012, the Company had a net loss attributable to the Company of $8.3 million, a decrease of $4.2 million over the comparable period in 2011 ($12.5 million loss). The decrease in net loss was driven by: (1) a decrease in G&A expenses of $10.3 million, (2) a decrease in other income/expenses of $0.4 million, and (3) a decrease of $1.0 in income tax expense. These items were offset by the (4) a decrease in gross profit of $5.7 million, and (5) a decrease in loss attributable to non-controlling interests of $1.8 million.

For the six months ended June 30, 2012, the Company had a net loss attributable to the Company of $14.5 million, a decrease of $3.8 million over the comparable period in 2011 ($18.3 million loss). The decrease in net loss was driven by: (1) a decrease in G&A expenses of $12.4 million, (2) a decrease in other income/expenses of $0.9 million, and (3) a decrease of $0.9 in income tax expense. These items were offset by the (4) a decrease in gross profit of $8.6 million, and (5) a decrease in loss attributable to non-controlling interests of $1.9 million.

Comprehensive Income

In thousands Canadian $	3 Months Ended June 30		% Change	6 Months Ended Jun 30		% Change
	2012	2011		2012	2011	
Net Loss	($8,293)	($12,514)	(34%)	($14,531)	($18,266)	(20%)
Other comprehensive income (loss)	$568	$589	(4%)	($1,781)	($1,849)	(4%)
Total comprehensive income (Loss)	($7,725)	($11,925)	(35%)	($16,312)	($20,115)	(19%)

The Company recorded total comprehensive loss of $7.7 million for the three months ended June 30, 2012, comprising $8.3 million of net loss attributable to the Company and $0.6 million of other comprehensive income. The Company recorded a total comprehensive loss of $11.9 million for the three months ended June 30, 2011, comprising $12.5 million of net loss attributable to the Company and $0.6 million of other comprehensive income.

The Company recorded total comprehensive loss of $16.3 million for the six months ended June 30, 2012, comprising $14.5 million of net loss attributable to the Company and $1.8 million of other comprehensive loss. The Company recorded a total comprehensive loss of $20.1 million for the six months ended June 30, 2011, comprising $18.3 million of net loss attributable to the Company and $1.8 million of other comprehensive loss.

The Company's other comprehensive income (loss) is solely made up of the currency translation adjustments recorded on the revaluation of the Company's investments in our Chinese and Hong Kong subsidiaries. The other comprehensive income (loss) is held in accumulated other comprehensive income until it is realized (i.e. the subsidiaries are sold), at which time it is included in net income (loss).

NON-GAAP Financial Measures

Earnings before Interest Taxes and Depreciation ("EBITDA") and EBITDA Margin

EBITDA for the quarter ended June 30, 2012 was negative $3.9 million, compared to negative $6.7 million for the same period in 2011. EBITDA for the six months ended June 30, 2012 was negative $5.6 million compared to negative $8.0 million for the six months ended June 30, 2011. The main drivers for the increase in EBITDA are due to lower SG&A expenses which were offset by lower sales compared to the same period in 2011 for stevia sales.

The following table provides reconciliation to U.S GAAP net income.

In thousands Canadian $	3 Months Ended June 30		6 Months Ended Jun 30	
	2012	2011	2012	2011
Income (Loss) Before Income Taxes and Non-Controlling Interests	($8,415)	($13,364)	($14,750)	($19,545)
Add:				
Provisions for inventories write-off	$106	-	$106	
Net Interest Expense	$1,715	$1,450	$3,088	$2,944
Depreciation and Amortization	$2,432	$2,338	$5,065	$4,428
Foreign Exchange Loss (Gain)	($422)	$192	($522)	$392
Non-Controlling Interests	$122	$1,943	$222	$2,192
Non-Cash Share Compensation	$610	$779	$1,152	$1,622
EBITDA	($3,853)	($6,661)	($5,639)	($7,967)
EBITDA as a % of revenue	-57%	-44%	-74%	-35%

EBITDA by Segment

Stevia business EBITDA for the three months ended June 30, 2012 was a negative $3.4 million or (53%) as percentage of revenues compared to $1.1 million and 11% as percentage of revenues in the comparable period. This decrease is driven by lower gross margin during the second quarter of 2012 compared to the second quarter of 2011, offset by lower G&A costs in the second quarter of 2012 compared to the comparable period in the prior year. EBITDA as percentage of revenues has improved from (177%) to (53%) comparing the second quarter of 2012 to the first quarter of 2012. This increase is due to the significantly higher level of stevia sales in the second quarter of 2012 compared to the first quarter of 2012.

EBITDA for the AN0C consumer products was negative $0.4 million for the three months ended June 30, 2012 compared to negative $7.8 million in the comparable period. EBITDA for the AN0C consumer products was negative $0.7 million for the 6 months ended June 30, 2012 compared to negative $8.7 million in the comparable period.

In thousands Canadian $	3 Months Ended Jun 30,2012		6 Months Ended Jun 30,2012	
	Stevia Business	AN0C Consumer Products Business	Stevia Business	AN0C Consumer Products Business
Income (Loss) Before Income Taxes and Non-Controlling Interests	($7,972)	($608)	($13,803)	($1,112)
Add:				
Asset Impairment Losses	$0	$0	$0	$0
Provisions for receivables	$0	$0	$0	$0
Provisions for inventories write-off	$106	$0	$106	$0
Net Interest Expense (Income)	$1,881	($1)	$3,254	($1)
Foreign Exchange Loss (Gain)	($422)	($0)	($522)	$0
Non-Controlling Interests	$0	$122	$0	$222
Depreciation and Amortization	$2,352	$80	$4,905	$160
Non-Cash Share Compensation	$610	$0	$1,152	$0
EBITDA	($3,445)	($407)	($4,908)	($731)
EBITDA as a % of revenue	(53%)	(154%)	(67%)	(223%)

Summary of 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 $, except per share amounts	2012 Q2[1]	2012 Q1[1]	2011 Q4[1]	2011 Q3[1]	2011 Q2[1]	2011 Q1[1]	2010 Q4[2]	2010 Q3[2]
Revenue	$6,761	$892	$473	$1,740	$15,213	$7,414	$19,300	$20,951
Gross Profit $	($2,677)	($1,646)	($2,732)	($3,093)	$3,020	$1,223	$3,654	$6,994
Gross Profit %	(40%)	(185%)	(578%)	(178%)	20%	16%	19%	33%
Net income (Loss)	($8,293)	($6,238)	($47,621)	($24,628)	($12,514)	($5,752)	($3,185)	$1,777
Basic Income (Loss) Per Share	($0.26)	($0.19)	($1.50)	($0.74)	($0.38)	($0.20)	($0.12)	$0.07
Diluted Income (Loss) Per Share	($0.26)	($0.19)	($1.50)	($0.74)	($0.38)	($0.20)	($0.12)	$0.07

1. Presented in conformity with US GAAP
2. Presented in conformity with Canadian GAAP

Note: The Company operates in two reportable operating segments, being the manufacturing and selling of a refined form of stevia and has operations in Canada and China and the sale of consumer products in China.

Quarterly Net Income (Loss)

For the three months ended June 30, 2012, the Company had a net loss attributable to the Company of $8.3 million, a decrease of $4.2 million over the comparable period in 2011 ($12.5 million loss). The decrease in net loss was driven by: (1) a decrease in G&A expenses of $10.3 million, (2) a decrease in other income/expenses of $0.4 million, and (3) a decrease of $1.0 in income tax expense. These items were offset by the (4) a decrease in gross profit of $5.7 million, and (5) a decrease in loss attributable to non-controlling interests of $1.8 million.

For the three months ended March 31, 2012, the Company had a net loss attributable to the Company of $6.2 million, an increase of $0.5 million over the comparable period in 2011. The increase in net loss was driven by: (1) a decrease in gross profit of $2.8 million, (2) the decrease in income tax recovery of $0.2 million and (3) the decrease in loss attributable to non-controlling interests of $0.2 million. These items were offset by (1) a decrease in G&A expenses of $2.2 million, and (2) a decrease in interest expense and other income/expenses of $0.6 million.

For the three months ended December 31, 2011, the Company had a net loss attributable to the Company of $47.6 million compared to a net loss attributable to the Company of $3.2 for same period in 2010. The net change of $44.4 million was driven by: (1) a decrease in gross profit of $6.5 million and (2) an increase in G&A expenses of $3.6 million, (3) an increase in accounts receivable provisions of $6.4 million and (4) an increase in other income and expenses of $29.4 million (including asset impairment charges of $29.7 million). These items were offset by the increase in loss attributable to non-controlling interests of $0.8 million and a decrease in income tax expense of $0.7 million.

For the three months ended September 30, 2011, the Company had a net loss attributable to the Company of $24.6 million compared to a net gain attributable to the Company of $1.8 for same period in 2010. The net change of $26.4 million was driven by: (1) a decrease in gross profit of $10.0 million and (2) an increase in G&A expenses of $6.5 million driven by the marketing and advertising costs for the start-up of its AN0C joint

venture, (3) an increase in other income and expenses of 11.7 million (including asset impairment charges of $12.2 million). These items were offset by the increase in loss attributable to non-controlling interests of $1.5 million and an increase in income tax recovery of $0.3 million.

The Company had a net loss attributable to the Company of $12.5 million for the three months ended June 30, 2011, an increase of $12.2 million over the comparable period in 2010. The increase in net loss was driven by: (1) a decrease in gross profit of $0.6 million, (2) an increase in G&A expenses of $11.0 million mainly associated with the start-up of its AN0C joint venture, (3) an increase in interest expense and other income/expenses of $1.1 million, and (4) an increase of $1.5 million in income tax expense. These items were offset by the increase in loss attributable to non-controlling interests of $2.0 million.

The Company had a net loss attributable to the Company of $5.8 million for the three months ended March 31, 2011, an increase of $4.4 million over the comparable period in 2010. The increase in net loss was driven by: (1) a decrease in gross profit of $2.0 million, (2) an increase in G&A expenses of $2.8 million mainly associated with the start-up of its AN0C joint venture, and (3) an increase in interest expense and other income/expenses of $0.4 million. These items were offset by the increase in income tax recovery of $0.6 million and the increase in loss attributable to non-controlling interests of $0.2 million.

There was a net increase in loss of $3.7 million for the three months ended December 31, 2010 compared to the same period in 2009. This net loss was driven by: (1) a decrease in gross profit of $1.3 million, (2) an increase in G&A expenses of $0.3 million, (3) an increase in income tax expenses of $1.1 million, and (4) an increase in other income and expenses of $1.0 million.

The net income increased by $0.4 million to $1.8 million for the three months period ended September 30, 2010 in comparison to the net income of $1.4 million for the same period of 2009. This $0.4 million increase in income was driven by: (1) an increase in gross profit of $2.9 million, (2) decrease in income tax expense of $1.0 million which were offset by, (3) an increase of $1.3 million in general and administrative costs, and (4) a decrease of $2.2 million from foreign exchange gain.

Quarterly Basic and Diluted Earnings (Loss) per Share

The basic loss and diluted loss per share was $0.26 for the second quarter of 2012 compared with a basic and diluted net loss of $0.38 for the same period in 2011. For the three months ended June 30, 2012, the Company had a net loss attributable to the Company of $8.3 million, a decrease of $4.2 million over the comparable period in 2011 ($12.5 million loss). The decrease in net loss was driven by: (1) a decrease in G&A expenses of $10.3 million, (2) a decrease in other income/expenses of $0.4 million, and (3) a decrease of $1.0 in income tax expense. These items were offset by the (4) a decrease in gross profit of $5.7 million, and (5) a decrease in loss attributable to non-controlling interests of $1.8 million.

The basic loss and diluted loss per share was $0.19 for the first quarter of 2012 compared with a basic and diluted net loss of $0.20 for the same period in 2011. The Company had a net loss attributable to the Company of $6.2 million, an increase of $0.5 million over the comparable period in 2011. The increase in net loss was driven by: (1) a decrease in gross profit of $2.8 million, (2) the decrease in income tax recovery of $0.2 million and (3) the decrease in loss attributable to non-controlling interests of $0.2 million. These items were offset by (1) a decrease in G&A expenses of $2.1 million, and (2) a decrease in interest expense and other income/expenses of $0.5 million.

The basic loss and diluted loss per share was $1.50 for the fourth quarter of 2011 compared with a basic and

diluted loss per share of $0.12 for the same period in 2010. For the three months ended December 31, 2011, the Company had a net loss attributable to the Company of $47.6 million compared to a net loss attributable to the Company of $3.2 for same period in 2010. The net change of $44.4 million was driven by: (1) a decrease in gross profit of $6.5 million and (2) an increase in G&A expenses of $3.6 million, (3) an increase in accounts receivable provisions of $6.4 million and (4) an increase in other income and expenses of $29.4 million (including asset impairment charges of $29.7 million). These items were offset by the increase in loss attributable to non-controlling interests of $0.8 million and a decrease in income tax expense of $0.7 million.

The basic loss and diluted loss per share was $0.74 for the third quarter of 2011 compared with a basic and diluted income per share of $0.06 for the same period in 2010. For the three months ended September 30, 2011, the Company had a net loss attributable to the Company of $24.6 million. The net change of $26.4 million was driven by: (1) a decrease in gross profit of $10.0 million and (2) an increase in G&A expenses of $6.5 million driven by the marketing and advertising costs for the start-up of its AN0C joint venture, (3) an increase in other income and expenses of 11.7 million (including asset impairment charges of $12.2 million). These items were offset by the increase in loss attributable to non-controlling interests of $1.5 million and an increase in income tax recovery of $0.3 million.

The basic loss and diluted loss per share was $0.38 for the second quarter of 2011 compared with a basic and diluted loss per share of $0.01 for the same period in 2010. For the three months ended June 30, 2011, the Company had a net loss attributable to the Company of $12.5 million, an increase of $12.2 million over the comparable period in 2010. The increase in net loss was driven by: (1) a decrease in gross profit of $0.6 million, (2) an increase in G&A expenses of $11.0 million driven by the marketing and advertising costs for the start-up of its AN0C joint venture, (3) an increase in interest expense and other income/expenses of $1.1 million, and (4) an increase of $1.5 in income tax expense. These items were offset by the increase in loss attributable to non-controlling interests of $2.0 million.

The basic loss and diluted loss per share was $0.20 for the first quarter of 2011 compared with a basic and diluted net loss of $0.05 for the same period in 2010. The Company had a net loss attributable to the Company of $5.8 million, an increase of $4.4 million over the comparable period in 2010. The increase in net loss was driven by: (1) a decrease in gross profit of $2.0 million, (2) an increase in G&A expenses of $2.8 million mainly associated with the start-up of its AN0C joint venture, and (3) an increase in interest expense and other income/expenses of $0.4 million. These items were offset by the increase in income tax recovery of $0.6 million and the increase in loss attributable to non-controlling interests of $0.2 million.

The basic loss and diluted loss per share was $0.12 for the fourth quarter of 2010 compared with a basic net income per share of $0.02 and a diluted net income per share of $0.02 for the same period in 2009. The decrease in earnings per share were driven by: (1) a decrease in gross profit of $1.3 million, (2) an increase in G&A expenses of $0.3 million, (3) an increase in income tax expenses of $1.1 million, and (4) an increase in other income and expenses of $1.0 million.

The basic income and diluted income per share was $0.07 for the third quarter of 2010 compared with a basic net income per share of $0.07 and a diluted net income per share of $0.06 for the same period in 2009. The increase in earnings per share was driven by: (1) an increase in gross profit of $2.9 million, (2) a decrease in income tax expense of $1.0 million which were offset by, (3) an increase of $1.3 million in general and administrative costs, and (4) a decrease of $2.2 million from foreign exchange gain.

Liquidity and Capital Resources

In thousands Canadian $	30-Jun-12	31-Dec-11
Cash and Cash Equivalents	$3,733	$4,487
Working Capital	($11,586)	($9,801)
Total Assets	$220,289	$233,783
Total Liabilities	$104,964	$103,379
Loan Payable (<1 year)	$67,230	$70,574
Loan Payable (>1 year)	$6,727	$0
Total Equity	$115,326	$130,404

Cash Flows: Three months ended June 30, 2012 and 2011

Cash used by operating activities was $4.5 million in the three month period ended June 30, 2012 compared to $10.0 million used in the same period of 2011 or a $5.5 million improvement. This decrease in cash used by operating activities can be attributed to an improvement in cash flow used in operations ($4.6 million) and an improvement in cash generated from non-cash working capital ($0.9 million) in the current period compared to the same period in 2011. Non-cash working capital items generated $0.8 million of cash in the three month period ended June 30, 2012 relative to $0.1 million non-cash working capital used in the 2011 comparable period. The $0.9 million dollar increase in cash used from non-cash working capital in the three months ended June 30, 2012 compared to the comparative 2011 period, was due to changes in, (1) the decrease in cash used in inventory of $27.6 million and (2) the increases in interest payable of $0.7 million. These were offset by, (3) the decreases in accounts receivable collected of $8.1 million, (4) the decrease in the use of accounts payable of $10.0 million, (5) the decrease of cash used for prepaid expenses of $8.5 million, and (6) the decreases in deferred revenue and net taxes recoverable of $0.7 million.

Cash used by investing activities was $0.3 million during the second quarter of 2012, compared to cash used by investing activities of $4.0 million in the same period in 2011.

Cash from financing activities was $4.3 million in the second quarter of 2012 compared to cash used of $11.1 million in the same period in 2011. The increase of cash from financing of $15.4 million was primarily driven by the net increase of cash from third party loans of $5.9 million offset by the repayment of short term loans of $2.0 million

Cash Flows: Six months ended June 30, 2012 and 2011

Cash used by operating activities was $4.7 million in the six month period ended June 30, 2012 compared to $20.0 million used in the same period of 2011 or a $15.3 million improvement. This decrease in cash used by operating activities can be attributed to the lower SG&A expenses associated with the AN0C joint venture for the six months ended June 30, 2012 compared to the same period for 2011 offset by lower gross profit generated from its stevia business. Non-cash working capital items generated $3.5 million of cash in the six month period ended June 30, 2012 relative to $7.2 million non-cash working capital used in the 2011 comparable period. The $10.7 million dollar increase in cash generated from non-cash working capital in the

six months ended June 30, 2012 compared to the comparative 2011 period, was due to changes (1) the decrease of cash used in inventory of $28.0 million, (2) the increases in interest payable of $0.7 million and (3) the decreases in cash used for prepaid expenses of $6.8 million. These were partially offset by, (4) the decrease in cash generated from accounts receivable of $16.7 million, and (5) the decrease in accounts payable of $8.1 million.

Cash used by investing activities was $0.1 million during the first six months of 2012, compared to cash used by investing activities of $4.8 million in the same period in 2011.

Cash generated by financing activities was $4.5 million in the six months ended June 30, 2012 compared to $35.2 million in the same period in 2011. The decrease of $30.7 million was primarily driven by the decrease in cash generated from common share offerings ($52.9 million of cash provided by the issuance of common shares in the six months ended June 30, 2011) and cash contributed by non-controlling interests of $5 million. These items were partially offset by c) the net decrease in the repayment of short term loans of $15.1 million and d) the net increase in repayments to related parties of $6.1 million, an increase in loans from related parties of $6.8 million.

Financial Resources

Cash and cash equivalents decreased by $0.8 million during the six months ended June 30, 2012 from December 31, 2011. Working capital decreased by $1.8 million from the year-end 2011 position to negative $11.6 million. The working capital decrease can be attributed to a reduction in cash, inventory, prepaid expenses and tax receivables balances partially offset by an increase accounts receivable and a reduction in short term loans and accounts payable. See balance sheet discussion below for movement in specific accounts.

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.

Balance Sheet

In comparison to December 31, 2011, the total assets decreased by $13.5 million as at June 30, 2012, which was split by a decrease in current assets of $6.9 million and a decrease in fixed and other long term assets of $6.6 million. The decrease in the current assets was mainly driven by the following:

1. decrease of $7.1 million in inventory.
2. decrease in cash and cash equivalents of $0.8 million, which can be attributed to the operating loss for the period.
3. decrease in taxes recoverable by $1.4 million
4. decrease in prepaid expenses of $0.1 million

5. increase in accounts receivable of $2.4 million

Decrease in the fixed and other long term assets of $6.6 million was mainly due to amortization for the period and the depreciation of the Canadian dollar against the RMB.

Current liabilities decreased by $5.1 million as at June 30, 2012 in comparison to December 31, 2011, driven by a net decrease in short term loans of approximately $3.3 million offset and a decrease in accounts payable of $2.3 million.

Long term liabilities increased by $6.7 million due to the increase of related party loans taken out during the period.

Shareholders' equity decreased by $15.1 million due to a decrease in accumulated other comprehensive income of $1.8 million, an increase in deficit of $14.5 million, and an decrease in non-controlling interests of $0.2 million which were offset by an increase in common stock of $1.5 million from the vesting of warrants, restricted shares and stock options.

China Lines of Credit and Short Term Loans

As at June 30, 2012, the Company's short term loans consisted of borrowings from a private lender and from six banks in China as follows:

		Loan amount in CAD	Loan amount in USD	Maturity Date	Interest rate	Lender
31-Mar-12	$	539,514	540,000	October 9, 2012	8.00%	Private lender

As at June 30, 2012, the Company had the following short term loans balances in China to finance its expansion and operations:

	Loan amount in C$	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
$	481,201	3,000,000	December 29, 2011	7.71%	Agricultural Bank of China
	4,491,210	28,000,000	July 28, 2012	7.71%	Agricultural Bank of China
	1,604,004	10,000,000	April 18, 2012	7.71%	Agricultural Bank of China
	1,587,613	9,897,814	March 28, 2012	7.71%	Agricultural Bank of China
	9,624,022	60,000,000	June 9, 2012	6.81%	Agricultural Bank of China
	3,208,007	20,000,000	June 16, 2012	6.81%	Agricultural Bank of China
	12,832,029	80,000,000	June 20, 2012	6.81%	Agricultural Bank of China
	2,726,806	17,000,000	July 25, 2012	7.08%	Agricultural Bank of China
	15,873,807	98,963,662	Dec 17, 2011	7.98%	Bank of Communication
	3,208,007	20,000,000	August 26, 2012	7.22%	Bank of China
	640,462	3,992,894	September 29, 2012	7.22%	Bank of China
	2,726,806	17,000,000	December 1, 2012	7.54%	Huishang Bank
	4,812,011	30,000,000	December 17, 2011	9.09%	Construction Bank of China
	2,863,547	17,852,500	December 23, 2011	9.09%	Construction Bank of China
	-	-			
$	66,679,531	415,706,870			

The short term loans and bank loans do not have any attached covenants.

Two loans due to Construction Bank of China matured were payable on December 17, 2011 and December 23, 2011, respectively. Certain loans due to Bank of Communication and the Agricultural Bank of China were payable on February 25, 2012 and March 28, 2012 respectively. These loans were not repaid on the maturity dates and are currently payable and classified on the balance sheet as current liabilities. The banks did not demand repayments on the loans, and the Company is currently in discussion with these banks to renew the loans. The Company believes the loans will be extended with scheduled repayments on dates later in 2012. The Citic Bank Loan matured on February 13, 2012 and was repaid during the quarter.

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

Short term bank loans as at December 31, 2011

Loan amount in C$	Loan amount in RMB	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			

Financial and Other Instruments

The Company's financial instruments comprise cash and cash equivalents and restricted cash, classified as "held-for-trading", accounts receivable and certain other assets that are financial instruments, classified as "loans and receivables", and short term loans, accounts payable, interest payable, advance from customer, due to related party, and non- current bank loan, classified as "other financial liabilities". The Company currently does not have any hedge instruments.

As at June 30, 2012, the Company recorded cash and cash equivalents at fair value. Recorded amounts for accounts receivable, accounts payable and accrued liabilities, short term loans, interest payable, advances from customers, and due to related party approximate their fair values due to the short-term nature of these instruments.

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The Company's primary credit risk is on its cash and cash equivalents, restricted cash and accounts receivable.

The Company limits its exposure to credit risk by placing its cash and cash equivalents with various financial institutions. Given the current economic environment, the Company monitors the credit quality of the financial institutions it deals with on an ongoing basis.

The Company has a high concentration of credit risk as the accounts receivable was owed by fewer than ten customers. However, the Company believes that it does not require collateral to support the carrying value of these financial instruments. The carrying amount of financial assets represents the maximum credit exposure. The Company reviews financial assets, including past due accounts, on an ongoing basis with the objective of identifying potential events or circumstances which could delay or prevent the collection of funds on a timely basis. Based on default rates on customers with receivable balances at March 31, 2012, the Company believes that there are minimal requirements for an allowance for doubtful accounts against its accounts receivable.

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates. The Company conducts its business primarily in US dollars, RMB, Canadian dollars and Hong Kong dollars. The Company is exposed to currency risk as the functional currency of its subsidiaries is other than Canadian dollars.

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

All of the Company's operations in China are considered self-sustaining operations. The assets and liabilities of the self-sustaining operations are translated at exchange rates prevailing at the balance sheet date.

As of June 30, 2012, assuming that all other variables remain constant, a change of 1% in the Canadian dollar against the RMB would have an effect on other comprehensive income of approximately $3.2 million (2011 – $1.3 million).

The Company's US operations and Canadian operations are primarily exposed to exchange rate changes between the US dollar and the Canadian dollar. The Company's primary US dollar exposure in Canada relates to the revaluation into Canadian dollars of its US dollar denominated working capital.

As of June 30, 2012, assuming that all other variables remain constant, an increase of 1% in the Canadian dollar against US dollar would have an effect on net income of approximately $0.2 million (2011 - $0.2 million).

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. It is the Company's intention to meet these obligations through the collection of accounts receivable, receipts from future sales, current cash and cash equivalents, short term investments, available lines of credit in China and possible issuance of new equity or debt instruments.

The Company is dependent on obtaining regular financings in order to continue its expansion programs and repay amounts due under current short term loans. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings on terms acceptable to the Company.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents, restricted cash, short term bank loans, and due to related party at June 30, 2012. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at June 30, 2012 with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of approximately $0.7 million (2011 – $0.4 million) on net income (loss).

Contractual Obligations

(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 $160,000 (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 $127,000 (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 one year lease agreements for regional sales offices throughout China. The annual minimum lease payments are approximately $158,000 (RMB 975,149) per year.

(e) The Company entered into various marketing and promotional short term contracts to support the consumer business promotional campaigns. The total commitment as of June 30, 2011 is $132,000 (RMB 825,000)

(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 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 $61,019,000 (US$60,000,000) over the 20 year life of the agreement to retain its exclusive rights. As of June 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	$	638,689
2013		387,615
2014		308,917
2015		310,293
2016		223,789
Thereafter		256,000
Total	$	2,125,303

Capital Structure

Outstanding Share Data as at August 14, 2012

	Shares
Common Shares Issued	32,915,634
Reserved For Issuance	
Warrants	2,727,400
Stock Options	267,653
Total Reserved For Issuance	2,995,053
Fully Diluted Shares	35,910,686

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

Transactions with Related Parties

In addition to the transactions disclosed elsewhere in these consolidated 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 June 30, 2012 are as follows:

a) During the six months ended June 30, 2012, the Company paid or accrued consulting fees totaling $ 231,311 (June 30, 2011 - $254,502) for the services provided by Grand Leaf. As at June 30, 2012, there was $231,311 (December 31, 2011 - $nil) payable to Grand Leaf.
b) During the six months ended June 30, 2011 the Company paid or accrued consulting fees of nil (June 30, 2011 - $34,786) to AAFAB. As at June 30, 2012 and December 31, 2011 there was nil payable to AAFAB.
c) During the six months ended June 30, 2012, the Company paid or accrued management fees totaling $nil (June 30, 2011 - $200,000) to GLG International. As at June 30, 2012 there was $400,000 (December 31, 2011 - $400,000) included in accounts payable to GLG International.

During the quarter ended June 30, 2012, the Company obtained loans totaling CAD 5,903,911 from the Company's Chief Executive Officer (Lender). 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.

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

Market and Key Markets Outlook

Market Drivers for Stevia

Stevia benefits from increased concern about the role of sugar in causing obesity and diabetes and the widespread consumer belief that all-natural products are healthier than artificial products, particularly in the sweetener industry where artificial high-intensity sweeteners have been subject to consumer health risk

concerns.

Datamonitor reported that research by the Natural Marketing Institute (NMI) suggests a growing wariness for artificial sugar replacers in the US. Over half of respondents are concerned about the negative side effects of artificial sweeteners. In a recent online survey conducted by The Globe and Mail, over 1,700 respondents voted on the question "What's your stance on artificial sweeteners?". Over half of the respondents voted "They're unhealthy – I'll never use them". Growing consumer preference for all-natural products, together with increasing rates of obesity and diabetes, have created significant demand for an all-natural, zero-calorie sweetener alternative.

Stevia's advantages are that it has zero calories, is 100% natural and thus perceived as healthier than artificial sweeteners, remains stable under heat and thus can be utilized in processed foods, is 200 to 300 times sweeter than sugar, and measures zero on the glycemic index, which is important in the diabetic market and benefits from growing consumer understanding of the value of a low glycemic diet. Food and beverage companies are formulating and launching new products in response to consumer demand and we believe stevia provides a solution that fits within consumer expectations for taste and health benefits.

According to Datamonitor, approximately 630 products sweetened with high purity stevia were launched around the world from October 2010 to September 2011, with US accounting for more than 300 products. Mintel's August 2011 report entitled Stevia *and Natural Sweeteners - US*, reported that 75% of stevia-sweetened products launched in the United States since 2006 were beverages. Leading global food and beverage companies such as The Coca Cola Company, Cargill, PepsiCo and Merisant Company have all launched products containing stevia.

According to Koncept Analytics, regionally Japan is the largest consumer of stevia, accounting for over half of the global stevia sweetener market. Stevia holds over 40% of the Japanese sweetener market, with widespread use in a variety of products, including pickles, dried seafood, soy sauce, meat, seasonings, beverages and yogurt, ice cream, confectionaries and as tabletop sweetener. Following approval as a sweetener in the USA in 2008, in an August 2011 report published by Mintel, US retail sales of products containing stevia, including tabletop sweeteners and food and beverage products, could reach US$1.2 billion by the end of 2013, almost double from an estimated US$610 million in 2011.

Although there is still consumer confusion over the meaning of a "natural" sweetener, stevia-sweetened drinks have found success in several developed markets and the Company expects that they will drive much of the future growth in zero calorie soft drinks. Zenith International estimated that worldwide sales of stevia reached US$285 million in 2010, a 27% increase over 2009. Zenith further forecasts the global market for stevia to grow to 11,000 metric tonnes by 2014, equivalent to US$825 million by value

World sugar prices remained in the range $600 to $800 per tonne throughout 2011. There are a number of conflicting forecasts for sugar moving forward. Some analysts expect a surplus in 2012 and lower sugar prices and others see relatively stable sugar prices in their current range. OECD-FAO expects sugar prices to remain on a higher plateau and to average higher in real terms (when adjusted for inflation) through to 2020 when compared with the last decade. .Severe weather (particularly drought) could lead to an increase in sugar prices. A Reuters poll in July 2012 forecast NYSE Liffe white sugar futures at $595 a tonne at the end of 2012. Higher

sugar prices will usually facilitate food and beverage companies interest in stevia when it can offer not only a zero calorie natural sweetener benefit but also a lower relative cost.

The stevia industry will remain very competitive with new entrants expected to continue to enter the market. Key barriers to achieving complete vertical integration include the time to develop a naturally bred high rebaudioside A seed or seedlings, scale, efficient extraction technology, and formulation knowledge in working with stevia in food and beverage applications. Agriculture and availability of leaf supply is expected to be reduced in 2012 from the levels seen in 2011 and the industry as a whole may face a shortage of leaf to meet the expected growing demand in the later part of 2012.

GLG's International Stevia Sales Business Outlook

We sell our high-grade stevia extract directly to a number of customers (including large food/beverage companies, food ingredient companies, and flavour houses) internationally. Additionally, we have partnered with distributors that resell GLG's products in a number of markets globally. The Company currently has over 20 distributors and/or agents marketing its products globally. The Company now has distribution agreements in Australia, New Zealand, Mexico, South America, Central America, India, Europe, China, Japan, Korea and the US.

GLG's international stevia business sales team is based in Vancouver and is focused on supporting our regional distributors as well as direct relationships with food and beverage companies. GLG has doubled the number of their distributors and has also added sales agents in some key markets to drive sales in 2012. GLG's China and Asian stevia sales team is based in Shanghai and Qingdao. This team targets both end customers as well as regional distributor sales support.

Our notable sales wins to date in 2012 include:

- Global tabletop sweetener company
- Global food service company
- Global pharmaceutical company
- Global dairy company
- International flavor house
- North American Ready To Drink beverage company
- South American sweetener company
- European water company
- European consumer packaged goods company
- European ice cream company

As well as direct sales to other stevia extract providers.

Examples of new products launched by GLG's customers include: flavoured water and fruit filling in Europe, multiple stevia-sweetened beverages in the US, powdered blends and power bars in Europe, a tabletop

applications in The US, Europe and South America, a beverage in Latin America, two flavoured milks in Asia Pacific and additional multiple beverage applications in Asia-Pacific region.

Gross profit margins are expected to improve as the Huinong 3 ("H3") proprietary leaf variety is in use by the Company starting in late 2012. The H3 plant variety has already been harvested in 2011 and tested in GLG primary processing plants that confirmed plant size, RA content and expected yield results in our primary processing facility. H3 is expected to deliver reduced stevia leaf processing costs starting in the fourth quarter 2012. The H3 plant variety have approximately 76% RA in the plant leaf, which is 26% higher than the first generation (H1) seeds, and will generate 46% more leaf per acre than the earlier H1 plants as well. Huinong 4 ("H4") is currently available for planting, which is expected to provide GLG with a significant cost reduction in its production of high-purity stevia extracts in the future. H4 results show a 16% increase in leaf yield over the H3 plants, while maintaining a similar 76% RA content.

AN0C Stevia Solutions

Our experience with formulating AN0C consumer products in China has started to positively influence the other markets where we operate. For example, the Company is able to demonstrate its success in formulating all-natural zero-calorie drinks through its current AN0C products to international food and beverage customers. A key new initiative that has generated significant interest in our international stevia business and that we expect will increase the speed at which food and beverage customers will launch products is our AN0C Stevia Solutions Company. Through this new company, we are providing turn-key formulations for our beverage and food products to international food and beverage companies. We are currently working on opportunities worldwide.

New formulation development includes beverages, candy, jelly, egg rolls, jam, biscuits, bread, cakes, baked goods, preserved foods, snack food, stevia tablets and stevia chewing gum. The AN0C Stevia Solutions team has also formulated Dream Sweetener, which is a "plug and play" solution that has overcome many of the traditional disadvantages of working with stevia extracts.

GLG's China Operations

The Company believes that China presents one of the largest market opportunities for its high-grade stevia products and in consumer products containing stevia, due to increasing household disposable income and increasing health- consciousness.

Government policy in China has started to come into place to support the replacement of sugar with stevia. The Capital Municipal Health Bureau in Beijing is focusing on decreasing student obesity rates through a variety of new initiatives including ensuring healthier foods and drinks to be served at the schools. During the 2009-2010 academic year in Beijing, government statistics show that there is on average one in five students of Beijing primary and secondary schools that is over-weight and the overall trend of childhood obesity has increased significantly in the past few years.

In July 2011, the Beijing News reported that the Beijing Municipal Health Bureau announced a five-year primary and secondary school prevention plan targeting childhood obesity. Under the plan, it is expected that within 5 years, 80% of primary and secondary schools will have established an intervention plan that targets obese children and initiate an early prevention program of adult obesity diseases. The plan will begin with primary and secondary schools in Beijing establishing "student obesity intervention tactics", with school

food and beverages monitored at least twice a year.

Preliminary estimates by the National Bureau of Statistics of China (NBSC) show GDP grew 9.2% year-on-year in 2011 vs 10.4% in 2010. In October 2011, the International Monetary Fund forecasted China's GDP is expected to grow by 9% in 2012, with private domestic consumption as one of the main drivers. The Economist Intelligence Unit (EIU) forecasts China's real GDP to grow an average of 7.3% per year from 2011 to 2020, and anticipates China's nominal GDP to overtake the US to become the largest economy in the world by 2021. The EIU expects consumer prices to rise by 4.1% a year on average from 2012 to 2016, and the threat of a surge in food prices poses upside risks to inflation.

According to the NBSC, both the per capita disposable income of urban households and the per capita income of rural households continued to increase, with 2011 recording a real growth of 8.4% and 11.4%, respectively. The People's Bank of China (PBC) has stated that it will continue to implement prudent monetary policy and promote stable economic development. NBSC reported that in 2011, China's consumer price index increased by 5.4%, with prices for food seeing the largest increase of 11.8%. According to NBSC, China's urban population exceeded its rural population for the first time by the end of 2011.

AN0C Consumer Business–

The introduction of the AN0C consumer products had the effect of increasing interest in sweetening food and beverages with stevia. The Chinese media are publicizing the dangers of consuming too much sugar, while governments are proposing and implementing policies such as the Municipal Capital Health Bureau targeting healthier foods and beverages in schools in Beijing to reduce childhood obesity.

Healthier beverages and food is a trend that is common throughout China. According to Euromonitor, sales growth of traditional carbonates has slowed because of its unhealthy image, even as herbal drinks and flavours are on the rise. Herbal/medicinal tea is believed to cool internal body heat during hot summer weather, treat sore throats and other ailments caused by winter dryness, and are better at quenching thirst. In its "Carbonated Soft Drinks – China – March 2012" report, Mintel reported that with obesity on the rise in China, consumers are increasingly trying to adopt a healthier lifestyle such as minimizing the intake of artificial ingredients and exercising more. Manufacturers have emphasized more on the functional or healthy features of their products, such as low sugar, low calorie content, added vitamins, or being free of additives.

Based on Euromonitor data, the compounded annual growth rate for the soft drinks market (aggregation of categories such as Carbonates, Fruit/vegetable juice, Bottled water, Functional drinks, Concentrates, RTD tea, RTD coffee and Asian specialty drinks) in China is forecasted at 9.5% per year from 2010 to 2015. Euromonitor forecasts the Chinese soft drinks market in 2012 to reach 67.8 billion litres, or a 10.5% increase over 2011, with the RTD tea category expected to see the largest increase of 16.6% year-over-year. In February 2011, Euromonitor also reported that China's per capita consumption of soft drinks in 2010 was only 46 litres, or just over half of the global average of 80 litres, and less than 14% of the US per capita consumption of 340 litres. Chinese per capita consumption of soft drinks in 2011 increased to 48 litres.

Based on Euromonitor data, China's soft drinks industry has become increasingly consolidated over the last five years, as the market share of the top five players by volume has increased from 33% in 2006 to 43% in 2011. The largest players in the Chinese soft drinks market includes both multinational beverage companies, such as Coca-Cola and PepsiCo who dominate the carbonated category, as well as domestic brands like Master Kong (owned by Tingyi), Wahaha, and Uni-President who are stronger in the RTD tea and bottled water categories. Overall, Coca-Cola holds the largest market share in 2011, with 15.8%, and Tingyi is second with 13.1% market

share. Several multinational companies announce strategic initiatives in China in 2011: such as Coca-Cola's announcement that it would invest an additional $4 billion in China starting 2012, PepsiCo's strategic alliance with Tingyi Holdings that would enable the resulting entity to overtake Coca-Cola as the largest soft drinks company in China, and Nestle's purchase of a majority stake in Yinlu a specialized regional food and beverage manufacturer.

Due to the intense nature of competition within the industry, manufacturers have been very cautious about increasing prices. Manufacturers are competing through new product launches and creative marketing methods in order to maintain profit margins. New product launches keep brands fresh, draw consumer attention, and help manufacturers increase awareness and stimulate sales growth. After packaging, sugar is typically the next largest cost component of beverages (excluding bottled water).

While the launches of our RTD tea, vitamin enriched water products, zero calorie tabletop, and two functional health beverages in 2011 did not achieve the desired market penetration, due to lower temperatures through the summer months, intense competition, and certain problems with the bottles, the Company still believes that there is significant opportunity for its consumer products.

Although AN0C has limited marketing funds available in 2012, AN0C is expected to launch its major 2012 sales and marketing campaign starting in the late spring of 2012 which is prior to the start of the next peak summer season. AN0C is the exclusive RTD Tea sponsor of the China National Olympic Swim Team, and plans to continue leveraging its existing brand equity investment as well as its distribution channels to launch the new products into the Chinese market. The products will be positioned in the medium to premium segment and target health-conscious consumers or those that have certain medical considerations. Increased emphasis will be given to marketing efforts in schools, hospitals and some organizations as well as distribution through health product channels. AN0C expects to focus most of its sales efforts in the China East region as this region is expected to continue to be the primary market for its products in 2012. This marketing strategy will build on AN0C's strength as the leading provider of zero calorie consumer beverages in China and focus is sales and distribution on channels that target consumers that are looking for reduced or zero calorie beverages such as health store chains and schools.

The China Sugar Reserve Opportunity

China's continued growth in GDP and expansion of its middle class has resulted in strong growth in China's food and beverage Industry. This, in turn, has resulted in strong growth in domestic sugar demand. Domestic production of sugar in China has not been sufficient to meet the growing demand for sugar in China which has resulted in a shortfall of sugar supply. Bloomberg reported that China's National Development and Reform Commission (NDRC) will continue to import sugar to replenish stockpiles that were diminished by state sales in 2011. Bloomberg quoted customs data that showed sugar purchases were 2.4 million tons in the first 11 months of 2011. In July 2011, the Czarnikow Group noted that increasing demand in Asia is being driven not only by population growth, but also by urbanization and rising incomes, which allow for increased consumption of processed foods and soft drinks.

OECD-FAO reported that that per capita consumption of sugar in China and India is only 11.9 kilograms and 21.6 kilograms, respectively, much lower than the 34.2 kilograms in developed countries in the Organization for Economic Cooperation and Development (OECD) or the world average of 24.1 kilograms. According to the

OECD-FAO report, China is also seeing tightening government controls on the production and use of artificial sweeteners, and forecasts that China will become the largest importer of sugar with the need to import 5 million tonnes of sugar by 2020. China has also seen a large increase in health related problems including growth in diabetes and obesity rates.

GLG's Chinese partner has started operations at its first 10,000 metric tonnes of Low-Calorie Health Sugar ("LCHS") production line which was completed in mid-October 2011. Our Chinese partner is in the process of planning the next phase of LCHS capacity with the construction of an additional 50,000 MT line currently scheduled for 2012. While many decisions have been delayed by the change in leadership in the Chinese Communist Party that will occur, it is anticipated that orders from the CSR for LCHS will occur. . The Company's confidence in the project remains high as continued dialogues with the China Sugar Reserve ("CSR") and other China Government officials have indicated their strong interest in moving this project forward. In addition, our partner has ongoing discussions with Chinese domestic food and beverage companies for the use of LCHS.

International Financial Reporting Standards ("IFRS")

The Accounting Standards Board of the Canadian Institute of Chartered Accountants requires all publicly accountable enterprises to report under International Financial Reporting Standards (IFRS) for the years beginning on or after January 1, 2011. However, National Instrument 52-107 allows foreign issuers, as defined by the Securities and Exchange Commission (SEC), such as GLG, to file with Canadian securities regulators financial statements prepared in accordance with US GAAP. As such, the Company began reporting under U.S. GAAP beginning January 1, 2011.

In August 2008, the SEC issued a roadmap for the potential convergence to IFRS for US issuers and foreign issuers. The proposal stipulates that the SEC will decide in 2011 whether to move forward with the convergence to IFRS with the transition beginning in 2014. Should the SEC adopt such a proposal, the Company will convert its reporting to IFRS at such time.

Disclosure Controls and Internal Controls over Financial Reporting

The Company's disclosure controls and procedures are designed to provide reasonable assurance that relevant information relating to the Company, including its consolidated subsidiaries, is made known to senior 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. As of the end of the period covered by this report, the Company's management evaluated, under the direction and supervision of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's Chief Executive Officer and Chief Financial Officer have concluded that as of June 30, 2012, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed in reports the Company files or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified therein and accumulated and reported to management to allow timely discussions regarding required disclosure.

The Company's management, under the direction and supervision of the Chief Executive Officer and Chief

Financial Officer, is 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 accounting principles generally accepted in Canada and the requirements of the Securities and Exchange Commission in the United States, as applicable.

Management assessed the effectiveness of the Company's internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, as of June 30, 2012. In making this assessment, management used the criteria set forth in the "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that, as of December 31, 2010, the Company's internal controls over financial reporting are operating effectively.

It should be noted that while the officers of the Company have certified the Company's period-end 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 the Company's 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.

- 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), in its Annual Information Form available on SEDAR (www.sedar.com).