



GLG LIFE TECH CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2014 and 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of GLG Life Tech Corporation (the "Company") have been prepared by, and are the responsibility of, the Company's management. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment on information currently available.

Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. The Board of Directors, through the Audit Committee, is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the annual consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval.

The consolidated financial statements have been audited by Davidson & Company LLP and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this assessment, the Company's management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based upon its assessment, management concluded that, as of December 31, 2014, the Company's internal control over financial reporting was effective.

Dr. Luke Zhang (Signed)
Chairman and Chief Executive Officer

March 31, 2015

Brian Meadows (Signed)
President and Chief Financial Officer

March 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
GLG Life Tech Corporation

We have audited the accompanying consolidated financial statements of GLG Life Tech Corporation, which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statement of operations and comprehensive loss, changes in shareholders' deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of GLG Life Tech Corporation as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about GLG Life Tech Corporation's ability to continue as a going concern.

Other Matters

The consolidated financial statements of GLG Life Tech Corporation for the year ended December 31, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on March 25, 2014.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

March 31, 2015

GLG LIFE TECH CORPORATION

Consolidated Statement of Financial Position

As at December 31, 2014 and 2013

(Expressed in Canadian Dollars)

| | | 2014 | 2013 |
|---|--------|----------------------|----------------------|
| | Note | | |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | \$ 954,599 | \$ 5,132,909 |
| Short-term investments | | 186,898 | - |
| Accounts receivable | 6 | 2,083,483 | 1,500,312 |
| Sale taxes recoverable | 7 | 5,666 | 5,209,949 |
| Inventory | 8 | 16,654,136 | 18,638,507 |
| Prepaid expenses and other advances | 9 | 1,295,663 | 2,302,692 |
| Total Current Asset | | 21,180,445 | 32,784,369 |
| Property, Plant, and Equipment | 10,12 | 50,480,025 | 54,444,418 |
| Biological Assets | 11 | 242,107 | 526,453 |
| Deferred income tax asset | | - | 41,255 |
| Total Assets | | \$ 71,902,577 | \$ 87,796,495 |
| LIABILITIES AND SHAREHOLDERS' DEFICIENCY | | | |
| Current Liabilities | | | |
| Short term loans | 13 | \$ 61,494,436 | \$ 40,663,095 |
| Accounts payable and accruals | 14 | 17,590,842 | 16,862,903 |
| Interest payable | | 8,439,711 | 4,703,457 |
| Due to related parties | 17 | 1,006,575 | - |
| Total Current Liabilities | | 88,531,564 | 62,229,455 |
| Long term loans | 13 | 2,010,965 | 19,830,833 |
| Convertible notes | 15 | - | 3,179,265 |
| Due to related parties | 17 | 23,052,323 | 15,924,428 |
| Liabilities on derivatives | 13, 17 | 81,165 | - |
| Total Liabilities | | 113,676,017 | 101,163,981 |
| EQUITY | | | |
| Shareholders' Deficiency | | | |
| Share capital | 18 | 193,826,351 | 191,245,563 |
| Contributed surplus | | 28,608,515 | 28,171,678 |
| Accumulated other comprehensive income | | 11,536,910 | 10,389,044 |
| Deficit | | (275,745,216) | (243,178,461) |
| Total GLG Life Tech Corporation Shareholders' Deficiency | | (41,773,440) | (13,372,176) |
| Non-controlling interests | | - | 4,690 |
| Total Shareholders' Deficiency | | (41,773,440) | (13,367,486) |
| Total Liabilities and Shareholders' Deficiency | | \$ 71,902,577 | \$ 87,796,495 |

Going concerns (Note 3)

Commitments (Note 27)

Contingencies (Note 29)

See Accompanying Notes to the Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

"Sophia Leung "

"Brian Palmieri "

Director

Director

GLG LIFE TECH CORPORATION

Consolidated Statements of Operations and Comprehensive (Loss)

For the Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

| | 2014 | 2013 |
|--|-----------------|-----------------|
| REVENUE | \$ 19,981,837 | \$ 16,021,553 |
| COST OF SALES (note 21) | (22,027,464) | (17,723,791) |
| GROSS LOSS | (2,045,627) | (1,702,238) |
| SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES | 9,282,835 | 8,349,454 |
| OTHER INCOME (EXPENSES) | | |
| Bad debt expenses | (95,128) | (4,430,967) |
| Foreign exchange gain (loss) | (1,101,300) | 638,426 |
| Gain from convertible note conversion | 2,000,857 | - |
| Interest expense | (7,876,052) | (7,199,128) |
| Interest income | 27,695 | 17,895 |
| Inventory impairment (Note 8) | (1,650,382) | (8,148,650) |
| Other expenses | (471,072) | (585,391) |
| Prepaid expenses impairment | (944,678) | - |
| Property, plant and equipment impairment (Note 12) | (5,968,804) | - |
| Sales taxes recoverable impairment | (5,211,625) | - |
| | (21,290,489) | (19,707,815) |
| LOSS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS | (32,618,951) | (29,759,507) |
| INCOME TAX (EXPENSE) RECOVERY | 52,196 | (48,611) |
| NET LOSS FROM CONTINUING OPERATIONS | (32,566,755) | (29,808,118) |
| DISCONTINUED OPERATIONS | | |
| Net gain from discontinued operations, net of tax | - | 3,377,891 |
| NET LOSS | \$ (32,566,755) | \$ (26,430,227) |
| OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS | | |
| Foreign Currency Translation Adjustment | 1,147,866 | 4,891,821 |
| TOTAL COMPREHENSIVE LOSS | \$ (31,418,889) | \$ (21,538,406) |
| NET LOSS | | |
| ATTRIBUTABLE TO DISCONTINUED OPERATIONS | \$ - | \$ 3,377,891 |
| ATTRIBUTABLE TO GLG LIFE TECH CORPORATION SHAREHOLDERS | \$ (32,566,755) | \$ (29,808,118) |
| COMPREHENSIVE LOSS | | |
| ATTRIBUTABLE TO DISCONTINUED OPERATIONS | \$ - | \$ 3,466,440 |
| ATTRIBUTABLE TO GLG LIFE TECH CORPORATION SHAREHOLDERS | \$ (31,418,889) | \$ (25,004,846) |
| NET LOSS PER SHARE | | |
| From continuing and discontinued operations | | |
| Basic & Diluted (Note 23) | \$ (0.95) | \$ (0.79) |
| From continuing operations | | |
| Basic & Diluted (Note 23) | \$ (0.95) | \$ (0.89) |
| From discontinued operations | | |
| Basic & Diluted (Note 23) | \$ - | \$ 0.10 |
| Weighted Average Number of Shares Outstanding | | |
| Basic and diluted | 34,197,351 | 33,362,804 |

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

As at December 31, 2014 and 2013

(Expressed in Canadian Dollars)

| | Number of common shares | Number of restricted shares | Common shares amount | Contributed Surplus | Accumulated Other Comprehensive Income ("AOCI") | Deficit | Total Equity Attributable to GLG Life Tech Corporation Shareholders | Non- controlling Interest | Total Shareholders' Equity |
|---|----------------------------|--------------------------------|-------------------------|------------------------|--|------------------|---|---------------------------------|----------------------------------|
| Balance, December 31, 2012 | 32,121,592 | 794,042 | \$ 190,449,847 | \$ 26,857,443 | \$ 5,585,772 | \$ (216,748,234) | \$ 6,144,828 | \$ 1,543,316 | \$ 7,688,144 |
| Issuance of restricted shares | - | 447,170 | - | - | - | - | - | - | - |
| Share-based compensation | - | - | 795,716 | 1,049,668 | - | - | 1,845,384 | - | 1,845,384 |
| Change in foreign currency translation | - | - | - | - | 4,803,272 | - | 4,803,272 | 88,549 | 4,891,821 |
| Discontinued operation | - | - | - | 264,567 | - | - | 264,567 | (1,627,175) | (1,362,608) |
| Net (loss) | - | - | - | - | - | (26,430,227) | (26,430,227) | - | (26,430,227) |
| Balance, December 31, 2013 | 32,121,592 | 1,241,212 | \$ 191,245,563 | \$ 28,171,678 | \$ 10,389,044 | \$ (243,178,461) | \$ (13,372,176) | \$ 4,690 | \$ (13,367,486) |
| Issuance of restricted shares | - | 100,000 | - | - | - | - | - | - | - |
| Share-based compensation | - | - | 905,531 | 701,404 | - | - | 1,606,935 | - | 1,606,935 |
| Convertible note | 4,295,532 | - | 1,675,257 | (264,567) | - | - | 1,410,690 | - | 1,410,690 |
| Change in foreign currency translation | - | - | - | - | 1,147,866 | - | 1,147,866 | - | 1,147,866 |
| Write-down of inactive company investment | - | - | - | - | - | - | - | (4,690) | (4,690) |
| Net loss | - | - | - | - | - | (32,566,755) | (32,566,755) | - | (32,566,755) |
| Balance, December 31, 2014 | 36,417,124 | 1,341,212 | \$ 193,826,351 | \$ 28,608,515 | \$ 11,536,910 | \$ (275,745,216) | \$ (41,773,440) | \$ - | \$ (41,773,440) |

See Accompanying Notes to the Consolidated Financial Statements

GLG LIFE TECH CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

| | 2014 | 2013 |
|---|--------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Loss | \$ (32,566,755) | \$ (29,808,119) |
| Adjustments to reconcile loss to net cash provided by operating activities: | | |
| Share-based compensation (Note 18) | 1,606,935 | 1,845,385 |
| Depreciation of property, plant and equipment and amortization of intangible assets | 5,711,438 | 4,355,900 |
| Loss on disposal of property, plant and equipment | 7,010 | - |
| Bad debt expenses | 95,128 | 4,430,967 |
| Accretion expenses | 232,282 | - |
| Inventories impairment | 1,650,382 | 8,148,650 |
| Property, plant and equipment impairment | 5,968,804 | - |
| Prepaid expenses impairment | 944,678 | - |
| Sales taxes recoverable impairment | 5,211,625 | - |
| Unrealized foreign exchange loss | 188,257 | 362,747 |
| Change in biological assets | 284,346 | 202,643 |
| Recovery from inactive company investment | (4,690) | - |
| Gain on convertible note conversion | (2,000,857) | - |
| Deferred income tax recovery | (52,196) | - |
| Changes in non-cash working capital items (Note 20) | 7,535,687 | 6,482,360 |
| Net cash used in operating activities - continued operations | (5,187,926) | (3,979,467) |
| Net cash from operating activities - discontinued operations | - | 5,194,548 |
| Net cash from (used in) operating activities | (5,187,926) | 1,215,081 |
| Cash Flows From Investing activities | | |
| Purchase of property, plant and equipment | (1,811,262) | (81,470) |
| Purchase of short-term investments | (181,041) | - |
| Net cash used in investing activities | (1,992,303) | (81,470) |
| Cash Flow From Financing activities | | |
| Issuance of loans | 1,091,825 | |
| Repayment of loans | (2,078,477) | (5,074,756) |
| Advance from related parties | 4,897,337 | 7,251,291 |
| Net cash from financing activities | 3,910,685 | 2,176,535 |
| Effect of exchange rate changes on cash and cash equivalents | (908,766) | (1,759,674) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (4,178,310) | 1,550,472 |
| CASH AND CASH EQUIVALENTS, January 1, 2014 | 5,132,909 | 3,582,437 |
| CASH AND CASH EQUIVALENTS, December 31, 2014 | \$ 954,599 | \$ 5,132,909 |

See Accompanying Notes to the Consolidated Financial Statements
Supplemental Cash Flow Information (Note 20)

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

GLG Life Tech Corporation (the “Company”) was incorporated under the Companies Act (British Columbia), Canada. The registered office of the Company is located at Suite 2168, 1050 West Pender Street, Vancouver, British Columbia. The Company’s shares trade on the Toronto Stock Exchange (“TSX”) under the symbol “GLG”.

The Company is a vertically integrated producer of high-grade stevia extract. The Company’s business operates primarily through the manufacturing and sales of a refined form of stevia and monk fruit which has operations in China and North America.

2. BASIS OF PRESENTATION

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on a historical costs basis except for biological assets, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting. These consolidated financial statements are presented in Canadian dollars, except when otherwise indicated.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 30, 2015, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ended December 31, 2014 could result in restatement of these consolidated financial statements.

3. GOING CONCERN

These consolidated financial statements have been prepared in accordance with IFRS accounting policy, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the year ended December 31, 2014, the Company incurred a net loss of \$32,566,755 (2013 - \$26,430,227). As at December 31, 2014, the Company had an accumulated deficit of \$275,745,216 (2013 - \$243,178,461), working capital deficit of \$67,351,119 (2013 - \$29,445,086) and a net cash outflow from operating activities of \$5,187,926 (2013 – inflow of \$1,215,081).

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

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. GOING CONCERN, continued

The Company's operating assets and primary sources of income and cash flows originate in China; the Company is therefore subject to the considerations and risks of operating in China. These include risks associated with the political and economic environment, foreign currency exchange and the legal system in China. Changes in the political and economic policies of the People's Republic of China ("PRC") government may materially and adversely affect the Company's business, financial condition and results of operations and may result in the Company's inability to sustain growth and expansion. There is also no assurance that the Company will not be adversely affected by changes in other governmental policies or any unfavorable change in the political, economic or social conditions, laws or regulations, or the rate or method of taxation in China.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, the level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past three decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on the Company. The financial condition and results of operations could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to the Company. In addition, the PRC government has in the past implemented certain measures, including interest rates increases, to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

There are also uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations. As noted above, most of the Company's operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. The Company's PRC subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. GOING CONCERN, continued

enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may be given retroactive effect. As a result, the Company may not be aware of a violation of these policies and rules until after the occurrence of the violation.

Furthermore, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since the PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede the Company's ability to enforce the contracts we have entered into and could materially and adversely affect the Company's business, financial condition and results of operations.

Regarding risk associated with financial instruments generally, as of December 31, 2014 and 2013, 50% of the Company's cash and cash equivalents, and substantially all bank loans were held by Chinese banks. The Company has provided its banks guarantees and collateral agreements which could enable the banks to exercise their rights against the Company's assets, because the Company has not made its principal or interest payments on time. Should the banks exercise their right, it could have a significant impact to the Company's ownership of its assets, and ultimately, its operations. The Company has provided collateral and guarantor agreements in multiple provinces in China, of which each is subject to local provincial rules. To the best of the Company's knowledge, the banks have not taken any action on their assets to date.

To manage these financial risks, during 2014, the Company worked with its Chinese banks on restructuring its debt. By the end of 2014, the Chinese debt with the Agricultural Bank of China had been transferred to China Huarong Asset Management Co., Ltd. ("Huarong"), which is a state-owned capital management company ("SOCMC").

The Company is still in discussions with these SOCMCs as to final terms – including interest rate and term of the debt – for the transferred debt. Until such terms are confirmed in a formal agreement, the terms of the original loan are represented in the financial statements.

The Company also relies heavily on related parties for funding and continued operations of the Company. Should the related parties not act in good faith, or decide to no longer fund the operations of the Company, there is a high risk that the operations of the Company could be significantly impacted adversely.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. GOING CONCERN, continued

Finally, in the ordinary course of business, the Company is from time to time involved in legal proceedings and litigation. Presently, there are no legal proceedings and litigations that recently have had, or to the Company's knowledge, are reasonably possible to have, a material impact on the Company's financial positions, results of operations or cash flows. The Company did not accrue any loss contingencies in this respect as of December 31, 2014 and 2013, as the Company did not consider an unfavourable outcome in any material respects in these legal proceedings and litigations to be probable.

The above matters raise substantial doubt about the Company's ability to continue as a going concern.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at the acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the appropriate share of the acquiree's identifiable net assets. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date. Acquisition costs are expensed in the period that they are incurred.

b) Functional currency

The functional currency is the currency of the primary economic environment in which the entity operates. The Company has determined that none of its subsidiaries operate in a hyper inflationary economic environment. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21. For the analysis of the parent entity, the primary determining factors regarding revenue and labour, material and other costs were inconclusive. As a result, the secondary factors were considered. The secondary factors indicated that CAD will be the primary currency in the future for financing activities. Therefore, the functional currency for GLG Canada is CAD. The reporting currency for the Company is CAD.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

b) Functional currency, continued

Foreign currency transactions are translated into the functional currency of the respective currency of the entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates as at the date when fair value was determined. Gain and losses are recorded in the statement of operations.

The results and financial position of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each statement of financial position presented are translated at the rate of exchange in effect as at the date of statement of financial position; (ii) income and expense items for each statement of operations are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income.

c) Basis of consolidation

These consolidated financial statements include the following:

| | Jurisdiction of incorporation | Ownership Interest | | Functional Currency |
|---|----------------------------------|--------------------|------|------------------------|
| | | 2014 | 2013 | |
| <u>Subsidiaries</u> | | | | |
| Agricultural High Tech Developments Limited | Marshall Islands | 100% | 100% | HKD |
| Anhui Bengbu HN Stevia High Tech Development Company Limited | China | 100% | 100% | RMB |
| Chuzhou Runhai Stevia High Tech Company Limited | China | 100% | 100% | RMB |
| Dongtai Runyang Stevia High Tech Company Limited | China | 100% | 100% | RMB |
| Qingdao Runde Biotechnology Company Limited | China | 100% | 100% | RMB |
| Qingdao Runhao Stevia High Tech Company Limited | China | 100% | 100% | RMB |
| GLG Life Tech US, Inc. | USA | 100% | 100% | USD |
| 0833416 BC Limited (formerly "GLG Weider Sweet Naturals Corporation") | Canada | 55% | 55% | USD |

Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. Control is achieved when the Company is exposed or has rights to variable returns from its involvement with these subsidiaries, and has the ability to use its power to affect the amount of these returns.

All intercompany transactions and balances are eliminated on consolidation.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments

Fair value measurement

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial assets

The Company determines the classification of its financial assets at initial recognition, depending on the nature and purpose of the financial asset. All financial assets, except financial assets at fair value through profit or loss ("FVTPL"), are recognized initially at fair value plus directly attributable transaction costs. The Company has not designated any of its financial assets as FVTPL. A financial asset is derecognized when the rights to receive cash flows from the asset have expired.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the reliability of observable inputs used to value the instrument.

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial assets include cash and cash equivalents, short term investments and accounts receivable. The Company classifies these financial assets as "loans and receivables". The carrying value of short term investments and accounts receivable approximates their fair value due to their immediate or short term to maturity, or their ability for liquidation at comparable amounts.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment loss.

The effective interest method is a method of calculating the amortized cost of a financial asset/liability

GLG LIFE TECH CORPORATION

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(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments, continued

Financial assets, continued

and of allocating interest expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial asset/liability to its fair value.

Financial liabilities

The Company determines the classification of its financial liabilities at initial recognition, depending on the nature and purpose of the financial liability. All financial liabilities, except financial liabilities at FVTPL, are recognized initially at fair value plus directly attributable transaction costs. The Company has designated its derivative liabilities as financial liabilities as FVTPL. A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

The Company's other financial liabilities include short term loans, accounts payables and accruals, interest payable, long-term loans, convertible notes, liabilities on derivatives, and amounts due to related parties. The Company classifies these financial liabilities as "Other financial liabilities". The carrying value of short-term loans, accounts payable and accruals, interest payable and amounts due to related parties approximate their fair value due to their immediate or short term to maturity.

The Company's long-term loans, convertible notes and long term amounts due to related parties are recorded at amortized cost. The liabilities on derivatives are recorded at fair value using level 2 inputs. See note 13 and note 17 for details on the assumptions for the level 2 fair value determination.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

The component parts of compound instruments (convertible notes) issued by the Company is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest rate method. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured.

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Notes to the Consolidated Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

d) Financial instruments, continued

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity component in proportion to the allocation of the gross proceeds.

e) Impairment

Financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date of impairment is reversed and does not exceed what the amortized cost would have been had the impairment not been recognized.

f) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell ("FVLCS") and value in use ("VIU"). FVLCS is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties less the costs of disposal or current replacement cost method which is valuation technique that reflects the amounts that could be required to replace the service capacity of the assets. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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Notes to the Consolidated Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

f) Non-financial assets with finite useful lives, continued

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For assets that generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and deposits held with banks readily convertible into cash and purchased with original maturities of three months or less.

h) Short term investments

Short term investments consist of government investment certificates with original maturities between three and twelve months.

i) Accounts receivable and concentration of credit risks

Accounts receivable are stated at amortized cost less any impairment. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on historical write-off experience and customer economic data.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from credit sales and has a high concentration of credit risk as the accounts receivable are made up of a small number of customers. It is the Company's policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. Each new customer is analyzed individually for creditworthiness. A review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. The executive management determines concentrations of credit risk frequently by monitoring the creditworthiness rating of existing customers and through a review of the trade receivables' aging

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

i) Accounts receivable and concentration of credit risks, continued

analysis. Over-due balances are reviewed for collectability and allowance for doubtful amounts, where appropriate, will be provided. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made only with payment in advance.

However, based on current facts and circumstances, the Company believes that it does not require collateral to support the carrying value of the accounts receivable.

j) Inventory

Raw materials, work-in-progress and finished goods are measured at the lower of cost, determined on a weighted average basis and net realizable value.

The cost of raw materials is comprised of the purchase price, applicable taxes and other costs incurred in bringing inventory to their present location and condition. The cost of finished goods includes cost of materials and cost of conversion. The cost of conversion includes costs directly related to the units of production, such as direct labour, and fixed and variable production overheads, based on normal operating capacity.

The net realizable value of inventory 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.

The amount of any impairment of inventories to net realizable value and all losses of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any impairment of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

k) Property, plant and equipment

Recognition and measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Land use rights have been accounted for as an asset in the consolidated financial statements. However, all lands in China are owned by the Chinese government (the "Government"). In accordance with the terms as established by Chinese law, the Government may sell the right to use the land for a specific period of time. If in the public interest there is a need to re-develop the land, the Government may revoke the right at any time. The purpose of the land use is restricted. In the event that the land is used for purposes outside the scope of the purpose for which they were granted, the Government could revoke such rights. Land use rights are recorded at cost less accumulated amortization and are amortized over 50 years.

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Notes to the Consolidated Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

k) Property, plant and equipment, continued

Recognition and measurement, continued

Subsequent costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Subsequent costs other than maintenance and repairs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profits or loss.

Amortization

Amortization is calculated using the straight line method over the estimated useful lives of the assets as follows:

Ion exchange resin equipment - 15 years

Buildings - 20 years

Manufacturing equipment - 10 years

Motor vehicles, computer equipment, computer software, furniture and fixtures – 5 years

Amortization is provided over the term of the lease on leasehold and land use rights. Amortization is not provided for construction in progress until the assets are ready for use.

Amortization methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

l) Capitalization of interest

Interest on long term debt associated with the construction of long term assets is capitalized into property, plant and equipment, where the borrowing cost is attributable to the acquisition, construction or production of a qualifying asset until the facilities are substantially completed.

For funds borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization would be the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

For non-specific funds borrowed and being used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization would be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that an entity capitalizes during a period shall not exceed the amount of borrowing costs it incurred during that period. The capitalization rate for the year ended December 31, 2014 was nil %.

m) Biological assets

The biological assets of the Company are bearer biological assets consisting of mother and father stevia plants that are cultivated and developed for their active ingredient (steviol glycosides) content in their leaves. Expenditures incurred in planting and developing stevia seedlings up to maturity are recognized directly in the profit or loss. Biological assets are stated at fair value less any accumulated impairment losses. Fair value is determined by net present value of future cash flows generated by the related assets. Any gain or loss on fair value adjustment is recognized in profit or loss. Upon disposal or retirement of biological assets, the difference between the disposal proceeds and the carrying value of such biological assets are recognized in profit or loss accordingly.

n) Revenue recognition

Revenue from all product sales of the Company is recognized when products are shipped to customers and ownership is transferred to customers, when the price is fixed or determinable and when the ultimate collection is reasonably assured. Customer prepayments are recorded as advances from customers and revenue is not recognized until the shipment of goods occurs. Shipping and handling costs related to product sales are included in cost of sales.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

o) Share-based payments

The Company grants stock options and restricted shares to employees, directors, and consultants pursuant to the Stock Option and Restricted Share Plan. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility and expected life of the option. The Company estimates forfeitures at the grant date and revises the estimate as necessary if subsequent information indicates that actual forfeitures differ significantly from the original estimate. Changes in these assumptions can materially affect the fair value estimate.

p) Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions may represent obligations associated with the retirement of reclamation long-lived assets. Provisions are not recognized for future operating losses.

q) Comprehensive income

Comprehensive income is comprised of net earnings for the period and other comprehensive income. Included in accumulated other comprehensive income are foreign exchange amounts resulting from the translation of certain subsidiaries' functional currency to the Company's presentation currency.

r) Earnings per share

Basic earnings per share are calculated using the weighted average number of common shares outstanding during the period.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

r) Earnings per share, continued

Diluted net earnings per share is computed similar to basic net earnings per shares, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants at the beginning of the reporting period, if dilutive. The number of additional shares is calculated assuming that outstanding stock options and warrants were exercised and the proceeds from such exercises were used to repurchase common shares at the average market price

during the reporting period. Stock options and warrants are dilutive when the market price of the common shares at the end of the period exceeds the exercise price of the options and warrants and when the Company generates net earnings.

s) Income taxes

Deferred taxes result from differences between the financial statement and tax bases of our assets and liabilities and are adjusted for changes in tax rates and tax laws when changes are enacted. The effects of future changes in income tax laws or rates are not anticipated.

The Company is subject to income taxes in Canada and in other foreign jurisdictions. The calculation of our tax provision involves the application of complex tax laws and requires significant judgment and estimates. The deferred tax asset for each jurisdiction at each reporting date will be assessed for the possibility if the asset can be realized. The ultimate realization of deferred tax asset is dependent upon the generation of future taxable income of the same character and in the same jurisdiction. All available positive and negative evidence in making this assessment, including, but not limited to, the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies will be considered. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Company accounts for income taxes under the asset and liability method which includes the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this approach, deferred taxes are recorded for the future tax consequences expected to occur when the reported amounts of assets and liabilities are recovered or paid. The provision for income taxes represents income taxes paid or payable for the current year plus the change in deferred taxes during the year.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

Years Ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

t) Change in accounting policies

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards with a date of initial application of January 1, 2014:

IFRS 10, IFRS 12 and IAS 27

(2011) Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities

IFRS 13A framework for measuring fair value and new required disclosures of property, plant and equipment, inventory and biological assets.

IAS 32 Amendments

Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities

IAS 39 Amendments

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounts

IAS 36, Impairment of assets

IAS 36 was amended to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

u) New standards, amendments and interpretations not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are not yet effective as of December 31, 2014 and have not been applied in preparing these financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 9, Financial instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The mandatory date of adoption for this standard has not been determined. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The adoption of the first phase of IFRS 9 will have an effect on classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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Notes to the Consolidated Financial Statements

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4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

u) New standards, amendments and interpretations not yet effective, continued

IFRS 15, Revenue from contracts with customers

The IASB has replaced IAS 18, Revenue in its entirety with IFRS 15 - Revenue from contracts with customers ("IFRS 15") which is intended to establish a new control-based revenue recognition model and change the basis for deciding whether revenue is to be recognized over time or at a point in time. IFRS 15 is effective for annual periods commencing on or after January 1, 2017. We are currently evaluating the impact the standard is expected to have on our consolidated financial statements.

v) New standards, amendments and interpretations not yet effective

Annual improvements 2012

Annual improvements 2012 are amendments that include changes from the 2010-12 cycle of annual improvements project that affect seven standards: IFRS 2, "Share based payments"; IFRS 3, "Business combinations"; IFRS 8, "Operating segments"; IFRS 13, "Fair value measurement"; IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets"; Consequential amendments to IFRS 9, "Financial instruments", IAS 37, "Provisions, contingent liabilities and contingent assets"; and IAS 39, "Financial instruments – Recognition and measurement". The amendment is effective to the Company as of January 1, 2015. The Company will incorporate the amendments into the accounting policies for the year ended December 31, 2015.

Annual improvements 2013

Annual improvements 2013 are amendments that include changes from the 2011-13 cycle of annual improvements project that affect four standards: IFRS 1, "First time adoption"; IFRS 3, "Business combinations"; IFRS 13, "Fair value measurement"; and IAS 40, "Investment property". The amendment is effective to the Company as of January 1, 2015. The Company will incorporate the amendments into the accounting policies for the year ended December 31, 2015.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes certain estimates and judgments regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

a) Judgments

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 3.

Functional currency determination

The preparation of the consolidated financial statements requires management to make judgments regarding the functional currency of the Company and its subsidiaries. As discussed in Note 4(b), the functional currency of the Company has been determined to be the CAD, while the functional currencies

Functional currency determination

of its subsidiaries are as listed in Note 4(d).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Determination of Stevia Cash Generating Unit (CGU)

The stevia operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain. The stevia operations include: an agricultural unit, primary processing plants and secondary processing plants.

Centralized production planning takes place across the entire supply chain. It starts with the worldwide sales forecast of the stevia products for secondary processing plants, which then translates into production forecasts for secondary processing plants. The production forecasts for secondary processing plants then define how much products will be required from the primary processing plants.

The design of the integrated supply chain makes the cash flows for each component of the supply not sufficiently independent of all the components in order to break down the cash flows any lower than the stevia business level. Therefore, management has treated the four stevia processing plants, the agricultural unit as well as the North American offices as included in a single CGU ("Stevia CGU").

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

a) Judgments, continued

Determination of Monk Fruit Unit (CGU)

The Monk Fruit operation is set up as an integrated supply chain whereby each subsidiary specializes in part of the supply chain. The Monk Fruit operations include: an agricultural unit and processing plants.

Centralized production planning takes place across the entire supply chain. It starts with the worldwide sales forecast of the Monk Fruit products for processing plants.

The management has treated the Monk Fruit processing plants, the agricultural unit as well as the North American offices as included in a single CGU (Monk Fruit CGU).

Impairment of long-lived assets

The Company performs impairment testing annually for long-lived assets and, when circumstances indicate that there may be impairment, for these assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying Cash Generating Units ("CGUs") for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves management judgement and estimation. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect

the amount of amortization expense on the long-lived assets. See Note 12 for further details.

Biological Assets

Biological assets are measured at each reporting date, at fair value less costs to sell, except when fair value cannot be reliably measured. If fair value cannot be reliably measured, biological assets are measured at cost less depreciation and impairment losses. Although a reliable measure of fair value may not be available at the point of initial recognition, it may subsequently become available. In such circumstances, biological assets are measured at fair value less costs to sell from the point at which the reliable measure of fair value becomes available. Gains and losses that arise on measuring biological assets at fair value less costs to sell are recognized in the statement of net earnings in the period in which they arise. Costs to sell include all costs that would be necessary to sell the biological assets, including costs necessary to get the biological assets to market. Management uses estimates for some of the inputs into the determination of fair value. To the extent that actual values differ from estimates, biological assets, net loss and comprehensive income (loss) will be affected in future periods.

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

b) Uncertainty estimation

Inventories

The Company estimates the net realizable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realization of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Depreciation and Amortization

The Company's property and equipment are depreciated and amortized on a straight-line basis, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, inventories, net earnings, and comprehensive income (loss) in future periods.

Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions such as the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Income Tax Estimates

The Company provides for income taxes based on currently available information in each of the jurisdictions in which we operate. The calculation of income taxes in many cases, however, requires significant judgment in interpreting tax rules and regulations. Our tax filings are subject to audits, which could materially change the amount of current and deferred income tax assets and liabilities, and could, in certain circumstances, result in the assessment of interest and penalties.

Allowance for doubtful accounts

The Company makes allowances for doubtful accounts based on its best estimate of the amount of probable credit losses in existing accounts receivable. These are determined based on historical write-off experiences and customer economic data.

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5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS, continued

b) Uncertainty estimation, continued

Stock-based compensation

Estimating fair value for granted stock options and restricted shares requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based compensation expense for the period along with the assumptions and model used for estimating fair value for stock-based compensation transactions are disclosed in Note 18.

6. ACCOUNTS RECEIVABLE

| | December 31, 2014 | December 31, 2013 |
|---------------------------------|-------------------|-------------------|
| Current | | |
| Accounts receivable | \$ 5,136,618 | \$ 4,449,757 |
| Allowance for doubtful accounts | (3,053,135) | (2,949,445) |
| | \$ 2,083,483 | \$ 1,500,312 |

| | Total |
|--|------------------|
| Allowance for doubtful accounts | |
| As at January 1, 2013 | 456,997 |
| Increase (decrease) in AFDA | 2,492,448 |
| As at December 31, 2013 | 2,949,445 |
| Increase (decrease) in AFDA | 103,690 |
| As at December 31, 2014 | 3,053,135 |

The aging analysis of trade receivables is as follows:

December 31, 2014

| | | | Past due but not impaired | | |
|-------------------|--------------|-------------------------------|---------------------------|---------------|------------|
| | Total | Neither past due nor impaired | < 90 days | 91 - 180 days | >180 days |
| December 31, 2014 | \$ 2,083,483 | \$ 1,132,968 | \$ 318,916 | \$ - | \$ 631,599 |
| December 31, 2013 | 1,500,312 | \$ 677,104 | \$ 355,023 | \$ 26,089 | \$ 442,096 |

GLG LIFE TECH CORPORATION

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7. SALES TAXES RECOVERABLE

As of December 31, 2014, trade receivable balances with aging over twelve months is \$543,394 (2013 - \$85,170). No accounts receivable has been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries.

The taxes are value-added taxes paid on purchases in China and Goods and Services Tax ("GST") paid in Canada. These taxes are recoverable from the respective authorities upon filing of the prescribed returns. For the year ended December 31, 2014, the Company recorded a sales taxes recoverable impairment of \$5,211,625 (2013 - \$nil) relating to the uncertainty of collection of VAT in China.

8. INVENTORY

| | December 31, 2014 | | December 31, 2013 | |
|-----------------|-------------------|------------|-------------------|------------|
| Raw material | \$ | 5,173,158 | \$ | 3,344,691 |
| Work in process | | 2,226,367 | | 5,604,499 |
| Finished goods | | 9,254,611 | | 9,689,317 |
| | \$ | 16,654,136 | \$ | 18,638,507 |

As of December 31, 2014, the Company has inventory of Stevia \$8,869,644 and Monk Fruit \$7,784,492.

The Company assessed the net realizable value of inventory based on the following: the cost of raw materials is comprised of the purchase price, applicable taxes and other costs incurred in bringing inventory to its present location and condition; the cost of finished goods includes cost of materials and cost of conversion; the cost of conversion includes costs directly related to the units of production, such as direct labour, and fixed and variable production overheads, based on normal operating capacity.

For the year ended December 31, 2014, the Company has recorded an inventory impairment of \$1,650,382 (2013 - impairment of \$8,148,650).

The carrying amounts of inventory have been pledged as general collateral for the line of credit facilities available to the Chinese subsidiaries.

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Notes to the Consolidated Financial Statements

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9. PREPAID EXPENSES

| | December 31, 2014 | December 31, 2013 |
|-----------------------------|-------------------|-------------------|
| Prepayment for raw material | \$ 603,835 | \$ 688,063 |
| Prepayment for utilities | 412,636 | 498,459 |
| Insurance | 36,705 | 49,728 |
| Rent and deposits | 145,851 | 12,248 |
| Others | 96,636 | 1,054,194 |
| | \$ 1,295,663 | \$ 2,302,692 |

For the year ended December 31, 2014, the Company recorded a prepaid expenses impairment of \$944,678 (2013 - \$nil).

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Notes to the Consolidated Financial Statements

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10. PROPERTY, PLANT AND EQUIPMENT

| | Ion exchange resin equipment | Manufacturing equipment | Buildings & construction in progress | Leasehold & land use rights | Computer equipment & software | Motor vehicles & furniture and fixture | Total |
|---------------------------------|---------------------------------|----------------------------|--|--------------------------------|-------------------------------------|--|---------------|
| As at December 31, 2012 | \$ 8,273,142 | \$ 26,658,171 | \$ 31,640,001 | \$ 4,689,060 | \$ 753,260 | \$ 1,125,059 | \$ 73,138,692 |
| Additions | - | 69,170 | - | - | 5,283 | 6,373 | 80,826 |
| Disposals | - | (5,944) | (53,693) | (13,880) | - | (76,432) | (149,949) |
| Foreign currency adjustments | 1,749,777 | 4,979,320 | 5,784,623 | 476,408 | 64,534 | 103,785 | 13,158,448 |
| As at December 31, 2013 | \$ 10,022,919 | \$ 31,700,717 | \$ 37,370,931 | \$ 5,151,588 | \$ 823,077 | \$ 1,158,785 | \$ 86,228,017 |
| Additions | 272,720 | 717,660 | 15,526 | 7,275 | 23,117 | 7,366 | 1,043,664 |
| Disposals | - | (33,777) | - | - | (60,363) | (8,149) | (102,289) |
| Impairment | (6,364,545) | (3,066,448) | (1,257,355) | - | (44,006) | (133,516) | (10,865,870) |
| Foreign currency adjustments | 899,786 | 3,279,560 | 3,895,297 | 307,209 | 48,947 | 69,521 | 8,500,320 |
| As at December 31, 2014 | \$ 4,830,880 | \$ 32,597,712 | \$ 40,024,399 | \$ 5,466,072 | \$ 790,772 | \$ 1,094,007 | \$ 84,803,842 |
| Accumulated depreciation | | | | | | | |
| As at December 31, 2012 | \$ 3,474,831 | \$ 11,742,750 | \$ 7,002,314 | \$ 353,789 | \$ 359,247 | \$ 652,838 | \$ 23,585,769 |
| Amortization | 323,751 | 2,248,152 | 1,293,426 | 206,671 | 111,395 | 172,506 | 4,355,901 |
| Disposals | - | (1,605) | - | (27,761) | - | (15,664) | (45,030) |
| Foreign currency adjustments | 637,351 | 2,346,282 | 841,768 | (41,852) | 32,260 | 71,150 | 3,886,959 |
| As at December 31, 2013 | \$ 4,435,933 | \$ 16,335,579 | \$ 9,137,508 | \$ 490,847 | \$ 502,902 | \$ 880,830 | \$ 31,783,599 |
| Amortization | 406,618 | 2,302,698 | 1,502,021 | 264,507 | 105,236 | 113,591 | 4,694,671 |
| Disposals | - | (3,361) | - | - | (52,624) | (7,105) | (63,090) |
| Impairment | (2,729,187) | (1,654,737) | (355,234) | - | (37,744) | (120,164) | (4,897,066) |
| Foreign currency adjustments | 332,100 | 1,643,001 | 826,036 | (81,840) | 31,380 | 55,026 | 2,805,703 |
| As at December 31, 2014 | \$ 2,445,464 | \$ 18,623,180 | \$ 11,110,331 | \$ 673,514 | \$ 549,150 | \$ 922,178 | \$ 34,323,817 |
| Net book value | | | | | | | |
| As at December 31, 2013 | 5,586,986 | 15,365,138 | 28,233,423 | 4,660,741 | 320,175 | 277,955 | 54,444,418 |
| As at December 31, 2014 | 2,385,416 | 13,974,532 | 28,914,068 | 4,792,558 | 241,622 | 171,829 | 50,480,025 |

GLG LIFE TECH CORPORATION

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(Expressed in Canadian Dollars)

10. PROPERTY, PLANT AND EQUIPMENT, continued

Land use rights in China have remaining terms ranging from 44.25 to 44.5 years.

Amortization expense is included in the consolidated statement of operations under the following categories:

| | December 31, 2014 | December 31, 2013 |
|--|----------------------|----------------------|
| Cost of sales | \$ 4,686,565 | \$ 3,635,023 |
| Selling, general and administrative expenses | 1,024,873 | 720,877 |
| | \$ 5,711,438 | \$ 4,355,900 |

Amortization expense for the year ended December 31, 2014 consists of \$4,694,671 relating to current year amortization on property, plant and equipment and \$1,016,767 relating to amortization capitalized to inventory during the year ended December 31, 2013 and amortized into income during the year ended December 31, 2014.

11. BIOLOGICAL ASSETS

| | 2014 | 2013 |
|--|------------|------------|
| As at January 1, 2014 | \$ 526,453 | \$ 672,013 |
| Expenditure incurred | - | 137,608 |
| Sale of agricultural products | (551,702) | (294,605) |
| Gain/(loss) from changes in fair value | 207,612 | (45,646) |
| Foreign currency adjustments | 59,744 | 57,083 |
| As at December 31, 2014 | \$ 242,107 | \$ 526,453 |

The Company's biological assets include a gain of \$207,162 (2013 – loss of \$45,646) representing changes in the fair value of the nursery plants. As of December 31, 2014, approximately 6.9 million parent seedlings (2013 – 6.6 million) are at the nursery plants.

Biological assets are the only recurring fair value measurements. There are no non-recurring fair value measurements. There was no transfer between different levels of the fair value hierarchy.

The fair value measurements for biological assets have been categorised as Level 3 fair value based on the inputs to the valuation techniques used. The fair value of biological assets is assessed by present value of net cash flow expected to be generated by the parent seedlings. The cash flow projections include specific estimates for five years. The expected net cash flows are discounted using the risk-adjusted discount rate.

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11. BIOLOGICAL ASSETS, continued

The following significant unobservable inputs are used to estimate the net cash flow:

- Estimated amount of seedling sold: 25.6 million
- Estimated revenue from seedlings sold: \$168,000
- Estimated amount of seeds sold: 4,079kg
- Estimated revenue from seeds: \$383,000
- Estimated total expenses from seeds and seedlings: \$431,600
- Weighted average cost of capital: 10%
-

12. IMPAIRMENT OF FINITE LIFE INTANGIBLE ASSETS AND TANGIBLE ASSETS

During the year ended December 31, 2014, the Company determined there were several indicators of potential impairment of the carrying value of the Company's long-lived assets. The indicators of impairment were as follows:

- Recurring losses, negative working capital and an accumulated deficit as at December 31, 2014 of \$275,475,216.

As a result of the indicators above, impairment tests were carried out on the Company's cash generation units, whereby the Company's Stevia operations and the Company's Monk Fruit operations are both separate CGU's. The impairment test resulted in a \$5,968,804 impairment expense recognized in net loss for the year ended December 31, 2014. The recoverable amount of the Company's Stevia and Monk Fruit CGU's exceeded its carrying amount, and there was no impairment charge on each respective CGU. The impairment charge were items of plant and equipment that are not in use, redundant, or abandoned as they are not generating cash inflows. The difference between the carrying value of those assets less the fair value less costs of disposal was recorded in the statement of operations

In the prior years, the Company performed impairment using the VIU method and no impairment was recorded. During the year ended December 31, 2014, the recoverable amount of the Company's Stevia operations and Monk Fruit operations was determined on the basis of fair value less costs to sell ("FVLCS") because the FVLCS is considered to be the higher amount between VIU and FVLCS. The FVLCS is determined based on third party valuation reports for each CGU, on each facility operating within a CGU and for each major asset class within each operating facility and on the other unobservable inputs. Management's estimates of the FVLCS of buildings, manufacturing equipment, ion exchange resin equipment, computer and software, and fixture and fixture are classified as level 3 in the fair value hierarchy as not all significant inputs are based on observable market data (unobservable inputs). FVLCS of land use rights are classified as level 2 inputs.

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12. IMPAIRMENT OF FINITE LIFE INTANGIBLE ASSETS AND TANGIBLE ASSETS, continued

The primary method of valuing land use rights is the comparable sales approach which considers the recent land use right sales transactions for similar terms in the same or similar markets. Building and construction in progress are valued using the replacement costs method less applicable disposal costs. The valuers considered the buildings' size and structures, time since acquisition and other specific opportunities associated with the properties. Replacement costs are calculated using the current material and labour prices and engineering costs to construct the same buildings. The fair value is discounted by the residual ratio based on consideration of construction type, renovation, and useful function, and maintenance of the buildings.

The primary method of appraisal for ion exchange resin equipment, manufacturing equipment, computer and software, and fixture and fixture is the replacement cost method, that is, under the premise of continuous use, the replacement costs is determined on the basis of the current market value of the assets as if they are to be re-acquired and commissioned. Through on-site inspection and a comprehensive technical analysis, a residual ratio is determined, which is used in calculating the estimated value. For equipment that has exceeded its term of service, its estimated fair value is determined by its realizable value on the current market.

FVLCS of the assets are calculated by deducting estimated disposal costs including selling costs from the appraised values.

During the year ended December 31, 2013, the Company performed an impairment assessment for its Stevia CGU. The recoverable amount of Stevia CGU based on VIU exceeded the carrying value and therefore no further impairment charge was warranted.

| December 31, 2013 | | | | | |
|----------------------------|--|-----------------------|-------------------------|-------------------------------|-------------------------------|
| CGU | Tangible assets (Carrying Value) | Recoverable Method | Periods used (Years) | Terminal Growth Rates % | Pre-Tax Discount Rate % |
| Stevia | \$ 58,456,191 | Value in Use | 5 | 1.5 | 10.2 |
| Discontinued Operations | N/A | N/A | N/A | N/A | N/A |

GLG LIFE TECH CORPORATION

Notes to the Consolidated Financial Statements

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13. SHORT TERM AND LONG TERM LOANS

The Company's short term loans consisted of borrowings from various banks in China as follows:

Bank loans as at December 31, 2014:

| Loan amount in CAD | Loan amount in RMB | Maturity Date | Interest rate per annum | Lender |
|-----------------------|-----------------------|---------------|----------------------------|--|
| \$ 560,695 | 3,000,000 | On Demand | 7.71% | China Hua Rong Assets Management Shandong Branch |
| 5,233,156 | 28,000,000 | On Demand | 7.71% | China Hua Rong Assets Management Shandong Branch |
| 1,868,984 | 10,000,000 | On Demand | 7.13% | China Hua Rong Assets Management Shandong Branch |
| 1,827,867 | 9,780,000 | On Demand | 7.13% | China Hua Rong Assets Management Shandong Branch |
| 9,638,743 | 51,572,096 | On Demand | 6.48% | China Hua Rong Assets Management Shandong Branch |
| 14,951,874 | 80,000,000 | On Demand | 6.48% | China Hua Rong Assets Management Shandong Branch |
| 14,799,525 | 79,184,858 | On Demand | 11.97% | Bank of Communication |
| 3,356,224 | 17,957,477 | On Demand | 9.24% | Bank of China |
| 7,948 | 42,523 | On Demand | 9.24% | Bank of China |
| 1,308,289 | 7,000,000 | July 1, 2015 | 7.20% | Huishang Bank |
| 5,606,952 | 30,000,000 | On Demand | 12.12% | Construction Bank of China |
| 2,334,179 | 12,489,025 | On Demand | 9.09% | Construction Bank of China |
| \$ 61,494,436 | 329,025,978 | | | |

| | | |
|------------|---------------|-------------|
| Short-term | \$ 61,494,436 | 329,025,978 |
| Long-term | \$ - | - |

Bank loans as at December 31, 2013:

| Loan amount in CAD | Loan amount in RMB | Maturity Date | Interest rate per annum | Lender |
|-----------------------|-----------------------|-------------------|----------------------------|----------------------------|
| \$ 527,102 | 3,000,000 | December 31, 2015 | 7.71% | Agricultural Bank of China |
| 4,919,617 | 28,000,000 | December 31, 2015 | 7.71% | Agricultural Bank of China |
| 1,757,006 | 10,000,000 | December 31, 2015 | 7.13% | Agricultural Bank of China |
| 1,718,352 | 9,780,000 | December 31, 2015 | 7.13% | Agricultural Bank of China |
| 9,320,916 | 53,049,991 | December 31, 2015 | 6.48% | Agricultural Bank of China |
| 14,056,048 | 80,000,000 | December 31, 2015 | 6.48% | Agricultural Bank of China |
| 14,440,879 | 82,190,263 | December 31, 2015 | 11.97% | Bank of Communication |
| 3,409,905 | 19,407,477 | December 31, 2014 | 7.22% | Bank of China |
| 104,107 | 592,523 | December 31, 2014 | 7.22% | Bank of China |
| 878,503 | 5,000,000 | July 3, 2014 | 7.80% | Huishang Bank |
| 1,229,904 | 7,000,000 | July 5, 2014 | 7.20% | Huishang Bank |
| 5,271,018 | 30,000,000 | December 31, 2014 | 9.09% | Construction Bank of China |
| 2,194,329 | 12,489,025 | December 31, 2014 | 9.09% | Construction Bank of China |
| \$ 59,827,687 | 340,509,279 | | | |
| Short-term | \$ 39,996,854 | 227,642,094 | | |
| Long-term | \$ 19,830,833 | 112,867,185 | | |

During 2014, the Company has worked with its Chinese banks on restructuring its debt. By the end the year ended December 31, 2014, the Chinese debt with the Agricultural Bank of China had been transferred to China Huarong Asset Management Co., Ltd. ("Huarong"), which is a state-owned capital management company ("SOCMC").

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13. SHORT TERM AND LONG TERM LOANS, continued

The Company is still in discussions with these SOCMCs as to final terms – including interest rate and term of the debt – for the transferred debt. Until such terms are confirmed in a formal agreement, the terms of the original loan are represented in the financial statements.

The assets of the Company's subsidiaries including inventory and property, plant and equipment have been pledged as collateral for these bank loans (see Note 8, 10).

Long- term borrowing from private lenders:

| | | |
|----------------------------|----|-----------|
| December 31, 2013 (in CAD) | \$ | 666,241 |
| Addition | | 1,344,724 |
| December 31, 2014 (in CAD) | \$ | 2,010,965 |

During the year ended December 31, 2014, the Company renewed the short term loan from a private lender. The loan principal and accrued interest amount as of December 31, 2014 is \$892,467 and bear interest at 11.50% per annum. The loan will be payable in 36 months and does not have any attached covenants.

During the year ended December 31, 2014, the Company received a new loan from a private lender. The loan principal amount as of December 31, 2014 is \$1,118,498 and bear interest at 20% per annum. The loan will be payable in 36 months and does not have any attached covenants. This loan provides a repayment option to the lender in either RMB or USD using a fixed foreign exchange rate of 6.1234. This option results in a liability of \$3,793, which is accounted as liabilities on derivatives and unrealized foreign exchange losses. The fair value of the liability on derivatives was calculated using the Black-Scholes model with the following assumptions:

| | |
|--------------------------------------|---------|
| Risk free interest | 1.03% |
| Expected life of the loan | 3 years |
| Expected foreign currency volatility | 3.71% |

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14. ACCOUNTS PAYABLE AND ACCRUALS

| | December 31, 2014 | December 31, 2013 |
|--------------------------|----------------------|----------------------|
| Accounts Payable | \$ 4,038,855 | \$ 5,485,428 |
| Payroll liabilities | 528,523 | 378,680 |
| Accrued liabilities | 3,410,599 | 3,042,886 |
| Construction liabilities | 6,106,016 | 6,410,625 |
| Other payables | 2,768,054 | 1,523,624 |
| Advance from customers | 738,796 | 21,660 |
| | \$ 17,590,842 | \$ 16,862,903 |

15. CONVERTIBLE NOTES

On September 30, 2013, the Company issued a three year, zero interest Canadian dollars dominated unsecured convertible debenture with principal amount of \$4,295,533 that was convertible to common shares at a conversion price of \$1.80 per share. .

On September 8, 2014 the Toronto Stock Exchange conditionally approved the amended conversion price to \$1.00 per share. On October 27, 2014 the Company issued 4,295,532 common shares upon conversion and recorded a gain of \$2,000,857.

16. INCOME TAXES

a) Income tax expenses

| | 2014 | 2013 |
|--|-------------|-----------|
| Provision for income taxes | | |
| Current income tax expenses | | |
| USA | \$ 2,363 | \$ 1,133 |
| China | - | 47,478 |
| Deferred income tax expenses(recovery) | | |
| Canada | (54,559) | - |
| China | - | - |
| Total | \$ (52,196) | \$ 48,611 |

As the Company operates in several tax jurisdictions, its income is subject to various rates of taxation. The statutory income tax rates in China range from 0% to 25%. The income tax expense differs from the amount that would have resulted from applying the Canada statutory income tax rates of 25% (2013 - 25%) to loss before taxes as follows:

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16. INCOME TAXES, continued

a) Income tax expenses, continued

| | 2014 | 2013 |
|--|----------------|----------------|
| Tax recovery at statutory rates | \$ (8,480,927) | \$ (7,346,422) |
| Increase (decrease) resulting from: | | |
| Permanent difference | 3,257,904 | 585,923 |
| Change in statutory, foreign tax, foreign exchange rates and other | 196,313 | 1,349,070 |
| Change in unrecognized deductible temporary differences | 4,974,514 | 5,460,040 |
| Total income tax expense (recovery) | \$ (52,196) | \$ 48,611 |

b) Deferred income taxes

| | 2014 | Expiry Date Range | 2013 | Expiry Date Range |
|---|--------------|-------------------|---------------|-------------------|
| Non-capital loss carry forwards | \$ 90,097,00 | No expiry date | \$ 67,154,790 | No expiry date |
| Canadian eligible capital (CEC) and other | 1,235,000 | No expiry date | 977,724 | No expiry date |
| Inventory | 8,024,000 | No expiry date | 7,557,496 | No expiry date |
| Property, plant and equipment | 47,572,000 | 2035 – 2036 | 42,344,168 | 2034 – 2036 |
| Share issuance costs | 803,000 | No expiry date | 1,603,572 | - |
| Allowable capital losses | 15,824,000 | 2015 - 2034 | 15,824,000 | 2015 - 2034 |

Tax attributes are subject to review, and potential adjustments, by tax authorities.

c) Non-capital loss carry-forwards

As at December 31, 2014, the Company has non-capital loss carry forwards for Canada and China that are available to reduce taxable income in future years. These non-capital loss carry-forwards expire as follows:

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16. INCOME TAXES, continued

d) Uncertain tax positions

The Company believes there are no significant unrecognized tax benefits to be recorded. The Company has accrued \$nil (2013 - \$nil) interest and penalties related to income taxes in the Statement of Operations.

The Company is subject to taxes in different countries. Taxes and fiscal risks recognized in the consolidated financial statements reflect the Company's best estimates of the outcome based on the facts known at the date of statement of financial position in each individual entity. These facts may include, but are not limited to, change in tax laws and/or, interpretation thereof in the various jurisdictions where the Company operates. They may have an impact on the income tax as well as the resulting assets and liabilities. Any differences between tax estimates and final tax assessments are charged to the Statement of Operations in the period in which they are incurred.

17. RELATED PARTIES TRANSACTIONS AND BALANCES

a) Transactions with key management personnel

Key management personnel are those persons who have the authority and responsibility for planning, directing, and controlling activities of the Company directly or indirectly, including any external director of the Company.

Remuneration of key management of the Company is comprised of the following expenses:

| | 2014 | 2013 |
|---|--------------|--------------|
| Short-term employee benefits (including salaries, bonuses, fees and social security benefits) | \$ 899,850 | \$ 733,647 |
| Share-based benefits | \$ 1,510,531 | \$ 1,555,687 |
| Total remuneration | \$ 2,410,381 | \$ 2,289,334 |

Certain executive officers are subject to termination benefits. Upon resignation at the Company's request or in the event of a change in control, they are entitled to termination benefits ranging from 24 to 36 months of gross salary, totaling approximately \$1,700,000.

Key management did not exercise stock options granted under the Company's stock option plan in the 2014 and 2013 fiscal years.

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17. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

b) Amount due to related parties

As of December 31, 2014, the Company has accrued \$1,429,074 (2013 - \$924,042) in accounting fees to the Company's Chairman and Chief Executive Officer.

As of December 31, 2014, the Company has accrued \$109,114 (2013 - \$101,763) in salaries to various management personnel.

As of December 31, 2014, the Company has obtained loans under numerous credit facility agreements starting from April 2012 to November 2013 from the Company's Chairman and Chief Executive Officer (the "Lender") that, along with accrued interest, total \$18,901,926 (2013 - \$15,924,428). The loan proceeds were used for corporate working capital purposes. Amended agreements specify that the loans are repayable within 72 months of the date of borrowing.

Additionally, during the year ended December 31, 2014, the Company obtained a loan of \$4,024,942 from a direct family member of the Company's Chairman and Chief Executive Officer, in order to provide working capital required for a major customer supply agreement for monk fruit extracts (previously announced on July 23, 2014). The loan is secured by expected proceeds from this major customer contract, bearing interest at 20% per annum and repayable within 36 months of the loan Date. As of December 31, 2014, the total amount due to this related party including accrued interest was \$4,150,397.

The combined total of the above loans, including the accrued interest, is \$23,052,323. These loans will be repaid by either GLG or its Chinese subsidiaries to the Lender in the currency the loans were originally borrowed (either USD or RMB), or, at the Lender's discretion, in the alternate currency.

These loans provide a repayment option to the lenders in either RMB or USD using a fixed foreign exchange rate of 6.1234. This option results in a liability of \$77,372, which is accounted as liabilities on derivatives and unrealized foreign exchange losses. The assumptions for the fair value determination of the liability are the same as those outlined in Note 13.

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17. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

b) Amount due to related parties, continued

Loan balance as of 12/31/2014

| | Loan amount in CAD | Date of the Loan | | Security | Interest rate per annum | | Related Parties |
|-------------------|----------------------|-------------------|-------------------|-----------|-------------------------|--|-----------------------------|
| | | Agreement | Maturity Date | | | | |
| | \$ 8,076,235 | April 27, 2012 | April 27, 2018 | Unsecured | Category 1 | | Chairman and CEO |
| | 1,812,938 | October 11, 2012 | October 11, 2018 | Unsecured | Category 1 | | Chairman and CEO |
| | 3,324,117 | May 30, 2013 | May 30, 2018 | Unsecured | Category 2 | | Chairman and CEO |
| | 290,023 | November 15, 2013 | November 15, 2018 | Unsecured | Category 1 | | Chairman and CEO |
| | 4,024,942 | October 20, 2014 | October 20, 2017 | Unsecured | Category 3 | | Direct family member of CEO |
| Principal amounts | \$ 17,528,255 | | | | | | |
| Accrued interests | 5,524,068 | | | | | | |
| | <u>\$ 23,052,323</u> | | | | | | |

Loan balance as of 12/31/2013

| | Loan amount in CAD | Date of the Loan | | Security | Interest rate per annum | | Related Parties |
|-------------------|----------------------|-------------------|-------------------|-----------|-------------------------|--|------------------|
| | | Agreement | Maturity Date | | | | |
| | \$ 7,578,890 | April 27, 2012 | April 27, 2015 | Unsecured | Category 1 | | Chairman and CEO |
| | 1,663,841 | October 11, 2012 | October 11, 2015 | Unsecured | Category 1 | | Chairman and CEO |
| | 3,169,358 | May 30, 2013 | May 30, 2015 | Unsecured | Category 2 | | Chairman and CEO |
| | 265,901 | November 15, 2013 | November 15, 2015 | Unsecured | Category 1 | | Chairman and CEO |
| Principal amounts | \$ 12,677,990 | | | | | | |
| Accrued interests | 3,246,438 | | | | | | |
| | <u>\$ 15,924,428</u> | | | | | | |

Category 1: China 10 year benchmark government bond rate plus 1100 basis points

Category 2: US 10 year benchmark government bond rate plus 1100 basis points for loans issued in USD or

China 10 year benchmark government bond rate plus 1100 basis points for loans issued in RMB

Category 3: 20%

On September 15, 2014, the Company obtained a loan of \$1,000,000 from a Director of the Company to provide working capital required for a major customer supply agreement for Monk Fruit extracts. The loan is secured by expected proceeds from this major customer contract, bearing interest at 15% per annum and repayable in full within twelve months of the Disbursement Date. As of December 31, 2014, the total amount due to this related party including interest was \$1,006,575 and is classified under current liabilities.

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17. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

b) Amount due to related parties, continued

Loan balance as of 12/31/2014

| | Date of the Loan | | | Interest rate per | | Related Parties |
|-------------------|---------------------|--------------------|--------------------|-------------------|--------|-----------------|
| | Loan amount in CAD | Agreement | Maturity Date | Security | annum | |
| Principal amounts | \$ 1,000,000 | September 15, 2014 | September 15, 2015 | Unsecured | 15.00% | Director |
| Accrued interests | \$ 6,575 | | | | | |
| | <u>\$ 1,006,575</u> | | | | | |

c) Warrant

In connection to the loans from the Company's Chairman and Chief Executive Officer (the "Lender"), 100 common share purchase warrants for every US\$1,000 equivalent borrowed were granted to the lender at the exercise price of \$1.00 per warrant for a period of 24 months following the offering closing date. As of December 31, 2014, the Company granted and issued an aggregate of 1,154,494 common share purchase warrants to the lender valued at \$554,061 (Note 18).

18. SHARE CAPITAL

a) Common shares

There are 37,758,336 common shares issued and outstanding with no par value. An unlimited number of common shares are authorized with no par value. The holders of common shares are entitled to one vote per share.

On April 21, 2014, the Company granted 100,000 restricted shares vesting in 3 years to the Company's Chairman and Chief Executive Officer in recognition for his service to the Company.

On October 27, 2014 the Company issued 4,295,532 common shares upon conversion of a convertible note (Note 15).

b) Warrants

On August 27, 2013, the Company issued 1,154,494 units consisting of common share purchase warrants according to loan agreements with a related party (see Note 17). Each warrant entitles the hold thereof to acquire one common share of the Company at the exercise price of \$1.00 per common share for a period of 24 months following the offering date.

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18. SHARE CAPITAL, continued

b) Warrants, continued

The Black-Scholes model was used to value the warrants in 2013 with the following assumptions:

| | |
|------------------------------------|---------|
| Risk free interest rate | 1.32% |
| Expected dividend yield | 0% |
| Expected stock price volatility | 115% |
| Expected life of warrants in years | 2 |
| Exercise price | \$ 1.00 |
| Fair value | \$ 0.48 |

The fair value of \$554,061 was allocated to contributed surplus.

As at December 31, 2014, there were 1,154,494 (2013 – 3,799,494) warrants outstanding and they will expire on August 27, 2015.

| | Warrant | Weighted Average Exercise Price |
|---------------------------------|-------------|------------------------------------|
| Balance as at December 31, 2012 | 2,645,000 | \$ 15.00 |
| Granted | 1,154,494 | 1.00 |
| Expired/cancelled/forfeited | - | - |
| Balance as at December 31, 2013 | 3,799,494 | 10.75 |
| Granted | - | - |
| Exercised | - | - |
| Expired/cancelled/forfeited | (2,645,000) | 15.00 |
| Balance as at December 31, 2014 | 1,154,494 | \$ 1.00 |

As at December 31, 2014, the Company had the following warrants outstanding:

| Outstanding | Exercise Price | Remaining life (years) | Expiry Date |
|-------------|----------------|------------------------|---------------------------|
| 1,154,494 | \$ 1.00 | 0.65 | Thursday, August 27, 2015 |

c) Share-based payments

i) Share-based compensation

Share-based compensation to employees is measured at fair value. Fair value is determined using the Company's common share price, and the Black-Scholes option pricing model ("Black-Scholes model").

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18. SHARE CAPITAL, continued

c) Share-based payments, continued

i) Share-based compensation, continued

The Company is subject to the policies of the TSX, under which it is authorized to grant options and restricted shares ("RS") to officers, directors, employees and consultants enabling them to purchase common stock of the Company. The Company has a stock option and restricted share plan (the "Plan") amended and effective from May 16, 2008. The Plan is administered by the Board of Directors, which determines individual eligibility under the plan.

ii) Stock options

Under the Plan, options granted are non-assignable and the number of common shares available for issue is a maximum of 10% of the issued and outstanding common shares of the Company inclusive of any restricted shares granted under the Plan. The maximum term of an option is five years after the date of grant. The exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant options, have a vesting period from 1 year to 3 years.

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

The Company recorded share-based payments in the amount of \$701,404 (2013 - \$495,607), of which \$51,096 related to stock options issued during the year ended December 31, 2014 (2013 - \$322,543) and \$650,307 (2013 - \$173,064) related to stock options granted in previous years.

The following weighted-average fair value of stock options granted during the years ended December 31, 2014 and 2013, and the principal assumptions used in applying the Black-Scholes option to determine their fair value at grant date were as follows:

| | 2014 | 2013 |
|------------------------------|---------|------------------|
| Risk-free interest rate | 1.23% | 1.20% - 1.32% |
| Annualized volatility | 264.78% | 105.3% - 113.27% |
| Expected option life | 5 years | 5 years |
| Expected forfeiture per year | 5% | 5% |
| Dividend rate | 0% | 0% |

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18. SHARE CAPITAL, continued

c) Share-based payments, continued

ii) Stock options, continued

A continuity of stock options is as follows:

| | Stock Options | Weighted Average Exercise Price |
|---------------------------------|---------------|------------------------------------|
| Balance as at December 31, 2012 | 393,779 | \$ 8.28 |
| Granted | 2,238,240 | 0.73 |
| Exercised | - | - |
| Expired/cancelled/forfeited | (89,515) | 0.53 |
| Balance as at December 31, 2013 | 2,542,504 | 1.74 |
| Granted | 374,400 | 0.55 |
| Exercised | - | - |
| Expired/cancelled/forfeited | (193,205) | 4.75 |
| Balance as at December 31, 2014 | 2,723,699 | \$ 1.36 |

The following summarizes information about the stock options outstanding and exercisable at December 31, 2014:

| Exercise price | Number outstanding at December 31, 2014 | Number exercisable at December 31, 2014 | Remaining contractual life (years) | Expiry Date |
|----------------|---|---|--|-------------------|
| \$7.79 | 75,280 | 75,280 | 0.43 | June 6, 2015 |
| \$8.11 | 6,000 | 6,000 | 0.87 | November 12, 2015 |
| \$8.90 | 138,527 | 114,520 | 1.41 | May 27, 2016 |
| \$1.32 | 5,000 | 5,000 | 2.03 | January 10, 2017 |
| \$0.53 | 1,278,492 | 421,902 | 3.51 | July 4, 2018 |
| \$1.11 | 846,000 | 339,480 | 3.64 | August 20, 2018 |
| \$0.56 | 12,500 | 4,125 | 3.94 | December 9, 2018 |
| \$0.55 | 346,900 | - | 4.30 | April 20, 2019 |
| \$0.56 | 15,000 | - | 4.37 | May 14, 2019 |
| | 2,723,699 | 966,307 | | |

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended December 31, 2014 was \$0.42 (2013 - \$0.81) per option.

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18. SHARE CAPITAL, continued

c) Share-based payments, continued

iii) Restricted shares

The Company recorded share-based payments in the amount of \$905,531 (2013 - \$795,716), of which \$12,759 related to restricted shares issued during the year ended December 31, 2014 (2013 - \$57,943) and \$892,772 (2013 - \$737,773) related to restricted shares granted in previous years. Those were valued using the stock price at the date of issue, recognized over the vesting period of the restricted shares.

A continuity of Restricted Shares is as follows:

| | Restricted Shares |
|---------------------------------|-------------------|
| Balance as at December 31, 2012 | 794,042 |
| Granted | 447,170 |
| Exercised | - |
| Expired/cancelled/forfeited | - |
| Balance as at December 31, 2013 | 1,241,212 |
| Granted | 100,000 |
| Exercised | - |
| Expired/cancelled/forfeited | - |
| Balance as at December 31, 2014 | 1,341,212 |

The vesting periods for restricted shares into unrestricted common shares as at December 31, 2014 are as follows:

| Number of restricted share as at December 31, 2014 | Vesting period (years) | Performance based |
|---|---------------------------|----------------------|
| 55,193 | 0.43 | No |
| 538,849 | 5.44 | Yes |
| 47,170 | 1.51 | No |
| 400,000 | 1.64 | Yes |
| 100,000 | 2.31 | Yes |
| 200,000 | 6.40 | Yes |
| 1,341,212 | 3.55 | |

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19. NON-CONTROLLING INTERESTS

| | 2014 | 2013 |
|---|----------|--------------|
| Opening balance | \$ 4,690 | \$ 1,543,516 |
| Reversal of NCI due to disposal of ANOC | - | (1,510,404) |
| Share of Loss for the year | - | (116,770) |
| Change in foreign currency translation | | 88,348 |
| Write-down of inactive company investment | (4,690) | - |
| Ending balance | \$ - | \$ 4,690 |

The write-down is related to the 0833416 BC Ltd. that has been inactive for several years.

20. SUPPLEMENTARY INFORMATION

Supplementary cash flow information is as follows:

| | 2014 | 2013 |
|---|--------------|--------------|
| Accounts receivable | \$ (632,707) | \$ 2,982,131 |
| Taxes recoverable | 149,465 | 906,225 |
| Inventory | 1,871,017 | 8,221,838 |
| Prepaid expenses | 162,812 | 1,839,635 |
| Accounts payable and accruals | (35,359) | (10,108,585) |
| Interest payable | 6,020,459 | 2,641,116 |
| Changes in non-cash working capital items | \$ 7,535,687 | \$ 6,482,360 |
| Interest paid | \$ 2,098,004 | \$ 2,685,008 |

As at December 31, 2014 \$1,741,996 (2013 - \$2,307,786) of property, plant and equipment is included in accounts payable and accruals.

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21. COST OF SALES AND EXPENSES

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Cost of sales - continuing operation | | |
| Direct cost of sales | \$ 17,177,811 | \$ 13,999,706 |
| Depreciation and amortization | 4,686,565 | 3,635,023 |
| Transfer from expenses | 163,088 | 89,062 |
| | <u>22,027,464</u> | <u>17,723,791</u> |
| Cost of sales - discontinued operation | - | 25,617 |
| Total | \$ 22,027,464 | \$ 17,749,408 |
| Selling, general and administrative expenses - continuing operation | | |
| Direct expenses | \$ 8,257,962 | \$ 7,628,578 |
| Depreciation and amortization | 1,024,873 | 720,877 |
| | <u>\$ 9,282,835</u> | <u>\$ 8,349,455</u> |
| Selling, general and administrative expenses - discontinued operation | - | 274,571 |
| Total | \$ 9,282,835 | \$ 8,624,026 |
| Supplementary information: | | |
| Employee benefits | \$ 2,224,013 | \$ 1,842,960 |

22. DISCONTINUED OPERATIONS

In September 2013, the Company finalized the sale of its 80% interest in Dr. Zhang's All Natural and Zero Calorie Beverage and Foods Company ("ANOC") to the minority 20% interest holder, China Agriculture and Healthy Foods Company Limited ("CAHFC"), as part of the Company's disposal of its ANOC segment. As part of the transaction and to settle amounts owing by ANOC agreement, the Company issued a three year, zero interest unsecured convertible note with principal amount to \$4,295,533 that is convertible into the common shares of GLG at a price of \$1.80 per share (see Note 15).

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22. DISCONTINUED OPERATIONS, continued

The post-tax loss on disposal of discontinued operations was determined as follows:

| | 2014 | 2013 |
|---|------|-------------|
| Loss on disposition of discontinued operations | | |
| Net liabilities disposed: | | |
| Cash | - | 309,239 |
| Trades and other receivables | - | 297,899 |
| Inventory | - | 29,100 |
| Prepaid expenses | - | 402,462 |
| Property, plant and equipment | - | 49,279 |
| Trade and other payables | - | (3,917,988) |
| Advance from customers | - | (1,135,228) |
| | | |
| Subtotal | - | (3,965,238) |
| | | 80% |
| GLG's share of net liabilities | - | 3,172,190 |
| | | |
| Convertible debenture (Measured value) | - | (3,366,405) |
| Reversal of AOCI | - | (256,887) |
| Reversal of NCI | - | (1,510,404) |
| | | |
| Loss on disposition of discontinued operations | - | (1,961,505) |

The post-tax gain on disposal of discontinued operations was determined as follows:

| | 2014 | 2013 |
|--|------|-------------|
| Profits for the year from discontinued operations | | |
| Revenue | - | 419 |
| Expenses | - | (467,500) |
| | | |
| Profit/(loss) from discontinued operations | - | (467,081) |
| Loss on disposition of discontinued operations | - | (1,961,505) |
| Forgiveness of debt | - | 5,806,477 |
| | | |
| Profit/(loss) for the year from discontinued operations | - | 3,377,891 |
| | | |
| Earnings per share from discontinued operations | | |
| Basic earnings/(loss) per share | \$ - | \$ 0.10 |
| Diluted earnings/(loss) per share | \$ - | \$ 0.10 |
| | | |
| Cash Flows from discontinued operations | | |
| Net cash outflows from operating activities | - | 5,194,548 |
| Net cash outflows from investing activities | - | - |
| Net cash outflows from financing activities | - | - |
| | - | 5,194,548 |

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23. LOSS PER SHARE

The following table set forth the calculation of the basic and diluted loss per share for the year ended December 31, 2014 and 2013.

| | 2014 | 2013 |
|---|-----------------|-----------------|
| Numerator: | | |
| Net Loss after tax | | |
| From continuing and discontinued operations | \$ (32,566,755) | \$ (26,430,228) |
| From continuing operations | (32,566,755) | (29,808,119) |
| From discontinued operations | - | 3,377,891 |
| Denominator: | | |
| Weighted average number of shares outstanding - basic | 34,197,351 | 33,362,804 |
| Weighted average number of shares outstanding - diluted | 34,197,351 | 33,362,804 |
| Loss per share - basic | | |
| From continuing and discontinued operations | (0.95) | (0.79) |
| From continuing operations | (0.95) | (0.89) |
| From discontinuing operations | - | 0.10 |
| Loss per share - diluted | | |
| From continuing and discontinued operations | (0.95) | (0.79) |
| From continuing operations | (0.95) | (0.89) |
| From discontinued operations | \$ - | \$ 0.10 |

The total number of anti-dilutive options and warrants that excluded from the calculation for the year ended December 31, 2014 was 3,878,193 (2013 – 1,402,535).

24. SEGMENTED INFORMATION

The Company's business operates primarily through the Natural Sweeteners Products segment.

The Natural Sweeteners Products segment is the manufacturing and sales of a refined form of stevia and Monk Fruit which have operations in China and North America.

The Company's chief operating decision makers are the CEO and CFO. They review the operations and performance of the Company.

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24. SEGMENTED INFORMATION, continued

The chief operating decision makers review adjusted operating profit as a key measure of performance for each segment and for purposes of making decisions on resource allocations. Adjusted operating profit is income before stock-based compensation expense, impairment of assets, finance costs, other income, and

income taxes. This measure of segment's operating results differs from operating income in the consolidated statements of income. The majority of the segment's assets are located outside of Canada, in China. For 2014, the Company has one reportable segments. Information for 2013 is as follows.

| Year ended December, 2013 | Natural Sweeteners | Discontinued Operations | Consolidated Totals |
|--|-----------------------|----------------------------|------------------------|
| Operating Revenue | \$ 16,021,553 | \$ 524 | \$ 16,022,077 |
| Operating Costs (1) | (28,658,828) | (300,187) | \$ (28,959,015) |
| Adjusted Operating Loss | \$ (12,637,275) | \$ (299,664) | (12,936,938) |
| Stock based compensation expense (1) | (1,845,385) | - | (1,845,385) |
| Operating Loss | \$ (14,482,660) | \$ (299,664) | \$ (14,782,323) |
| Finance costs | (7,181,233) | - | (7,181,233) |
| Bad debt expenses | - | - | - |
| Prepays impairment | - | - | - |
| Sales taxes recoverable impairment | - | - | - |
| Inventory impairment - obsolescence | (8,148,650) | - | (8,148,650) |
| Gain from convertible note conversion | - | - | - |
| PPE impairment | - | - | - |
| Other income, net | 53,035 | 3,677,555 | 3,730,590 |
| Income before income taxes & Minority Interest | \$ (29,759,508) | \$ 3,377,891 | \$ (26,381,617) |
| Additions to PP&E | \$ 81,470 | \$ - | \$ 81,470 |
| Total Assets | \$ 87,796,495 | \$ - | \$ 87,796,495 |
| Income taxes Expenses | \$ - | \$ - | \$ - |

(1) Included with operating costs in consolidated statements of income.

Non-current assets by geographical locations are as follows:

| | 2014 | 2013 |
|---------------|---------------|---------------|
| China | \$ 50,656,402 | \$ 54,934,532 |
| North America | 65,730 | 77,594 |
| | \$ 50,722,132 | \$ 55,012,126 |

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24. SEGMENTED INFORMATION, continued

Revenue to external customers by geographical locations is as follows:

| | 2014 | 2013 |
|---------------|---------------|---------------|
| China | \$ 11,670,494 | \$ 11,272,070 |
| North America | 8,311,343 | 4,750,007 |
| | \$ 19,981,837 | \$ 16,022,077 |

During the year ended December 31, 2014, two customers (2013 – two customers) of the Natural Sweeteners CGU individually represented 15% or more of total consolidated revenue. The sales to these customers represented 33% (2013 – 23%) of total consolidated revenue.

25. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The company is exposed to credit risk, liquidity risk and market risk. The company's primary risk management objective is to protect its income and cash flows and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risks and related exposures are consistent with its business objectives and risk tolerance.

a) Credit risk

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

The Company's primary credit risk is on its cash and cash equivalents, short-term investments and accounts receivable. The Company has a high concentration of credit risk as the accounts receivable were owed by four major customers that make up 56% of the total accounts receivable. The amounts disclosed in the consolidated statements of financial position are net of allowances for doubtful accounts, which are estimated by the Company's management based on prior experience and an assessment of the current economic environment. Significant management estimates are used to determine the allowance for doubtful accounts. The allowance for doubtful accounts is calculated by taking into account factors such as the Company's historical collection and write-off experience, the number of days the counterparty is past due, ongoing discussion with the customers and the status of the account. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk associated with the Company's accounts receivable. Given the current economic environment, the Company monitors the credit quality of the financial institutions it deals with on an ongoing basis.

| | | |
|-----------------------------|--------------|-----------|
| Allowance for credit losses | 2014 | 2013 |
| Opening balance | \$ 2,949,445 | 456,997 |
| Increase (decrease) in AFDA | 103,690 | 2,492,448 |
| Ending Balance | \$ 3,053,135 | 2,949,445 |

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25. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 26. It also manages liquidity risk by continually monitoring actual and projected cash flows to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the undiscounted contractual maturities of the Company's financial liabilities at December 31, 2014 and 2013:

| Financial liabilities | December 31, 2014 | | December 31, 2013 | |
|--|-------------------|-----------------|-------------------|-----------------|
| | 0 to 12 months | 12 to 24 months | 0 to 12 months | 12 to 24 months |
| Accounts payable and accrued liabilities | \$ 17,590,842 | - | \$ 16,862,903 | - |
| Short-term loans | 61,494,436 | - | 40,663,095 | - |
| Long-term loans | - | - | - | 19,830,833 |
| Convertible notes | - | - | - | 3,179,265 |
| Interest payable | 8,439,711 | - | 4,703,457 | - |
| Due to related parties | 1,006,575 | - | 15,924,428 | - |
| | \$ 88,531,564 | - | \$ 78,153,883 | 23,010,098 |

c) Market risk

Market risk is the risk that changes in market prices, such as fluctuations in the market prices of the Company's publicly traded investments, the Company's share price, foreign exchange rates and interest rates, will affect the Company's income, cash flows or the value of its financial instruments.

i) Interest rate risk

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 short term investments, short term loans and amounts due to related parties at December 31, 2014. The interest rates on these financial instruments fluctuate based on the bank prime rate. As at December 31, 2014, with other variables unchanged, a 100-basis point change in the bank prime rate would have a net effect of approximately \$864,228 (December 31, 2013 - \$712,854) on net (loss) income.

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25. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk

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 U.S. dollars, Chinese renminbi ("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

ii) Foreign exchange risk, continued

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 People's Republic of China 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. Information on the net foreign exchange risk exposure on translating functional currency of the consolidated entities to the presentation currency with an impact on the other comprehensive income (loss) is provided in the following table:

| | December 31, 2014 | | |
|---|---------------------|----------------|-------------------|
| | RMB balance | HK balance | US balance |
| Total financial assets | ¥ 579,347,826 | HK\$ 27 | \$ 740,951 |
| Total financial liabilities | (527,320,737) | - | (750,900) |
| Net foreign exchange risk exposure | ¥ 52,027,089 | HK\$ 27 | \$ (9,949) |

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25. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

| | December 31, 2013 | | |
|---|----------------------|-----------------|------------------|
| | RMB balance | HK balance | US balance |
| Total financial assets | ¥ 773,765,282 | HK\$ 727 | \$ 849,206 |
| Total financial liabilities | (496,341,784) | - | (750,027) |
| Net foreign exchange risk exposure | ¥ 277,423,498 | HK\$ 727 | \$ 99,180 |

As of December 31, 2014, 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 \$85,577 (December 31, 2013 - \$488,491).

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

The following table provides information on the Company's net foreign exchange risk exposure from its US and Canadian operations with an impact on the net income (loss):

| | December 31, 2014 | December 31, 2013 |
|---|---------------------|---------------------|
| | US\$ | US\$ |
| Financial assets | | |
| Cash and cash equivalents | 467,073 | 46,585 |
| Accounts receivable | 978,003 | 761,129 |
| Financial liabilities | | |
| Accounts payable and accruals | (28,780) | (6,923) |
| Interest payable | (27,282) | (84,075) |
| Short-term loan | - | (626,400) |
| Long-term loan | (1,733,452) | - |
| Due to related party | (19,871,102) | (13,881,538) |
| Net foreign exchange risk exposure | (20,215,540) | (13,791,222) |

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25. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS, continued

c) Market risk, continued

ii) Foreign exchange risk, continued

As of December 31, 2014, assuming that all other variables remain constant, an increase of 10% in the Canadian dollar against the US dollar would have an effect on net income of approximately \$2,345,190 (December 31, 2013 - \$1,464,840).

26. CAPITAL DISCLOSURE

The Company's objectives when managing capital are to provide returns for shareholders, and comply with any externally imposed capital requirements while safeguarding the Company's ability to continue as a going concern.

| | December 31, 2014 | December 31, 2013 |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ (954,599) | \$ (5,132,909) |
| Short-term investments | (186,898) | - |
| Convertible Notes | - | 3,179,265 |
| Debt | 87,564,299 | 76,418,356 |
| Net Debt | 86,422,802 | 74,464,712 |
| Share capital | 193,826,351 | 191,245,563 |
| Contributed surplus | 28,608,515 | 28,171,678 |
| AOCI | 11,536,910 | 10,389,044 |
| Deficit | (275,745,216) | (243,178,461) |
| Shareholder's deficiency | (41,773,440) | (13,372,176) |

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests), and short and long term loans and bank indebtedness less cash and cash equivalents.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, issue new debt, or sell assets to reduce debt. In this respect, the Company monitors its net debt to equity ratio. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

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26. CAPITAL DISCLOSURE, continued

The Company's officers and senior management are responsible for managing the Company's capital and do so through regular meetings and regular review of financial information. The Company's Board of Directors is responsible for overseeing this process.

The Company is not subject to externally imposed capital requirements and its overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2014.

27. COMMITMENTS

a) Operating leases

The Company renewed two five-year operating leases with respect to land and production equipment at the Qingdao factory in China. The leases expire in 2016 and 2018, and the annual minimum lease payments are approximately \$187,000 (RMB 1,000,000).

The Company entered into a thirty-year agreement with the Dongtai City Municipal Government, located in the Jiangsu Province of China, for approximately 50 acres of land for its seed base operation. Rent of approximately \$148,000 (RMB 790,000) is paid every 10 years.

The Company entered into a five-year agreement for office premises located in Vancouver, Canada beginning June 1, 2011. The lease payments for the year ended December 31, 2014 is \$161,811 (2013 – \$147,000).

| The minimum cash payments related to the above are summarized below: | | Amount |
|---|----|---------|
| 2015 | \$ | 335,293 |
| 2016 | | 248,789 |
| 2017 | | - |
| 2018 | | 148,000 |
| Thereafter | | 148,000 |
| Total | \$ | 880,082 |

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27. COMMITMENTS, continued

b) Investment in Juancheng

In April 2008, the Company signed a twenty year agreement with the government of Juancheng County in the Shandong Province of China, which gave the Company exclusive rights to build and operate a stevia processing factory as well as the exclusive right to purchase high quality stevia leaf grown in that region. The agreement requires the Company to make a total investment in the Juancheng County of \$63,816,000 (US\$60,000,000) over the course of the twenty year agreement to retain its exclusive rights. As of December 31, 2014, the Company has not made any investment in the county and there is no liability if the Company eventually does not make any investment in the region. However, the Company may lose its exclusivity right if no investment is made by the end of the term of the agreement.

28. STATUTORY SURPLUS RESERVE

The Company's subsidiaries in China are required to make appropriations to a statutory surplus reserve in the amount of 10% of the after tax net income as determined under the Chinese GAAP in accordance with the legal requirements in China until the statutory surplus reserve is equal to 50% of the entities registered capital. Statutory surplus reserve is established for the purpose of offsetting accumulated losses, expending productions or increasing share capital. No appropriation of statutory surplus reserve is made for the year ended December 31, 2014. As at December 31, 2014, the Company's statutory surplus reserve was in the amount of \$951,881 (December 31, 2013 - \$894,850).

29. CONTINGENCIES

On December 14, 2011, a putative class action lawsuit was filed against the Company, its Chief Executive Officer and Chief Financial Officer ("defendants") in the U.S. District Court for the Southern District of New York. On January 26, 2012, a very similar putative class action lawsuit against the same defendants was filed in the U.S. District Court for the Southern District of New York. These lawsuits were consolidated into a single case on March 21, 2012, and a consolidated complaint was filed on May 10, 2012. After the defendants moved to dismiss the consolidated complaint, the plaintiffs filed an amended consolidated complaint on March 15, 2013. The defendants filed a motion to dismiss the amended consolidated complaint on March 29, 2013, which the Court granted on January 31, 2014, and dismissed this consolidated action with prejudice. The deadline to appeal this dismissal ruling has passed, and the judgment in defendants' favour has become final.

On August 31, 2012, the company was served with proposed class action law suits filed in the Supreme Court of British Columbia and in the Ontario Superior Court of Justice which named the Company, its Chief Executive Officer and Chief Financial Officer. These actions were tolled pending further developments with the United States litigation. However, the plaintiffs in these parallel Canadian lawsuits had thereafter agreed to discontinue their actions. They have obtained an entered consent dismissal order in the British Columbia action, bringing that action to an end. They also filed the application necessary to obtain a discontinuance of the Ontario action with the court in Ontario; the Ontario Superior Court has since entered the order discontinuing the action. This brings to an end all shareholder actions previously brought against GLG.

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29. CONTINGENCIES, continued

The Company has commenced an arbitration as Claimant against a US-based stevia extract provider with whom it entered a one-time supply agreement (the “Agreement”) in 2012 to provide a specific volume of product at set prices in 2012 and 2013. The purchaser refused to take delivery of the agreed-to amount of product. As a result, the Company was unable to realize the anticipated revenues or profits from the sale or the Agreement, which significantly affected revenues in 2013. The dispute was set for hearing in October 2014 in a confidential arbitration process provided for under the Agreement, and has since been adjourned, pending amendment of the parties’ pleadings. The hearing will be rescheduled for a date in 2015. The Company expects to be successful and recover damages in respect of the lost revenue from the product not purchased in accordance with the Agreement.