



**GLG LIFE TECH CORPORATION**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Three Months Ended March 31, 2012**

**(Unaudited – Prepared by Management)**

### **Notice of No Auditor Review of Interim Financial Statements**

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

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

# GLG LIFE TECH CORPORATION

Interim Consolidated Balance Sheets  
(Unaudited - Expressed in Canadian Dollars)

		March 31, 2012	December 31, 2011
	Note		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 2,852,936	\$ 4,486,838
Accounts receivable	4	5,994,048	7,124,710
Taxes recoverable	5	7,997,050	8,583,119
Inventory	6	65,345,273	66,740,868
Prepaid expenses	7	7,974,766	6,639,713
<b>Total Current Assets</b>		<b>90,164,073</b>	<b>93,575,248</b>
<b>Property, Plant, and Equipment</b>	8	<b>107,990,056</b>	<b>112,255,188</b>
<b>Intangible Assets</b>	9	<b>27,290,138</b>	<b>27,949,699</b>
<b>Total Assets</b>		<b>\$ 225,444,267</b>	<b>\$ 233,780,135</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current Liabilities</b>			
Short term loans	10	\$ 68,429,507	\$ 70,574,229
Accounts payable and accruals	11	32,714,350	31,651,426
Interest payable		299,744	215,554
Advances from customers		904,974	825,120
Deferred revenue		-	109,460
<b>Total Current Liabilities</b>		<b>102,348,575</b>	<b>103,375,789</b>
<b>Due to related parties</b>	12	<b>823,112</b>	<b>-</b>
<b>Deferred income tax liability</b>		<b>13,435</b>	<b>-</b>
<b>Total Liabilities</b>		<b>103,185,122</b>	<b>103,375,789</b>
<b>EQUITY</b>			
<b>Stockholders' Equity</b>			
Common Stock: no par value; unlimited shares authorized; issued and outstanding: 32,915,634 (December 31, 2010- 27,371,246 shares)	13	189,711,153	189,335,257
Additional paid-in capital	13	26,595,473	26,429,140
Accumulated other comprehensive income		12,113,314	14,462,164
Deficit		(108,236,758)	(101,999,019)
<b>Total GLG Life Tech Corporation Stockholders' Equity</b>		<b>120,183,182</b>	<b>128,227,542</b>
Non-controlling interests		2,075,963	2,176,804
<b>Total Stockholders' Equity</b>		<b>122,259,145</b>	<b>130,404,346</b>
<b>Total Liabilities and Stockholders' Equity</b>		<b>\$ 225,444,267</b>	<b>\$ 233,780,135</b>

Nature of Operations and Going Concern (Note 1)

Commitments (Note 17)

Contingent liabilities (Note 18)

Subsequent events (Note 20)

See Accompanying Notes to the Interim Consolidated Financial Statements

## GLG LIFE TECH CORPORATION

Interim Consolidated Statements of Operations and Comprehensive Loss

For the three months ended March 31

(Unaudited - Expressed in Canadian Dollars)

	2012	2011
<b>REVENUE</b>	\$ 892,118	\$ 7,413,637
<b>COST OF SALES</b>	2,537,988	6,190,288
<b>GROSS (LOSS) PROFIT</b>	(1,645,870)	1,223,349
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES</b>	3,553,303	5,710,934
<b>(LOSS) BEFORE THE UNDERNOTED</b>	(5,199,173)	(4,487,585)
<b>OTHER INCOME (EXPENSES)</b>		
Interest expense	(1,373,531)	(1,542,082)
Interest income	1,037	47,744
Other income	136,799	-
Foreign exchange gain (loss)	99,792	(200,090)
	(1,135,903)	(1,694,428)
<b>(LOSS) BEFORE INCOME TAXES</b>	(6,335,076)	(6,182,013)
<b>INCOME TAX (EXPENSE) RECOVERY</b>	(3,504)	180,890
<b>NET (LOSS)</b>	(6,338,580)	(6,001,123)
<b>NET (LOSS) ATTRIBUTABLE TO NON-CONTROLLING INTEREST</b>	(100,841)	(249,304)
<b>NET (LOSS) ATTRIBUTABLE TO GLG LIFE TECH CORPORATION</b>	(6,237,739)	(5,751,819)
<b>OTHER COMPREHENSIVE (LOSS)</b>		
Foreign Currency Translation Adjustment	(2,348,850)	(2,438,096)
<b>COMPREHENSIVE (LOSS)</b>	(8,586,589)	(8,189,915)
<b>NET (LOSS) PER SHARE</b>		
Basic & Diluted	(0.19)	(0.20)
<b>Weighted Average Number of Shares Outstanding</b>		
Basic and diluted	32,915,634	29,487,246

See Accompanying Notes to the Interim Consolidated Financial Statements

# GLG LIFE TECH CORPORATION

Interim Consolidated Statements of Stockholders' Equity

For the three months ended March 31

(Unaudited - Expressed in Canadian Dollars)

	Common Shares		Additional	Accumulated	Deficit	Total Equity	Non-	Total
	Shares	Amount	Paid in Capital	Other Comprehensive Income ("AOCI")		Attributable to GLG Life Tech Corporation	Controlling interest	Stockholders' Equity
<b>Balance, December 31, 2011</b>	32,915,634	\$ 189,335,257	\$ 26,429,140	\$ 14,462,164	\$ (101,999,019)	\$ 128,227,542	\$ 2,176,804	\$ 130,404,346
Stock-based compensation	-	375,896	166,333	-	-	542,230	-	542,230
Change in foreign currency translation	-	-	-	(2,348,850)	-	(2,348,850)	-	(2,348,850)
Net (loss)	-	-	-	-	(6,237,739)	(6,237,739)	(100,841)	(6,338,580)
<b>Balance, March 31, 2012</b>	32,915,634	\$ 189,711,153	\$ 26,595,473	\$ 12,113,314	\$ (108,236,758)	\$ 120,183,182	\$ 2,075,963	\$ 122,259,145

See Accompanying Notes to the Interim Consolidated Financial Statements

# GLG LIFE TECH CORPORATION

Interim Consolidated Statements of Cash Flows  
For the three months ended March 31  
(Unaudited - Expressed in Canadian Dollars)

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Net (loss)	\$ (6,338,580)	\$ (6,001,123)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	542,230	843,095
Amortization of property, plant and equipment and intangible assets	2,632,832	2,090,076
Loss on disposal of property, plant and equipment	295,693	-
Unrealized foreign exchange loss (gain)	70,435	295,545
Deferred income tax expense (recovery)	9,598	(190,913)
Changes in non-cash working capital items (Note 14)	2,629,450	(7,027,888)
Net cash (used in) operating activities	(158,342)	(9,991,208)
<b>Cash Flows From Investing activities</b>		
Proceeds on disposal of property, plant and equipment	207,307	-
Purchase of property, plant and equipment	(27,609)	(815,722)
Net cash from (used in) investing activities	179,698	(815,722)
<b>Cash Flow From Financing activities</b>		
Issuance of short term loans	-	-
Repayment of short term loans	(844,574)	(8,988,000)
Issuance of common shares, net of share issuance costs	-	54,213,942
Equity contribution by non-controlling interests	-	2,721,041
Advances from (repayment of advances to) customers	95,216	(34,150)
Advance from related parties	930,687	-
Repayment of loans to related parties	-	(1,590,130)
Net cash from financing activities	181,329	46,322,703
Effect of exchange rate changes on cash and cash equivalents	(1,836,587)	(1,082,809)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(1,633,902)</b>	<b>34,432,964</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>4,486,838</b>	<b>23,817,215</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 2,852,936</b>	<b>\$ 58,250,179</b>

Supplemental Cash Flow Information (Note 14)

See Accompanying Notes to the Interim Consolidated Financial Statements

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

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

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the three months ended March 31, 2012, the Company incurred a net loss of \$6,338,580 (2011 – \$6,001,123). As at March 31, 2012 the Company had an accumulated deficit of \$108,236,758 (2011 - \$ 17,236,534), working capital deficit of \$10,757,112 (2011 – working capital deficit of \$8,369,314) and a net cash outflow used in operations of \$836,777 (2011 - \$34,453,315). The Company has had a successful history in renewing its short term loans over the past three years and in the 2012 fiscal year (see also Note 11) and plans to continue to renew these loans as they become due. However, if the Company is unable to refinance its credit facilities of \$68,429,507 due in 2012, the Company will require alternative forms of financing. There can be no assurance the Company will be successful in this endeavor and these circumstances lead to substantial doubt about the ability of the Company to continue as a going concern.

These 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.

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

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

Many laws and regulations dealing with economic matters in general and foreign investment in particular have been enacted in China. However, China still does not have a comprehensive system of

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN, Continued

laws, and enforcement of the existing laws may be uncertain and sporadic.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles used in the United States of America (U.S. GAAP) and are presented in Canadian dollars. GLG Life Tech Corporation issued its audited annual consolidated financial statements for the year ended December 31, 2011 in accordance with Canadian generally accepted accounting principles (Canadian GAAP) with reconciliation to U.S. GAAP. The change in generally accepted accounting principles is described in note 3 below. These policies are consistent with Canadian GAAP in all material respects for the Company, except as described in note 3 below. These unaudited interim consolidated financial statements do not include all the note disclosures required by U.S. GAAP on an annual basis, and therefore should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2011 filed with the appropriate securities commissions. The results of operations for the three month periods ended March 31, 2012 and 2011 are not necessarily indicative of the results for the full year.

These financial statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for a fair presentation of results for interim periods.

These note disclosures necessary to fairly present the results of the interim periods are included.

### 3. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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



# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

### 4. ACCOUNTS RECEIVABLE

	March 31, 2012		December 31, 2011	
Accounts Receivable	\$	12,399,272	\$	13,529,934
less allowance for doubtful accounts		(6,405,224)		(6,405,224)
	\$	5,994,048	\$	7,124,710

### 5. TAXES RECOVERABLE

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

### 6. INVENTORY

	March 31, 2012		December 31, 2011	
Raw material	\$	17,055,344	\$	17,420,060
Work in process		40,566,982		41,558,934
Finished goods		7,722,948		7,761,874
	\$	65,345,273	\$	66,740,868

### 7. PREPAID EXPENSES

	March 31, 2012		December 31, 2011	
Prepayment for raw material	\$	2,594,212	\$	1,161,889
Prepayment for construction and equipment		777,337		351,637
Insurance		294,034		73,755
Rent and deposits		272,489		2,535,470
Prepayment for ANOC production costs		1,988,854		1,873,511
Others		2,047,841		643,451
	\$	7,974,766	\$	6,639,713

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

### 8. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2012			December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Ion exchange resin equipment	\$ 15,660,370	\$ 3,817,195	\$ 11,843,175	\$ 15,956,718	\$ 3,650,078	\$ 12,306,640
Manufacturing equipment and Biological assets	53,077,614	13,251,119	39,826,495	54,148,504	12,286,649	41,861,855
Buildings	58,035,983	7,427,149	50,608,834	59,060,216	6,865,135	52,195,081
Leasehold & land use rights	4,625,354	147,722	4,477,632	4,684,652	131,762	4,552,890
Construction in progress	129,207	-	129,207	129,207	-	129,207
Computer equipment and software	718,026	247,772	470,254	733,372	224,951	508,421
Motor vehicles and Furniture and fixture	45,717	4,865	40,852	46,582	2,825	43,757
	1,116,378	522,771	593,607	1,135,910	478,573	657,337
	\$ 133,408,649	\$ 25,418,593	\$ 107,990,056	\$ 135,895,161	\$ 23,639,973	\$ 112,255,188

Interest capitalized to property, plant and equipment during the period ended March 31, 2012 was \$nil (December 31, 2011 - \$212,028).

### 9. INTANGIBLE ASSETS

	March 31, 2012			December 31, 2011			
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Impairment Loss	Net Book Value
Customer relationship	\$ 10,876,254	\$ 4,947,630	\$ 5,928,624	\$ 15,416,254	\$ 4,719,607	\$ 4,540,000	\$ 6,156,647
Patents and acquired technologies	26,533,750	5,172,236	21,361,514	26,533,750	4,740,698	-	21,793,052
	\$ 37,410,004	\$ 10,119,866	\$ 27,290,138	\$ 41,950,004	\$ 9,460,305	\$ 4,540,000	\$ 27,949,699

### 10. SHORT TERM LOANS

As at March 31, 2012, the Company's short term loans consisted of borrowings from a private lender and from six banks in China as follows:

#### Short term borrowing from a private lender as at March 31, 2012

March 31, 2012	December 31, 2011	Loan amount in USD	Maturity Date	Interest rate per annum
\$ 539,514	\$ 549,180	540,000	October 9, 2012	8.00%

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

### 11. SHORT TERM LOANS, Continued

#### Short term bank loans as at March 31, 2012

As at March 31, 2012, the Company had the following short term loans balances in China to finance its expansion and operations:

Loan amount in C\$	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
\$ 475,798	3,000,000	December 29, 2011	7.71%	Agricultural Bank of China
4,440,779	28,000,000	July 28, 2012	7.71%	Agricultural Bank of China
1,585,993	10,000,000	April 18, 2012	7.71%	Agricultural Bank of China
1,573,963	9,924,149	March 28, 2012	7.71%	Agricultural Bank of China
9,515,955	60,000,000	June 9, 2012	6.81%	Agricultural Bank of China
3,171,985	20,000,000	June 16, 2012	6.81%	Agricultural Bank of China
12,687,940	80,000,000	June 20, 2012	6.81%	Agricultural Bank of China
2,696,187	17,000,000	July 25, 2012	7.08%	Agricultural Bank of China
4,757,978	30,000,000	December 17, 2011	9.09%	Construction Bank of China
2,891,740	18,233,000	December 23, 2011	9.09%	Construction Bank of China
15,856,426	99,977,938	Dec 17, 2011	7.98%	Bank of Communication
1,733,807	10,932,000	Dec 23, 2011	7.87%	CITIC Bank
3,171,985	20,000,000	August 26, 2012	7.22%	Bank of China
633,270	3,992,894	September 29, 2012	7.22%	Bank of China
2,696,187	17,000,000	December 1, 2012	7.54%	Huishang Bank
<b>\$ 67,889,993</b>	<b>428,059,981</b>		<b>7.54%</b>	

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

Two loans due to Construction Bank of China matured were payable on December 17, 2011 and December 23, 2011, respectively. Certain loans due to Bank of Communication and the Agricultural Bank of China were payable on February 25, 2012 and March 28, 2012 respectively. These loans were not repaid on the maturity dates and are currently payable and classified on the balance sheet as current liabilities. The banks did not demand repayments on the loans, and the Company is currently in discussion with these banks to renew the loans. The Company believes the loans will be extended with scheduled repayments on dates later in 2012. The Citic Bank Loan matured on February 13, 2012 and repaid subsequent to the quarter end. (see Note 20)

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

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

### 10. SHORT TERM LOANS, Continued

#### Short term bank loans as at December 31, 2011

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

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

### 12. ACCOUNTS PAYABLE AND ACCRUALS

	March 31, 2012		December 31, 2011	
Raw material	\$	3,118,549	\$	3,181,095
Construction and equipment		6,009,629		6,388,331
Trade payable		23,586,172		22,082,000
	\$	32,714,350	\$	31,651,426

### 13. RELATED PARTIES TRANSACTIONS AND BALANCES

In addition to the transactions disclosed elsewhere in these consolidated financial statements, the Company has agreements with Grand Leaf Ltd. (“Grand Leaf”), GLG International Development Company (“GLG International”), and AAFAB Corporation (“AAFAB”) for executive and management consulting services. These Companies are related as they are owned by senior officials and directors of the Company.

The amount of these transactions and outstanding balances as at March 31, 2012 are as follows:

- a) During the quarter ended March 31, 2012, the Company paid or accrued consulting fees totaling \$100,122 (March 31, 2011 - \$157,712) for the services provided by Grand Leaf. As at March 31, 2012, there was \$100,122 payable to Grand Leaf (December 31, 2011 - nil).
- b) During the three months ended March 31, 2011 the Company paid or accrued consulting fees of nil (March 31, 2011 - \$14,786) to AAFAB. As at March 31, 2012, there was nil (December 31, 2011 - nil) payable to AAFAB.
- c) During the three months ended March 31, 2011, the Company paid or accrued management fees totaling nil (March 31, 2011 - \$100,000) to GLG International. As at March 31, 2011 there was \$400,000 (December 31, 2011 - \$400,000) payable to GLG International.

During the quarter ended March 31, 2012, the Company obtained loans totaling RMB 5,191,000 (CAD \$823,289) from the Company’s Chief Executive Officer (Lender). The loans bore interest at the US 10-year benchmark government bond rate plus 11% per annum for USD denominated loans or based on China 10-year benchmark government bond rate plus 11% per annum for RMB denominated loans. The Company used the loan proceeds for corporate working capital purposes and to fund the operations of the company in Canada and China.

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

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

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### 14. SHARE CAPITAL

a) **Capital stock**

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

b) **Stock options and restricted shares**

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

(i) **Stock options**

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

The following summarizes information about the stock options outstanding and exercisable at March 31, 2012 and December 31, 2011:

Exercise price	Number outstanding at March 31, 2012	Weighted average remaining contractual life (years)	Number exercisable at March 31, 2012	Weighted average exercise price
\$16.00	44,716	1.12	44,716	\$16.00
\$7.79	85,336	3.19	26,027	\$7.79
\$8.11	6,000	3.62	6,000	\$8.11
\$8.90	146,627	4.16	-	\$8.90
\$6.33	10,000	3.38	-	\$6.33
\$1.32	9,000	2.78	-	\$1.32
	<b>389,779</b>	<b>3.11</b>	<b>133,603</b>	<b>\$9.15</b>

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

### 13. SHARE CAPITAL, Continued

(i) Stock options, continued

Exercise price	Number outstanding at December 31, 2011	Weighted average remaining contractual life (years)	Number exercisable at December 31, 2011	Weighted average exercise price
\$16.00	44,716	1.37	44,716	\$16.00
\$7.79	85,336	3.44	26,027	\$7.79
\$8.11	6,000	3.87	6,000	\$8.11
\$8.90	146,627	4.41	-	\$8.90
\$6.33	10,000	3.63	-	\$6.33
	<b>380,779</b>	<b>3.36</b>	<b>133,603</b>	<b>\$9.34</b>

Summary of option transactions:

	Number of options		Weighted average exercise price per option	Weighted average fair value per option
<b>Balance at December 31, 2010</b>	<b>256,040</b>	<b>\$</b>	<b>9.53</b>	<b>4.09</b>
Options granted	9,000		8.75	5.56
Options forfeited	1		8.64	5.57
Options exercised	(6,388)		8.18	5.33
<b>Balance at December 31, 2011</b>	<b>258,653</b>	<b>\$</b>	<b>9.34</b>	
Options granted	9,000		1.32	-
Options forfeited	-		0.00	-
Options exercised	-		0.00	-
<b>Balance at March 31, 2012</b>	<b>267,653</b>	<b>\$</b>	<b>9.15</b>	

As at March 31, 2012, the total remaining unrecognized compensation costs associated with stock options totaled \$475,401 (March 31, 2010 - \$392,292) which will be amortized over the weighted average remaining life of 3.11 years.

As at March 31, 2012 the aggregate intrinsic value of vested and exercisable stock options was \$Nil (March 31, 2011 - \$55,982).

The Company recorded stock-based compensation in additional paid in capital in the amount of \$ 166,333 (March 31, 2011 - \$144,961)

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

### 13. SHARE CAPITAL, Continued

#### (ii) Restricted share units

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

The vesting periods for restricted shares as at March 31, 2012 are as follows:

<b>Number of restricted share units at March 31, 2012</b>	<b>Vesting period (years)</b>	<b>Performance based</b>
85,709	-	No
311,295	-	Yes
12,000	0.16	No
9,614	0.19	No
225,000	0.25	Yes
37,193	3.19	No
36,000	3.16	No
538,849	8.19	Yes
200,000	9.16	Yes
<b>1,455,660</b>	<b>6.18</b>	

The vesting periods for restricted shares as at March 31, 2011 are as follows:

<b>Number of restricted share units at December 31, 2011</b>	<b>Vesting period (years)</b>	<b>Performance based</b>
85,709	-	No
311,295	-	Yes
12,000	0.41	No
9,614	0.44	No
225,000	0.50	Yes
37,193	3.44	No
36,000	3.41	No
538,849	8.44	Yes
200,000	9.41	Yes
<b>1,455,660</b>	<b>4.67</b>	



# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

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### 13. SHARE CAPITAL, Continued

(i) **Restricted share units**

During the three months ended March 31, 2012 nil restricted shares were issued (March 31, 2011 - nil). The Company recorded stock-based compensation expense in the amount of \$375,896 related to restricted shares (March 31, 2011 - \$698,133).

As of March 31, 2012 there was \$5,687,867 (March 31, 2011 - \$4,538,272) of total unrecognized compensation cost related to non-vested restricted shares. That cost is expected to be recognized over the weighted average remaining life of 6.18 years.

### 15. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended March 31	
	2012	2011
Accounts receivable	\$ 948,933	\$ 9,553,083
Taxes recoverable	427,124	(229,933)
Inventory	(315,703)	(758,955)
Prepaid expenses	893,602	(14,459,389)
Accounts payable and accruals	705,848	(1,194,955)
Interest payable	84,376	59,302
Deferred revenue	(114,730)	-
Deferred long term assets		2,959
	<b>\$ 2,629,450</b>	<b>\$ (7,027,888)</b>
(Decrease) Increase in accounts payable and accruals related to property, plant and equipment	577,973	10,888,788

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# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

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### 16. SEGMENTED INFORMATION

The Company operates in two reportable operating segments (1) the manufacturing and sales of a refined form of stevia which has operations in China and North America; and (2) sales of consumer products with operations within China.

Sales to external customers:

	2012		2011	
Stevia Products	\$	827,459	\$	5,861,984
Consumer Products		64,659		1,551,653.00
	\$	892,118	\$	7,413,637

During the three months ended March 31, 2012, two customers (2011 - two customers) of the Stevia products segment individually represented 10% or more of total consolidated revenue. The sales to these customers represented 23% (2011 60%) of the total consolidated revenue for the period.

Operating loss:

	2012		2011	
Stevia Products	\$	(4,639,534)	\$	(3,303,814)
Consumer Products		(559,639)		(1,183,771)
	\$	(5,199,173)	\$	(4,487,585)

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

	March 31, 2012		December 31, 2011	
Stevia Products	\$	106,966,163	\$	111,130,772
Consumer Products		1,023,893		1,124,416
	\$	107,990,056	\$	112,255,188
China	\$	107,867,655	\$	112,122,801
North America		122,401		132,387
	\$	107,990,056	\$	112,255,188

# GLG LIFE TECH CORPORATION

## Notes to the Interim Consolidated Financial Statements

Three Months Ended March 31, 2012 and 2011

(Unaudited – Expressed in Canadian Dollars)

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### 17. INCOME TAXES

For the three months ended March 31, 2012 the Company recorded an income tax expense of \$0.004 million, compared to income tax recovery of \$0.2 million for three months ended March 31, 2011. The effective tax rate for the period differs from the statutory Canadian tax rate of 26.5% and is primarily due to valuation allowances on net operating losses and permanent differences not subject to tax.

The amount of liability for uncertain tax positions as of March 31, 2012 is nil (December 31, 2011-nil).

### 18. COMMITMENTS

- (a) The Company renewed two 5-year operating lease with respect to land and production equipment at the Qingdao factory in China. The lease expires in 2016, and the annual minimum lease payments are approximately \$159,000 (RMB 1,000,000)
- (b) The Company entered into a 30-year agreement with the Dongtai City Municipal Government, located in the Jiangsu Province of China, for approximately 50 acres of land for its seed base operation. Rent of \$125,000 (RMB 790,000) is paid every 10 years.
- (c) The Company entered into a 5-year agreement for office premises beginning June 1, 2011. The annual minimum lease payments are approximately \$142,000.
- (d) The Company entered into a 2-year agreement for office premises beginning April 2011, located in the Anhui Province of China. The annual minimum lease payments are approximately \$184,000 (RMB 1,163,216) per year.
- (e) The Company entered into various one year lease agreements for regional sales offices, throughout China. The annual minimum lease payments are approximately \$14,000 (RMB 87,859) per year.
- (f) The Company entered into various marketing and promotional short term contracts to support the consumer business promotional campaigns. The total commitment as of March 31, 2012 is \$131,000
- (g) In April 2008, the Company signed a 20 year agreement with the government of Juancheng County in the Shandong Province of China, which gave exclusive rights to build and operate a stevia processing factory as well as the exclusive right to purchase high quality stevia leaf grown in that region. The agreement requires the Company to make a total investment in the Juancheng region of \$61,019,000 (US\$60,000,000) over the 20 year life of the agreement to retain its exclusive rights. As of March 31, 2012, the Company had not made any investment in the region.

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

2012	\$	720,689
2013		420,615
2014		308,917
2015		310,293
2016		223,789
Thereafter		256,000
<b>Total</b>	<b>\$</b>	<b>2,240,303</b>

# **GLG LIFE TECH CORPORATION**

## **Notes to the Interim Consolidated Financial Statements**

**Three Months Ended March 31, 2012 and 2011**

(Unaudited – Expressed in Canadian Dollars)

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### **18. CONTINGENT LIABILITIES**

The Company has learned that on December 14, 2011, a putative class action lawsuit was filed against the Company, its Chief Executive Officer and Chief Financial Officer in the U.S. District Court for the Southern District of New York. On January 26, 2012, a very similar putative class action lawsuit against the same defendants was filed in the U.S. District Court for the Southern District of New York. The Company anticipates that these two complaints will be consolidated into a single case. The Company has reviewed the allegations in the complaints -- which concern certain purported misrepresentations and omissions in the Company's public filings -- and believes that these allegations are completely without merit. The Company has retained counsel and will defend itself vigorously in this matter. An estimate of the possible loss or range of loss cannot be made at the date of release of the financial statements.

### **19. SEASONALITY**

GLG's stevia business is affected by seasonality. The harvest of the stevia leaves typically start at the end of July and continue through to the fall of each year. GLG's operations in China are also impacted by Chinese New Year celebrations during the month of January or February each year, during which many businesses close down operations for approximately two weeks. GLG's production year runs from October to September whereby raw materials are converted into WIP and finished goods.)

### **20. SUBSEQUENT EVENTS**

Subsequent to the quarter, the Company repaid all loans due to the Citic Bank totaling RMB 10,932,000 (CAD \$1,733,807).

As of May 16, 2012, a general cease trade order ("CTO") has been issued by the BC Securities Commission ("BCSC") against the Company for failure to file its annual financial statements, its management discussion and analysis relating to its annual financial statements, its Annual Information Form (and related Form 40-F in the United States) and the CEO and CFO certifications (collectively, the "Required Documents") for the period ended December 31, 2011, beyond the prescribed deadline of March 30, 2012. If the Company fails to make the required documents, or the financial statements etc. for Q1 and Q2 of the fiscal year ending December 31, 2012 the BCSC will not rescind the CTO, which will make it impossible for shareholders to negotiate the sale of their Shares.