



**GLG LIFE TECH CORPORATION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Nine Months Ended September 30, 2014**

**(Unaudited – Prepared by Management)**

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

The accompanying unaudited condensed 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 condensed interim consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") for a review of interim financial statements by an entity's auditors.

# GLG LIFE TECH CORPORATION

## Condensed Interim Consolidated Statement of Financial Position

As at September 30, 2014 and December 31, 2013

(Unaudited – Expressed in Canadian Dollars)

		September 30, 2014		December 31, 2013	
	Note				
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents		\$ 3,247,507	\$	5,132,909	
Accounts receivable		2,479,957		1,500,312	
Sale taxes recoverable		4,374,586		5,209,949	
Inventory	5	13,674,636		18,638,507	
Prepaid expenses		1,827,655		2,302,692	
<b>Total Current Asset</b>		<b>25,604,341</b>		<b>32,784,369</b>	
<b>Property, Plant, and Equipment</b>		<b>55,549,621</b>		<b>54,444,418</b>	
<b>Biological Assets</b>	6	549,574		526,453	
<b>Deferred income tax asset</b>		-		41,255	
<b>Total Assets</b>		<b>\$ 81,703,536</b>	<b>\$</b>	<b>87,796,495</b>	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current Liabilities</b>					
Short term loans	7	\$ 52,122,029	\$	40,663,095	
Accounts payable and accruals		17,631,074		16,862,903	
Interest payable		7,036,666		4,703,457	
Due to related parties	9	1,006,164		-	
<b>Total Current Liabilities</b>		<b>77,795,933</b>		<b>62,229,455</b>	
<b>Long term loans</b>	7	9,107,031		19,830,833	
<b>Convertible notes</b>	8	3,411,547		3,179,265	
<b>Due to related parties</b>	9	17,774,375		15,924,428	
<b>Total Liabilities</b>		<b>108,088,886</b>		<b>101,163,981</b>	
<b>EQUITY</b>					
<b>Shareholders' Equity</b>					
Common Stock	10	191,922,427		191,245,563	
Contributed surplus		28,766,324		28,171,678	
Accumulated other comprehensive income		10,672,330		10,389,044	
Deficit		(257,751,121)		(243,178,461)	
<b>Total GLG Life Tech Corporation Shareholders' Equity</b>		<b>(26,390,040)</b>		<b>(13,372,176)</b>	
Non-controlling interests		4,690		4,690	
<b>Total Shareholders' Equity</b>		<b>(26,385,350)</b>		<b>(13,367,486)</b>	
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 81,703,536</b>	<b>\$</b>	<b>87,796,495</b>	

Going concerns (Note 3)

Commitments (Note 16)

Contingencies (Note 17)

See Accompanying Notes to the Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

"Sophia Leung "

"David Hall "

Director

Director

# GLG LIFE TECH CORPORATION

## Condensed Interim Consolidated Statements of Operations and Comprehensive (Loss)

For the Period Ended September 30, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

	Three months ended Sept 30		Nine months ended Sept 30	
	2014	2013	2014	2013
<b>CONTINUING OPERATIONS</b>				
REVENUE	\$ 3,775,352	\$ 5,196,041	\$ 12,446,662	\$ 11,883,719
COST OF SALES (note 12)	5,853,544	6,857,670	14,704,524	15,448,156
<b>GROSS (LOSS) PROFIT</b>	<b>(2,078,192)</b>	<b>(1,661,629)</b>	<b>(2,257,862)</b>	<b>(3,564,437)</b>
SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES	2,267,587	1,841,620	6,553,494	7,112,267
<b>OTHER INCOME (EXPENSES)</b>				
Prepaid expenses write-off	(353,896)	-	(353,896)	-
Bad debt recovery	297,046	-	297,046	-
Inventory impairment (note 8)	-	(8,613,701)	-	(8,613,701)
Interest expense	(1,700,534)	(1,683,673)	(5,433,525)	(5,259,454)
Interest income	1,894	6,379	16,055	8,217
Other income (expenses)	(26,649)	(170,469)	329,382	(170,939)
Foreign exchange gain(loss)	(662,763)	(373,003)	(582,755)	366,665
	(2,444,902)	(10,834,467)	(5,727,693)	(13,669,213)
<b>(LOSS) BEFORE INCOME TAXES</b>	<b>(6,790,681)</b>	<b>(14,337,716)</b>	<b>(14,539,049)</b>	<b>(24,345,917)</b>
INCOME TAX (EXPENSE) RECOVERY	(1,679)	(25)	(33,611)	(1,143)
<b>NET (LOSS) FROM CONTINUING OPERATIONS</b>	<b>(6,792,360)</b>	<b>(14,337,741)</b>	<b>(14,572,660)</b>	<b>(24,347,060)</b>
<b>DISCONTINUED OPERATIONS</b>				
Net gain (loss) from discontinued operations , net of tax	-	1,857,491	-	1,348,041
<b>NET (LOSS)</b>	<b>\$ (6,792,360)</b>	<b>\$ (12,480,250)</b>	<b>\$ (14,572,660)</b>	<b>\$ (22,999,019)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS) THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b>				
Foreign Currency Translation Adjustment	2,129,319	(1,818,298)	283,286	2,788,962
<b>TOTAL COMPREHENSIVE (LOSS)</b>	<b>\$ (4,663,041)</b>	<b>\$ (14,298,548)</b>	<b>\$ (14,289,374)</b>	<b>\$ (20,210,057)</b>
<b>NET (LOSS)</b>				
ATTRIBUTABLE TO DISCONTINUED OPERATIONS	\$ -	\$ 1,857,491	\$ -	\$ 1,348,041
ATTRIBUTABLE TO GLG LIFE TECH CORPORATION SHAREHOLDERS	\$ (6,792,360)	\$ (14,337,741)	\$ (14,572,660)	\$ (24,347,060)
<b>COMPREHENSIVE (LOSS)</b>				
ATTRIBUTABLE TO DISCONTINUED OPERATIONS	\$ -	\$ 1,863,477	\$ -	\$ 1,415,717
ATTRIBUTABLE TO GLG LIFE TECH CORPORATION SHAREHOLDERS	\$ (4,663,041)	\$ (16,156,038)	\$ (14,289,374)	\$ (21,625,774)
<b>NET (LOSS) PER SHARE</b>				
<b>From continuing and discontinued operations</b>				
Basic & Diluted (Note 13)	\$ (0.20)	\$ (0.37)	\$ (0.44)	\$ (0.70)
<b>From continuing operations</b>				
Basic & Diluted (Note 13)	\$ (0.20)	\$ (0.43)	\$ (0.44)	\$ (0.74)
<b>From discontinued operations</b>				
Basic & Diluted (Note 13)	\$ -	\$ 0.06	\$ -	\$ 0.04
<b>Weighted Average Number of Shares Outstanding</b>				
Basic and diluted	33,462,804	32,972,067	33,462,804	32,972,067

See Accompanying Notes to the Consolidated Financial Statements

# GLG LIFE TECH CORPORATION

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

As at September 30, 2014 and December 31, 2013

(Unaudited – Expressed in Canadian Dollars)

	Number of common 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
<b>Balance, December 31, 2012</b>	32,915,634	\$ 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	-	-	-	-	-	-	-
Stock-based compensation	-	795,716	1,049,668	-	-	1,845,385	-	1,845,385
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)
<b>Balance, December 31, 2013</b>	33,362,804	\$ 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	-	-	-	-	-	-	-
Stock-based compensation	-	676,864	594,646	-	-	1,271,510	-	1,271,510
Change in foreign currency translation	-	-	-	283,286	-	283,286	-	283,286
Net (loss)	-	-	-	-	(14,572,660)	(14,572,660)	-	(14,572,660)
<b>Balance, September 30, 2014</b>	33,462,804	\$ 191,922,427	\$ 28,766,324	\$ 10,672,330	\$ (257,751,121)	\$ (26,390,040)	\$ 4,690	\$ (26,385,350)

See Accompanying Notes to the Consolidated Financial Statements

# GLG LIFE TECH CORPORATION

Condensed Interim Consolidated Statements of Cash Flows  
For the periods ended September 30, 2014 and 2013  
(Unaudited – Expressed in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
<b>Cash Flows From Operating Activities</b>				
Net (loss)	\$ (6,792,360)	\$ (12,480,250)	\$ (14,572,660)	\$ (22,999,019)
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	374,307	294,678	1,271,510	777,133
Depreciation of property, plant and equipment and amortization of intangible assets	1,084,300	507,037	3,439,746	2,702,667
Allowances for doubtful accounts	(297,046)	(1,776,918)	(288,853)	-
Accretion expenses	77,427	-	232,282	-
Inventories impairment/(recovery)	(42,636)	8,613,701	(1,059,707)	8,613,701
Prepaid expenses impairment	353,896	-	353,896	-
Unrealized foreign exchange loss	143,187	(51,311)	128,642	523,675
Change in biological assets	20,824	-	13,681	-
Deferred income tax expense	-	-	29,738	-
Changes in non-cash working capital items (Note 11)	7,347,454	4,515,493	10,902,772	10,878,789
Net cash from (used in) operating activities - continued operations	2,269,353	(377,571)	451,046	496,946
Net cash from (used in) operating activities - discontinued operations	-	1,759,800	-	1,759,800
Net cash from (used in) operating activities	2,269,353	1,382,230	451,046	2,256,746
<b>Cash Flows From Investing activities</b>				
Purchase of property, plant and equipment	(710,803)	(63,359)	(757,161)	(65,054)
Net cash used in investing activities	(710,803)	(63,359)	(757,161)	(65,054)
<b>Cash Flow From Financing activities</b>				
Repayment of short term loans	(782,987)	(1,867,428)	(1,610,128)	(4,736,977)
Advance from related parties	1,000,000	36,658	1,000,000	3,806,313
Net cash from (used in) financing activities	217,013	(1,830,770)	(610,128)	(930,664)
Effect of exchange rate changes on cash and cash equivalents	(997,900)	295,954	(969,160)	(279,957)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	777,664	(215,945)	(1,885,402)	981,071
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	2,469,843	4,779,453	5,132,909	3,582,437
<b>CASH AND CASH EQUIVALENTS, end of period</b>	\$ 3,247,507	\$ 4,563,508	\$ 3,247,507	\$ 4,563,508

See Accompanying Notes to the Consolidated Financial Statements  
Supplemental Cash Flow Information (Note 11)

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Nine months Ended September 30, 2014 and 2013

(Unaudited – Expressed in Canadian Dollars)

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### 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 which has operations in China and North America.

### 2. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements for the nine months ended September 30, 2014, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”.

The notes presented in these unaudited condensed interim consolidated financial statements include only significant events and transactions occurring since the Company’s last fiscal year end and they do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (“IFRS”). As a result, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s 2013 annual financial statements which have been prepared in accordance with 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 unaudited condensed interim consolidated financial statements are presented in Canadian dollars, except when otherwise indicated.

The condensed interim consolidated financial statements of the Company for the nine months ended September 30, 2014 were authorized for issue by the Audit Committee on behalf of the Board of Directors on November 6, 2014.

### 3. GOING CONCERN

These consolidated financial statements have been prepared in accordance with IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. For the nine months period ended September 30, 2014, the Company incurred a net loss of \$14,572,660 (2013 - \$22,999,019). As at September 30, 2014, the Company had an accumulated deficit of \$257,751,121 (December 31, 2013 - \$243,178,461), working capital deficit of \$52,191,592 (December 31, 2013 - \$29,445,086) and a net cash inflow from operating activities of \$451,046 (2013 – \$2,256,746).

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

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**3. GOING CONCERN, continued**

During the year ended December 31, 2013, the Company has signed loan refinancing agreements with Agricultural Bank of China, Bank of China, Construction Bank of China and Bank of Communication. The agreements detail the repayment of all existing short term loans with the four banks. Based on the agreements, the Company is expected to repay \$33,253,410 (RMB 182,112,300) during the year ended December 31, 2014 and \$27,273,565 (RMB 149,363,678) during the year ended December 31, 2015.

The Company continues to progress with the following measures to manage cash flow of the Company: paying down short term loans and refinancing with longer term debt, obtaining loans from its Chairman, reducing accounts payable and negotiating with creditors extended payment terms, working closely with the banks to manage their loans, and reducing operating expenditures including general and administrative expenses and production-related expenses.

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 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.

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.

The Company’s operating assets and primary sources of income and cash flows originate in China. The Chinese 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 government of China has been pursuing economic reforms since it first adopted its “open-door” policy in 1978. There is no assurance that the government of China 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 are being implemented by the 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 government of China to exert significant influence on the Chinese economy.



**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

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**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The unaudited condensed interim financial statements have been prepared using accounting policies consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2013. The accompanying unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2013, except as noted below.

The Company adopted the following standards and amendments effective January 1, 2014.

*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 the 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.

*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. The amendment is effective to the Company as of January 1, 2014. The Company will incorporate the amendments into the procedures in the assessment of impairment of assets for the year ended December 31, 2014.

**5. INVENTORY**

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 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.

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**6. BIOLOGICAL ASSETS**

	<b>September 30, 2014</b>		<b>December 31, 2013</b>	
As at January 1	\$	526,453	\$	672,013
Expenditure incurred		-		137,608
Agricultural products		5,863		(294,605)
Gain/(loss) from changes in fair value		(19,544)		(45,646)
Foreign currency adjustments		36,802		57,083
As at September 30, 2014	\$	549,574	\$	526,453

The Company's biological assets include a loss of \$19,544 (2013 – loss of \$45,646) representing changes in the fair value of the nursery plants. As of September 30, 2014, approximately 6.6 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.

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

- Estimated amount of seedlings sold: 13.1 million
- Estimated revenue from seedlings: \$85,000
- Estimated amount of seeds sold: 3,000kg
- Estimated revenue from seeds: \$310,000
- Estimated total expenses from seeds and seedlings: \$367,000
- Weighted average cost of capital: 10.2%

The estimated fair value would increase (decrease) if:

- Estimated amount of seedlings sold was higher (lower)
- Estimated revenue from seedlings was higher (lower)
- Estimated amount of seeds sold was higher (lower)
- Estimated revenue from seeds was higher (lower)
- Estimated total expenses from seeds and seedlings was lower (higher)
- Weighted average cost of capital was lower (higher)

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**7. SHORT TERM AND LONG TERM LOANS**

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

**Short term borrowing from a private lender:**

As at December 31, 2013	\$	666,241
Foreign Currency Adjustment		35,844
As at September 30, 2014	\$	702,085

During the year ended December 31, 2013, the Company renewed the short term borrowing from a private lender. The loan principal amount as of September 30, 2014 is \$702,085 and bear interest at 11.50% per annum. The short term borrowing is due on demand and does not have any attached covenants.

**Bank loans as at September 30, 2014:**

**Short term bank loan**

	Loan amount in CAD	Loan amount in RMB	Maturity Date	Interest rate per annum	Lender
\$	547,795	3,000,000	December 31, 2015	7.71%	Agricultural Bank of China
	5,112,754	28,000,000	December 31, 2015	7.71%	Agricultural Bank of China
	1,825,984	10,000,000	December 31, 2015	7.13%	Agricultural Bank of China
	1,785,812	9,780,000	December 31, 2015	7.13%	Agricultural Bank of China
	9,416,981	51,572,096	December 31, 2015	6.48%	Agricultural Bank of China
	14,607,870	80,000,000	December 31, 2015	6.48%	Agricultural Bank of China
	14,824,223	81,184,858	December 31, 2015	11.97%	Bank of Communication
	3,361,175	18,407,477	December 31, 2014	7.22%	Bank of China
	7,765	42,523	December 31, 2014	7.22%	Bank of China
	1,278,189	7,000,000	July 1, 2015	7.20%	Huishang Bank
	5,477,951	30,000,000	December 31, 2014	9.09%	Construction Bank of China
	2,280,476	12,489,025	December 31, 2014	9.09%	Construction Bank of China
\$	60,526,975	331,475,978			

<b>Short-term</b>	\$	51,419,944	221,601,324
<b>Long-term</b>	\$	9,107,031	109,874,655

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**7. SHORT TERM AND LONG TERM LOANS, continued**

**Bank loans as at December 31, 2013:**

	Loan amount in		Maturity Date	Interest rate per	Lender
	CAD	Loan amount in RMB		annum	
\$	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			
<b>Short-term</b>	\$ 39,996,854	227,642,094			
<b>Long-term</b>	\$ 19,830,833	112,867,185			

During the year ended December 31, 2013, the Company has signed loan refinancing agreements with Agricultural Bank of China, Bank of China, Construction Bank of China and Bank of Communication. The agreements detail the repayment of all existing short term loans totaling \$60,526,975 (RMB 331,475,978) with the four banks as of September 30, 2014. The Company is expected to repay \$33,253,410 (RMB 182,112,300) during the year ended December 31, 2014 and \$27,273,565 (RMB 149,363,678) during the year ended December 31, 2015.

The assets of the Company's subsidiaries including inventory and property, plant and equipment have been pledged as collateral for these bank loans. No interest capitalization for the nine months ended September 30, 2014 and 2013.

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

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**8. CONVERTIBLE NOTES**

In 2013, the Company issued a three year, zero interest Canadian dollars dominated unsecured convertible debenture with principal amount of \$4,295,533 that is 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, and has granted approval for listing of 4,295,532 common shares upon conversion. TSX has since fully approved the conversion amendment and, as of October 31, 2014, TSX has listed 4,295,532 common shares on the TSX (See Note 19).

The convertible notes contain two components: liability and equity elements. The equity element is presented in equity under the heading of “Contributed surplus” (See Note 10). The effective interest rate of the liability element on initial recognition is 11.46% per annum.

Fair value of issue	\$	3,366,405
Liability component at the date of issue		(3,101,838)
Equity component	\$	264,567
Liability component at December 31, 2013	\$	3,179,265
Accretion		232,282
Liability component at September 30, 2014	\$	3,411,547

	September 30, 2014		December 31, 2013	
Balance at beginning of year	\$	9,784,555	\$	9,519,988
Recognition of option premium on issue of convertible notes		-		264,567
Balance at September 30, 2014	\$	9,784,555	\$	9,784,555

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**9. 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 as of September 30, 2014, is comprised of the following expenses:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Short-term employee benefits (including salaries, Bonuses, fees and social security benefits)	\$ 190,839	\$ 184,965	\$ 574,872	\$ 549,673
Long-term employee benefits (including share-based benefits)	\$ 335,053	\$ 256,780	\$ 1,125,729	\$ 804,304
<b>Total remuneration</b>	<b>\$ 525,892</b>	<b>\$ 441,745</b>	<b>\$ 1,700,601</b>	<b>\$ 1,353,977</b>

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 nine months ended September 30, 2014.

**b) Amount due to related parties**

As of September 30, 2014, the Company obtained loans of \$13,210,853 from the Company's Chairman and Chief Executive Officer (the "Lender"). These loans bore interest at China's 10-year benchmark government bond rate plus 11% per annum and are not to be settled within a year to the balance sheet date. The loan proceeds were used for corporate working capital purposes to fund the operations of the Company. The total amount due to the Lender including accrued interest was \$17,774,375. The loan does not have any attached covenants.

Loans will be repaid by either GLG or its Chinese subsidiaries to the Lender in the currency the loans were originally borrowed. Notwithstanding any provision to the contrary contained herein, the parties agree that the loan will be repayable in 36 months since the date of borrowing.

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 Luo Han Guo extracts (previously announced on July 23, 2014). 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. This interest rate reflects prevailing market rates in Canada for loans carrying similar risk profiles. As of September 30, 2014, the total amount due to this related party including interest was \$1,006,164.

**Notes to the Condensed Interim Consolidated Financial Statements**  
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(Unaudited – Expressed in Canadian Dollars)

**9. RELATED PARTIES TRANSACTIONS AND BALANCES, continued**

**b) Warrants**

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 September 30, 2014 the Company granted and issued an aggregate of 1,154,494 common share purchase warrants to the lender.

**c) Subsidiaries**

The followings are the subsidiaries of the Company:

	Jurisdiction of incorporation	Ownership Interest	
		2014	2013
<u>Subsidiaries</u>			
Agricultural High Tech Developments Limited	Marshall Islands	100%	100%
Anhui Bengbu HN Stevia High Tech Development Company Limited	China	100%	100%
Chuzhou Runhai Stevia High Tech Company Limited	China	100%	100%
Dongtai Runyang Stevia High Tech Company Limited	China	100%	100%
Qingdao Runde Biotechnology Company Limited	China	100%	100%
Qingdao Runhao Stevia High Tech Company Limited	China	100%	100%
GLG Life Tech US, Inc.	USA	100%	100%
GLG Weider Sweet Naturals Corporation	Canada	55%	55%

**10. SHARE CAPITAL**

**a) Common shares**

Changes in common shares during the nine months ended September 30, 2014, are as follows:

<b>Balance at December 31, 2013</b>	<b>33,362,804</b>	<b>\$ 191,245,563</b>
Stock-based compensation on previously issued restricted shares		676,864
Issuance of restricted shares	100,000	-
<b>Balance at September 30, 2014</b>	<b>33,462,804</b>	<b>\$ 191,922,427</b>

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**10. SHARE CAPITAL, continued**

**b) Contributed surplus**

	September 30, 2014		December 31, 2013	
Contributed Surplus	\$	18,981,769	\$	18,387,123
Option premium on issue of convertible notes		9,784,555		9,784,555
Balance at September 30, 2014	\$	28,766,324	\$	28,171,678

**11. SUPPLEMENTARY INFORMATION**

Supplementary cash flow information is as follows:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Accounts receivable	\$ 1,087,061	\$ 2,510,365	\$ (648,403)	\$ 5,574,013
Taxes recoverable	179,405	217,214	945,052	1,155,694
Inventory	4,185,992	4,339,131	6,261,218	9,756,197
Prepaid expenses	(130,717)	(225,905)	195,232	(460,720)
Accounts payable and accruals	669,766	(4,012,598)	289,620	(8,921,746)
Advance from related parties	647,443	439,737	1,757,246	1,223,011
Interest payable	708,504	1,247,549	2,102,808	2,552,340
Changes in non-cash working capital items	\$ 7,347,454	\$ 4,515,493	\$ 10,902,772	\$ 10,878,789
Interest paid	\$ 690,652	\$ 541,972	\$ 1,993,180	\$ 1,962,059



**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**12. COST OF SALES AND EXPENSES**

	Three months ended Sept 30		Nine months ended Sept 30	
	2014	2013	2014	2013
Cost of sales - continuing operation				
Direct cost of sales	\$ 4,446,921	\$ 6,454,083	\$ 10,830,420	\$ 13,062,370
Depreciation and amortization	1,023,968	276,894	3,112,114	2,190,932
Transfer from expenses	382,655	126,693	761,990	194,854
	<u>5,853,544</u>	<u>6,857,670</u>	<u>14,704,524</u>	<u>15,448,156</u>
Cost of sales - discontinued operation	-	-	-	105
Total	\$ 5,853,544	\$ 6,857,670	\$ 14,704,524	\$ 15,448,261
Selling, general and administrative expenses - continuing operation				
Direct expenses	\$ 2,207,255	\$ 1,611,110	\$ 6,225,862	\$ 6,600,533
Depreciation and amortization	60,332	230,510	327,632	511,734
	<u>\$ 2,267,587</u>	<u>\$ 1,841,620</u>	<u>6,553,494</u>	<u>7,112,267</u>
Selling, general and administrative expenses - discontinued operation	-	114,583	-	201,651
Total	\$ 2,267,587	\$ 1,956,203	\$ 6,553,494	\$ 7,313,918
Supplementary information:				
Employee benefits	\$ 677,939	\$ 428,027	\$ 1,820,016	\$ 1,386,794

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**13. LOSS PER SHARE**

The following table set forth the calculation of the basic and diluted loss per share for the nine months ended September 30, 2014 and 2013.

	Three months ended		Nine months ended	
	30-Sep-14	30-Sep-13	30-Sep-14	30-Sep-13
Numerator:				
Net Loss after tax				
From continuing and discontinued operations	\$ (6,792,360)	\$ (12,480,250)	\$ (14,572,660)	\$ (22,999,019)
From continuing operations	(6,792,360)	(14,337,741)	(14,572,660)	(24,347,060)
From discontinued operations	-	1,857,491	-	1,348,041
Denominator:				
Weighted average number of shares outstanding - basic				
	33,462,804	32,972,067	33,462,804	32,972,067
Weighted average number of shares outstanding - diluted				
	33,462,804	32,972,067	33,462,804	32,972,067
Loss per share - basic				
From continuing and discontinued operations	(0.20)	(0.37)	(0.44)	(0.70)
From continuing operations	(0.20)	(0.43)	(0.44)	(0.74)
From discontinuing operations	-	0.06	-	0.04
Loss per share - diluted				
From continuing and discontinued operations	(0.20)	(0.37)	(0.44)	(0.70)
From continuing operations	(0.20)	(0.43)	(0.44)	(0.74)
From discontinued operations	\$ -	\$ 0.06	\$ -	\$ 0.04

The total number of anti-dilutive options and warrants that were out of the money and therefore excluded from the calculation for the nine months ended September 30, 2014, was 456,841 (2013 – 331,063).

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**14. SEGMENTED INFORMATION**

The Company's business operates primarily through Natural Sweeteners Products. In 2013, the Company finalized the sale of its Consumer Products segment.

Natural Sweeteners Products segment is the manufacturing and sales of a refined form of stevia and Luo Han Guo (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.

The chief operating decision makers review adjusted operating profit as a key measure 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 the operating results differs from operating income in the consolidated statements of income. The majority of the Company's assets are located outside of Canada, in China. Information by reportable segments is as follows, which is regularly reported to the chief operating decision makers:

<b>Three months ended Sept 30, 2014</b>	<b>Natural Sweeteners</b>	<b>Discontinued Operations</b>	<b>Corporate items &amp; Eliminations</b>	<b>Consolidated Totals</b>
Operating Revenue	\$ 3,775,352	\$ -	\$ -	\$ 3,775,352
Operating Costs (1)	(7,746,824)	-	-	(7,746,824)
Adjusted Operating Loss	\$ (3,971,472)	\$ -	\$ -	(3,971,472)
Stock based compensation expense (1)	(374,308)	-	-	(374,308)
Operating Loss	\$ (4,345,779)	\$ -	\$ -	\$ (4,345,780)
Finance costs	(1,698,640)	-	-	(1,698,640)
Bad debt recovery	297,046	-	-	297,046
Prepays impairment	(353,896)	-	-	(353,896)
Other income, net	(689,412)	-	-	(689,412)
Income before income taxes & Minority Interest	\$ (6,790,681)	\$ -	\$ -	\$ (6,790,681)
Additions to PP&E	-	-	-	-
Total Assets	\$ 81,703,536	\$ -	\$ -	\$ 81,703,536
Income taxes paid	\$ -	\$ -	\$ -	\$ -

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

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**14. SEGMENTED INFORMATION, continued**

<b>Three months ended Sept 30, 2013</b>	<b>Natural Sweeteners</b>	<b>Discontinued Operations</b>	<b>Corporate items &amp; Eliminations</b>	<b>Consolidated Totals</b>
Operating Revenue	\$ 5,196,041	\$ -	\$ -	\$ 5,196,041
Operating Costs (1)	(8,404,613)	-	-	(8,404,613)
Adjusted Operating Loss	\$ (3,208,572)	\$ -	\$ -	(3,208,572)
Stock based compensation expense (1)	(294,677)	-	-	(294,677)
Operating Loss	\$ (3,503,249.00)	\$ -	\$ -	\$ (3,503,249)
Finance costs	(1,677,294)	-	-	(1,677,294)
Inventories impairment	(8,613,701)	-	-	(8,613,701)
Other income, net	(543,472)	1,857,491	-	1,314,019
Income before income taxes & Minority Interest	\$ (14,337,716)	\$ 1,857,491	\$ -	\$ (12,480,225)
Additions to PP&E	63,359	-	-	63,359
Total Assets	\$ 84,506,269	\$ -	\$ -	\$ 84,506,269
Income taxes Expenses		\$ -	\$ -	\$ -

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

<b>Nine months ended Sept 30, 2014</b>	<b>Natural Sweeteners</b>	<b>Discontinued Operations</b>	<b>Corporate items &amp; Eliminations</b>	<b>Consolidated Totals</b>
Operating Revenue	\$ 12,446,662	\$ -	\$ -	\$ 12,446,662
Operating Costs (1)	(19,986,508)	-	-	(19,986,508)
Adjusted Operating Loss	\$ (7,539,846)	\$ -	\$ -	(7,539,846)
Stock based compensation expense (1)	(1,271,510)	-	-	(1,271,510)
Operating Loss	\$ (8,811,356)	\$ -	\$ -	\$ (8,811,356)
Finance costs	(5,417,470)	-	-	(5,417,470)
Bad debt recovery	297,046	-	-	297,046
Prepays impairment	(353,896)	-	-	(353,896)
Other income, net	(253,373)	-	-	(253,373)
Income before income taxes & Minority Interest	\$ (14,539,049)	\$ -	\$ -	\$ (14,539,049)
Additions to PP&E	46,358	-	-	46,358
Total Assets	\$ 81,703,536	\$ -	\$ -	\$ 81,703,536
Income taxes paid	\$ -	\$ -	\$ -	\$ -

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

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

**14. SEGMENTED INFORMATION, continued**

Nine months ended September 30, 2013	Natural Sweeteners	Discontinued Operations	Corporate items & Eliminations	Consolidated Totals
Operating Revenue	\$ 11,883,196	\$ 524	\$ -	\$ 11,883,719
Operating Costs (1)	(21,782,767)	(201,756)	-	(21,984,523)
Adjusted Operating Loss	\$ (9,899,571)	\$ (201,232)	\$ -	(10,100,804)
Stock based compensation expense (1)	(777,133)	-	-	(777,133)
Operating Loss	\$ (10,676,704)	\$ (201,232)	\$ -	\$ (10,877,937)
Finance costs	(5,251,237)	-	-	(5,251,237)
Inventories impairment	(8,613,701)	-	-	(8,613,701)
Other income, net	195,726	1,549,273	-	1,744,999
Income before income taxes & Minority Interest	\$ (24,345,917)	\$ 1,348,041	\$ -	\$ (22,997,876)
Additions to PP&E	65,054	-	-	65,054
Total Assets	\$ 84,506,269	\$ -	\$ -	\$ 84,506,269
Income taxes paid	\$ -	\$ -	\$ -	\$ -

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

Revenue to external customers by geographical locations is as follows:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
China	\$ 1,746,733	\$ 3,919,530	\$ 6,039,291	\$ 8,487,744
North America	2,028,619	1,276,511	6,407,371	3,395,975
	\$ 3,775,352	\$ 5,196,041	\$ 12,446,662	\$ 11,883,719

During the nine months ended September 30, 2014, two customers (2013 – two customers) of the Natural Sweeteners CGU individually represented 10% of more of total consolidated revenue. The sales to these customers represented 30% (2013 – 30%) of total consolidated revenue.

**15. SEASONALITY**

GLG's stevia business is affected by seasonality. The harvest of the stevia leaves typically starts at the end of July and continue through to the fall of each year. Luo Han Guo is harvested from October through December 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.

**Notes to the Condensed Interim Consolidated Financial Statements**  
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**16. 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 \$178,000 (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 \$140,000 (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 annual minimum lease payments are approximately \$147,000.

**b) Research and development contract**

The Company entered into a thirteen-month research and development contract to support development of new stevia products beginning January 2014. The total payments are approximately \$144,000 (USD \$130,000).

The minimum operating lease cash payments related to the above are summarized as follows:		<b>Amounts</b>
2014	\$	114,456
2015		341,985
2016		244,789
2017		91,299
2018		91,299
Thereafter		288,000
	\$	<b>1,171,829</b>

**c) 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 \$66,320,000 (US\$60,000,000) over the course of the twenty year agreement to retain its exclusive rights. As of September 30, 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.

**Notes to the Condensed Interim Consolidated Financial Statements**  
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**17. 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.

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.

**18. COMPARATIVE FIGURES**

Certain figures in the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

**Notes to the Condensed Interim Consolidated Financial Statements**  
**Nine months Ended September 30, 2014 and 2013**  
(Unaudited – Expressed in Canadian Dollars)

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**19. SUBSEQUENT EVENTS**

Subsequent to September 30, 2014, the Company entered into a loan agreement from the Company's Chairman and Chief Executive Officer to provide working capital required for a major customer supply agreement for Luo Han Guo 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 payable within 12 months. The interest rate reflects prevailing market rates in China for loans carrying similar risk profiles. The loan amount is USD 3.0 million (RMB 18.36 million), 90% of the loan is expected to be provided in Chinese currency, 10% is in US dollar. On October 20, 2014, the Company has received proceeds of RMB 17.00 million.

On October 31, 2014, the Toronto Stock Exchange approved the issuance of 4,295,532 common shares at \$1.00 per share to the holder of the Company's convertible denture based on its conversion.