



# **GLG LIFE TECH CORPORATION**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Three Months Ended March 31, 2015**

**(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 March 31, 2015 and December 31, 2014

(Unaudited – Expressed in Canadian Dollars)

		March 31, 2015	December 31, 2014
	Note		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		\$ 523,366	\$ 954,599
Short-term investments		204,599	186,898
Accounts receivable		4,520,107	2,083,483
Sale taxes recoverable		56,925	5,666
Inventory	5	15,523,634	16,654,136
Prepaid expenses and other advances		1,659,903	1,295,663
<b>Total Current Assets</b>		<b>22,488,534</b>	<b>21,180,445</b>
<b>Property, Plant, and Equipment</b>		<b>57,624,839</b>	<b>50,480,025</b>
<b>Biological Assets</b>	6	<b>276,879</b>	<b>242,107</b>
<b>Total Assets</b>		<b>\$ 80,390,252</b>	<b>\$ 71,902,577</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>Current Liabilities</b>			
Short term loans	7	\$ 67,318,516	\$ 61,494,436
Accounts payable and accruals		18,432,814	17,590,842
Interest payable		10,676,950	8,439,711
Due to related parties	8	1,006,575	1,006,575
<b>Total Current Liabilities</b>		<b>97,434,855</b>	<b>88,531,564</b>
<b>Long term loans</b>	7	<b>2,264,574</b>	<b>2,010,965</b>
<b>Due to related parties</b>	8	<b>26,266,446</b>	<b>23,052,323</b>
<b>Liabilities on derivatives</b>	7, 8	<b>79,508</b>	<b>81,165</b>
<b>Total Liabilities</b>		<b>126,045,383</b>	<b>113,676,017</b>
<b>EQUITY</b>			
<b>Shareholders' Deficiency</b>			
Share capital		194,064,542	193,826,351
Contributed surplus		28,718,899	28,608,515
Accumulated other comprehensive income		12,071,984	11,536,910
Deficit		(280,510,556)	(275,745,216)
<b>Total GLG Life Tech Corporation Shareholders' Deficiency</b>		<b>(45,655,131)</b>	<b>(41,773,440)</b>
<b>Total Shareholders' Deficiency</b>		<b>(45,655,131)</b>	<b>(41,773,440)</b>
<b>Total Liabilities and Shareholders' Deficiency</b>		<b>\$ 80,390,252</b>	<b>\$ 71,902,577</b>

Going concerns (Note 3)

Commitments (Note 13)

Contingencies (Note 14)

See Accompanying Notes to the Consolidated Financial Statements

APPROVED ON BEHALF OF THE BOARD:

"Sophia Leung "

Director

"Brian Palmieri "

Director

## GLG LIFE TECH CORPORATION

Condensed Interim Consolidated Statements of Operations and Comprehensive (Loss)

For the Period Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

	Three months ended March 31,	
	2015	2014
<b>REVENUE</b>	\$ 6,167,712	\$ 4,663,345
<b>COST OF SALES (note 11)</b>	(5,845,605)	(5,217,155)
<b>GROSS PROFIT (LOSS)</b>	322,107	(553,810)
<b>SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES (Note 11)</b>	2,501,287	1,950,841
<b>OTHER INCOME (EXPENSES)</b>		
Bad debt recovery (expenses)	154,664	(8,193)
Foreign exchange loss	(853,174)	(540,305)
Interest expense	(2,436,069)	(1,903,679)
Interest income	472	7,618
Other expenses	(17,215)	(22,390)
Prepaid expenses recovery	193,140	-
Sales taxes recoverable recovery	372,022	-
	(2,586,160)	(2,466,949)
<b>LOSS BEFORE INCOME TAXES AND NON-CONTROLLING INTERESTS</b>	(4,765,340)	(4,971,600)
<b>INCOME TAX EXPENSE</b>	-	-
<b>NET LOSS</b>	(4,765,340)	(4,971,600)
<b>OTHER COMPREHENSIVE INCOME THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b>		
Foreign Currency Translation Adjustment	535,074	(149,581)
<b>TOTAL COMPREHENSIVE LOSS</b>	\$ (4,230,266)	\$ (5,121,181)
<b>NET LOSS PER SHARE</b>		
Basic & Diluted (Note 12)	\$ (0.13)	\$ (0.15)
<b>Weighted Average Number of Shares Outstanding</b>		
Basic and diluted	37,800,003	33,362,804

See Accompanying Notes to the Consolidated Financial Statements

# GLG LIFE TECH CORPORATION

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

As at March 31, 2015 and December 31, 2014

(Unaudited – 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
<b>Balance, December 31, 2013</b>	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)
<b>Balance, December 31, 2014</b>	36,417,124	1,341,212	\$ 193,826,351	\$ 28,608,515	\$ 11,536,910	\$ (275,745,216)	\$ (41,773,440)	\$ -	\$ (41,773,440)
Issuance of restricted shares	-	150,000	-	-	-	-	-	-	-
Share-based compensation	-	-	238,191	110,384	-	-	348,575	-	348,575
Change in foreign currency translation	-	-	-	-	535,074	-	535,074	-	535,074
Net loss	-	-	-	-	-	(4,765,340)	(4,765,340)	-	(4,765,340)
<b>Balance, March 31, 2015</b>	36,417,124	1,491,212	\$ 194,064,542	\$ 28,718,899	\$ 12,071,984	\$ (280,510,556)	\$ (45,655,131)	\$ -	\$ (45,655,131)

# GLG LIFE TECH CORPORATION

Condensed Interim Consolidated Statements of Cash Flows  
For the periods ended March 31, 2015 and 2014  
(Unaudited – Expressed in Canadian Dollars)

	Three months ended March 31	
	2015	2014
<b>Cash Flows From Operating Activities</b>		
Net (loss)	\$ (4,765,340)	\$ (4,971,600)
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	348,574	442,135
Depreciation of property, plant and equipment and amortization of intangible assets	1,294,324	790,616
Bad debt recovery	(154,664)	8,193
Prepaid expenses recovery	(193,140)	-
Sales taxes recovery	(372,022)	-
Accretion expenses	-	77,428
Unrealized foreign exchange loss	33,576	59,425
Change in biological assets	59,668	14,307
Changes in non-cash working capital items (Note 10)	3,485,359	2,019,130
Net cash used in operating activities	(263,665)	(1,560,366)
<b>Cash Flows From Investing activities</b>		
Purchase of property, plant and equipment	(161,934)	(4,860)
Net cash used in investing activities	(161,934)	(4,860)
<b>Cash Flow From Financing activities</b>		
Issuance of long-term loans	71,610	-
Repayment of short term loans	-	(388,928)
Advance from (repayment to) related parties	(102,295)	803,261
Net cash from (used in) financing activities	(30,685)	414,333
Effect of exchange rate changes on cash and cash equivalents	25,051	(564,431)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(431,233)</b>	<b>(1,715,324)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>954,599</b>	<b>5,132,909</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 523,366</b>	<b>\$ 3,417,585</b>

See Accompanying Notes to the Consolidated Financial Statements  
Supplemental Cash Flow Information (Note 10)

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(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 three months ended March 31, 2015, 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 2014 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 three months ended March 31, 2015, were authorized for issue by the Audit Committee on behalf of the Board of Directors on May 14, 2015.

### 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 three months period ended March 31, 2015, the Company incurred a net loss of \$4,765,340 (2014 - \$4,971,600). As at March 31, 2015, the Company had an accumulated deficit of \$280,510,556 (December 31, 2014 - \$275,745,216), working capital deficit of \$74,946,321 (December 31, 2014 - \$67,351,119) and a net cash outflow from operating activities of \$263,665 (2014 - \$1,560,366).

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 Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

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### 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 enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to



# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

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### 3. GOING CONCERN, continued

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"). By the end of March 31, 2015, the Chinese debt with the Construction Bank of China had been transferred to China Cinda Assets Management Co., Ltd. ("Cinda"). They are state-owned capital management companies ("SOCMC").

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. 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.

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

### 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, 2014. 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, 2014.

The Company has adopted the following new standards and amendments to standards on January 1, 2015.

- Annual Improvements 2012
- Annual Improvements 2013

### 5. INVENTORY

As of March 31, 2015, the Company has inventory of Stevia \$8,426,408 and Monk Fruit \$7,097,226.

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.

### 6. BIOLOGICAL ASSETS

	March 31, 2015	December 31, 2014
As at January 1, 2015	\$ 242,107	\$ 526,453
Sale of agricultural products	-	(551,702)
Gain/(loss) from changes in fair value	(59,668)	207,612
Foreign currency adjustments	94,440	59,744
As at March 31, 2015	\$ 276,879	\$ 242,107

The Company's biological assets include a loss of \$59,668 (2014 – gain of \$207,612) representing changes in the fair value of the nursery plants. As of March 31, 2015, approximately 6.9 million parent seedlings (December 31, 2014 – 6.9 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

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

### 6. BIOLOGICAL ASSETS, continued

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

### 7. 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 of March 31, 2015:

Loan amount in	Loan amount in		Interest rate per	
CAD	RMB	Maturity Date	annum	Lender
\$ 613,798	3,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
5,728,783	28,000,000	On Demand	7.71%	China Hua Rong Assets Management Shandong Branch
2,045,994	10,000,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
2,000,982	9,780,000	On Demand	7.13%	China Hua Rong Assets Management Shandong Branch
10,551,620	51,572,096	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
16,367,952	80,000,000	On Demand	6.48%	China Hua Rong Assets Management Shandong Branch
16,201,174	79,184,858	On Demand	11.97%	Bank of Communication
3,674,089	17,957,477	On Demand	9.24%	Bank of China
8,700	42,523	On Demand	9.24%	Bank of China
1,432,196	7,000,000	July 1, 2015	7.20%	Huishang Bank
6,137,982	30,000,000	On Demand	12.12%	China Cinda Assets Management Jiangsu Branch
2,555,247	12,489,025	On Demand	9.09%	China Cinda Assets Management Jiangsu Branch
\$ 67,318,516	329,025,979			

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

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

#### Bank loans as of 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
	5,606,953	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	329,025,979			

The Company has worked with its Chinese banks on restructuring its debt. As of March 31, 2015, the Chinese debt with the Agricultural Bank of China had been transferred to China Huarong Asset Management Co., Ltd. (“Huarong”). The Chinese debt with the Construction Bank of China had been transferred to China Cinda Assets Management Co., Ltd. (“Cinda”). They are state-owned capital management companies (“SOCMC”).

The assets of the Company’s subsidiaries including inventory and property, plant and equipment have been pledged as collateral for these bank loans.

#### Long- term borrowing from private lenders:

The company’s long-term loans consisted of borrowings from two private lenders.

December 31, 2014	\$	2,010,965
Addition		71,610
Foreign currency translation		181,999
March 31, 2015	\$	2,264,574

This loan balance consists two loans.

The first loan’s principal amount as of March 31, 2015, is \$975,659 (2014 - \$892,467) and bears interest at 11.50% per annum. The loan will be payable in 36 months without any attached covenants.

The second loan’s principal amount as of March 31, 2015, is \$1,288,915 (2014 - \$1,118,498) and bears interest at 20% per annum. The loan will be payable in 36 months without any attached covenants. This loan provides a repayment option to the lender in either RMB or USD using a fixed foreign exchange rate of

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

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

6.1234. This option results in a liability of \$2,916, 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:

### 8. 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 March 31, 2015, is comprised of the following expenses:

	Three months ended March 31	
	2015	2014
Short-term employee benefits (including salaries, bonuses, fees and social security benefits)	\$ 219,843	\$ 192,387
Share-based benefits	\$ 419,025	\$ 390,106
Total remuneration	\$ 638,868	\$ 582,493

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 three months ended March 31, 2015.

#### b) Amount due to related parties

As of March 31, 2015, the Company has accrued \$1,583,417 (2014 - \$1,429,074) in consulting fees to the Company's Chairman and Chief Executive Officer.

As of March 31, 2015, the Company has obtained an grant of \$206,647 (2014 - \$188,767) from Chinese local government, payable to the Company's Chairman and Chief Executive Officer.

As of March 31, 2015, 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 \$21,349,170 (2014 - \$18,901,926). 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.

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

### Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

#### 8. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

##### b) Amount due to related parties, continued

As of March 31, 2015, the Company has obtained a loan from a direct family member of the Company's Chairman and Chief Executive Officer that, along with accrued interest, totals \$4,710,629 (2014 - \$4,150,397) in order 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 20% per annum and repayable within 36 months of the loan Date.

The combined total of the above loans, including the accrued interest, is \$26,059,799. 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 \$76,592, 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 7.

#### Loan balance as of March 31, 2015

	Loan amount in CAD	Date of the Loan		Security	Interest rate per annum	Related Parties
		Agreement	Maturity Date			
	\$ 8,839,902	April 27, 2012	April 27, 2018	Unsecured	Category 1	Chairman and CEO
	1,982,036	October 11, 2012	October 11, 2018	Unsecured	Category 1	Chairman and CEO
	3,588,171	May 30, 2013	May 30, 2018	Unsecured	Category 2	Chairman and CEO
	317,058	November 15, 2013	November 15, 2018	Unsecured	Category 1	Chairman and CEO
	4,353,103	October 20, 2014	October 20, 2017	Unsecured	Category 3	Direct family member of CEO
<b>Principal amounts</b>	<b>\$ 19,080,270</b>					
<b>Accrued interests</b>	<b>6,979,529</b>					
	<b>\$ 26,059,799</b>					

#### Loan balance as of December 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
<b>Principal amounts</b>	<b>\$ 17,528,255</b>					
<b>Accrued interests</b>	<b>5,524,068</b>					
	<b>\$ 23,052,323</b>					

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%

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

### 8. RELATED PARTIES TRANSACTIONS AND BALANCES, continued

#### b) Amount due to related parties, continued

As of March 31, 2015, the Company has 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 March 31, 2015, the total amount due to this related party including interest was \$1,006,575 (2014 - \$1,006,575) and is classified under current liabilities.

#### Loan balance as of March 31, 2015

	Loan amount in CAD	Date of the Loan		Security	Interest rate per	Related Parties
		Agreement	Maturity Date		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>					

#### Loan balance as of December 31, 2014

	Loan amount in CAD	Date of the Loan		Security	Interest rate per	Related Parties
		Agreement	Maturity Date		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 March 31, 2015, the Company granted and issued an aggregate of 1,154,494 common share purchase warrants to the lender valued at \$554,061 (see note 9).

#### d) Subsidiaries

The followings are the subsidiaries of the Company:

Subsidiaries	Jurisdiction of incorporation	Ownership Interest		Functional Currency
		2015	2014	
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

# GLG LIFE TECH CORPORATION

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### 9. SHARE CAPITAL

#### a) Common shares

There are 37,908,336 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 March 6, 2015, the Company granted 150,000 restricted shares vesting in 3 years to the Company's Chairman and Chief Executive Officer in recognition for his service to the Company.

#### 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 8). Each warrant entitles the holder 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.

#### 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").

The Company is subject to the policies of the TSX, under which it is authorized to grant options and restricted shares 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

The Company recorded share-based payments in the amount of \$110,384 (2014 - \$220,364), of which \$9,074 related to stock options issued during the quarter ended March 31, 2015 (2014 - \$nil), and \$101,310 (2014 - \$220,364) related to stock options granted in previous years.

##### iii) Restricted shares

The Company recorded share-based payments in the amount of \$238,191 (2014 - \$221,771), of which \$1,301 related to restricted shares issued during the quarter ended March 31, 2015 (2014 - \$nil) and \$236,890 (2014 - \$221,771) 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.



# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

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### 10. SUPPLEMENTARY INFORMATION

Supplementary cash flow information is as follows:

	Three months ended March 31	
	2015	2014
Accounts receivable	\$ (2,211,133)	\$ (1,927,718)
Taxes recoverable	321,785	439,604
Inventory	3,022,204	1,745,642
Prepaid expenses	(59,473)	437,888
Accounts payable and accruals	67,238	663,717
Interest payable	2,344,738	659,997
Changes in non-cash working capital items	\$ 3,485,359	\$ 2,019,130
Interest paid	\$ 25,074	\$ 1,962,059

### 11. COST OF SALES AND EXPENSES

	Three months ended March 31	
	2015	2014
Cost of sales - continuing operation		
Direct cost of sales	\$ 4,673,552	\$ 4,555,057
Depreciation and amortization	1,047,132	612,786
Transfer from expenses	124,921	49,312
Total	5,845,605	5,217,155
Selling, general and administrative expenses - continuing operation		
Direct expenses	\$ 2,254,095	\$ 1,773,011
Depreciation and amortization	247,192	177,830
Total	\$ 2,501,287	\$ 1,950,841
Supplementary information:		
Employee benefits	\$ 618,977	\$ 518,039

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

### 12. LOSS PER SHARE

The following table sets forth the calculation of the basic and diluted loss per share for the three months ended March 31, 2015 and 2014.

	Three months ended March 31	
	2015	2014
Numerator:		
Net Loss after tax	\$ (4,765,340)	\$ (4,971,600)
Denominator:		
Weighted average number of shares outstanding - basic	37,800,003	33,362,804
Weighted average number of shares outstanding - diluted	37,800,003	33,362,804
Loss per share - basic	\$ (0.13)	\$ (0.15)
Loss per share - diluted	\$ (0.13)	\$ (0.15)

The total number of anti-dilutive options and warrants that were out of the money and therefore excluded from the calculation for the three months ended March 31, 2015, was 3,878,193 (2014 – 1,402,535).

### 13. 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 \$205,000 (RMB 1,000,000).

The Company has previously 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 \$162,000 (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, 2015 is \$148,000 (2014 – \$161,811).

# GLG LIFE TECH CORPORATION

## Notes to the Condensed Interim Consolidated Financial Statements

Three Months Ended March 31, 2015 and 2014

(Unaudited – Expressed in Canadian Dollars)

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### 13. COMMITMENTS, continued

#### a) Operating leases, continued

The minimum cash payments related to the above are summarized below:		Amount
2015	\$	353,293
2016		266,789
2017		-
2018		162,000
Thereafter		162,000
Total	\$	944,082

#### 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 \$76,000,000 (US\$60,000,000) over the course of the twenty-year agreement to retain its exclusive rights. As of March 31, 2015, 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.

### 14. CONTINGENCIES

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.

### 15. COMPARATIVE FIGURES

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