



IMPERIAL  
G I N S E N G

**IMPERIAL GINSENG PRODUCTS LTD.**

CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited)

Three Months Ended September 30, 2017 and 2016

## **Unaudited Interim Financial Statements**

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3)(a), the Company discloses that its auditors have not performed a review of these interim consolidated financial statements. The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

**Imperial Ginseng Products Ltd.**  
**Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

As at	Note	September 30 2017	June 30 2017
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 7,177,972	\$ 10,136,221
Trade and other receivables		289,740	138,670
Inventories	4	481,957	464,685
Prepaid expenses		217,956	299,074
Pre-planting costs	5	22,665	613,593
Biological assets	7	1,943,000	3,831,000
<b>Total current assets</b>		<b>10,133,290</b>	<b>15,483,243</b>
Biological assets	7	15,736,000	10,008,000
Property and equipment	6	6,461,037	5,952,586
Deposits		5,110	5,110
Available-for-sale investment		100,001	100,001
Deferred tax assets		250,000	250,000
<b>Total Assets</b>		<b>\$ 32,685,438</b>	<b>\$ 31,798,940</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 2,061,621	\$ 1,428,569
Deposit for planting cost reimbursement	3 (c)	380,691	520,113
Current portion of long-term borrowings	9	238,175	239,923
Income tax payable		-	741,000
<b>Total current liabilities</b>		<b>2,680,487</b>	<b>2,929,605</b>
Long-term borrowings	9	1,231,997	1,273,726
Long-term loans	10	1,082,345	1,029,854
Deferred tax liabilities		2,613,000	2,613,000
<b>Total liabilities</b>		<b>7,607,829</b>	<b>7,846,185</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	35,101,085	35,101,085
Contributed surplus		771,102	771,102
Deficit		(10,794,578)	(11,919,432)
<b>Total shareholders' equity</b>		<b>25,077,609</b>	<b>23,952,755</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 32,685,438</b>	<b>\$ 31,798,940</b>

Note 21 – Subsequent event

On Behalf of the Board

*(signed)* "Stephen McCoach"  
\_\_\_\_\_  
Director

*(signed)* "Maurice Levesque"  
\_\_\_\_\_  
Director

See accompanying notes to the consolidated financial statements.

**Imperial Ginseng Products Ltd.**  
**Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)**  
(Expressed in Canadian Dollars)

<b>For the three months ended September 30,</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
Revenues		\$ -	\$ 1,723,375
Cost of sales		-	1,681,000
Gross profit		-	42,375
Administrative expenses	13	<b>(324,542)</b>	(223,498)
Change in fair value of biological assets	7	<b>1,439,597</b>	194,535
<b>Income from operations before other items</b>		<b>1,115,055</b>	13,412
<b>Other items</b>			
Finance income		<b>25,966</b>	10,221
Finance costs	14	<b>(65,215)</b>	(58,916)
Other income		<b>21,169</b>	89,629
Gain from sale of property and equipment		<b>27,879</b>	-
Loss from deteriorated inventories		-	(567,000)
<b>Income (loss) and comprehensive income (loss)</b>		<b>\$ 1,124,854</b>	\$ (512,654)
<b>Earnings (loss) per share</b>	16		
Basic		<b>\$ 0.16</b>	\$ (0.07)
Diluted		<b>0.15</b>	(0.07)

See accompanying notes to the consolidated financial statements.

**Imperial Ginseng Products Ltd.**  
**Consolidated Statements of Changes in Equity**  
(Expressed in Canadian Dollars)

	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Opening balance, July 1, 2017	\$ 35,101,085	\$ 771,102	\$ (11,919,432)	\$ 23,952,755
Changes in the period:				
Net income	-	-	1,124,854	1,124,854
<b>Balance, September 30, 2017</b>	<b>\$ 35,101,085</b>	<b>\$ 771,102</b>	<b>\$ (10,794,578)</b>	<b>\$ 25,077,609</b>

	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Opening balance, July 1, 2016	\$ 35,101,085	\$ 771,102	\$ (16,034,130)	\$ 19,838,057
Changes in the period:				
Net income	-	-	4,114,698	4,114,698
<b>Balance, June 30, 2017</b>	<b>\$ 35,101,085</b>	<b>\$ 771,102</b>	<b>\$ (11,919,432)</b>	<b>\$ 23,952,755</b>

See accompanying notes to the consolidated financial statements.

**Imperial Ginseng Products Ltd.**  
**Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

For the three months ended September 30,	2017	2016
<b>Cash provided by (used in) operating activities:</b>		
Net income (loss)	\$ 1,124,854	\$ (512,654)
Adjustments for items not involving cash:		
Depreciation	3,405	13,213
Finance income	(25,966)	(10,221)
Finance costs	65,215	58,916
Gain from sale of property and equipment	(27,879)	-
Change in fair value of biological assets	(1,439,597)	(194,535)
Income taxes paid	(741,000)	-
Changes in non-cash working capital items:		
Crop costs, net of deferred depreciation of \$114,589 (September 30, 2016 - \$98,253)	(2,285,814)	(2,175,212)
Accounts receivables and deposits	(140,900)	(946,617)
Inventories	(17,271)	2,138,635
Prepaid expenses	81,118	79,553
Pre-planting costs	590,928	488,151
Accounts payable and accrued liabilities	630,120	287,170
Deposit for planting cost reimbursement	(139,422)	(309,987)
<b>Net cash used in operating activities</b>	<b>(2,322,209)</b>	<b>(1,083,588)</b>
<b>Cash provide by (used in) investing activities:</b>		
Acquisition of property and equipment	(626,444)	(689,235)
Proceeds from the sale of property and equipment	27,879	-
<b>Net cash used in investing activities</b>	<b>(598,565)</b>	<b>(689,235)</b>
<b>Cash provided by (used in) financing activities:</b>		
Finance income received	15,795	7,234
Finance costs paid	(9,792)	(11,346)
Repayment of long-term borrowings	(43,477)	(38,255)
<b>Net cash used in financing activities</b>	<b>(37,474)</b>	<b>(42,367)</b>
Decrease in cash and cash equivalents	(2,958,248)	(1,815,190)
Cash and cash equivalents, beginning of the period	10,136,220	5,999,115
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 7,177,972</b>	<b>\$ 4,183,925</b>

See accompanying notes to the consolidated financial statements.

# Imperial Ginseng Products Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2017 and 2016 (Unaudited - Expressed in Canadian Dollars)

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### 1. General

Imperial Ginseng Products Ltd. (the "Company") was incorporated under the laws of the province of British Columbia in 1989. The Company's core business is cultivating and processing ginseng in the province of Ontario and selling the dried ginseng to wholesalers in Asia and North America through distributors. The Company's common shares ("Common Shares") are listed on the TSX Venture Exchange ("TSXV") under the stock symbol "IGP".

The Company's registered address and records office are located at 1200 - 200 Burrard Street, Vancouver, British Columbia V7X 1T2. The head office and principal address of the Company is Suite 3030, 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N7.

### 2. Basis of preparation

#### (a) Statement of compliance

These condensed interim consolidated financial statements, including the account of its wholly owned subsidiary, Canadian Imperial Ginseng Ontario Ltd. ("CIGO"), were prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of application as those used in the most recently prepared audited annual consolidated financial statements. These condensed interim consolidated financial statements do not contain all disclosures required by IFRS for annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended June 30, 2017.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 23, 2017.

#### (b) Basis of presentation and measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis with the exception of biological assets which are measured at fair value.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

#### (c) Critical accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and to estimate the impacts on the carrying amounts of assets and liabilities at the end of the reporting period, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates. The Company reviews the estimates and the assumptions on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed interim consolidated financial statements, the Company applied the same critical accounting estimates and judgements disclosed in note 4 of its audited consolidated financial statements for the year ended June 30, 2017.

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended September 30, 2017 and 2016  
(Unaudited - Expressed in Canadian Dollars)

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### 3. Related party balances and transactions

Transactions with related parties are recorded at the amount agreed to by the related parties.

#### (a) Management company transactions

The Company has an administrative agreement with Trilogy Bancorp Ltd. ("Trilogy"), a company owned and controlled by certain directors of the Company. Under the administrative agreement, the Management Company provides accounting, office and administrative services to the Company for a monthly fee of \$10,500. For the three months ended September 30, 2017, the Company was charged \$31,500 (September 30, 2016 - \$31,500) in administrative fee. At September 30, 2017, no administrative fee was outstanding to Trilogy (June 30, 2017 - \$nil).

#### (b) Distributor services

The distribution agreements between the Company and companies controlled by a director of the Company (the "Distributors") provide that the Distributors will buy all the Company's ginseng harvested in a given year at agreed market prices in return for an exclusive right to distribute the Company's ginseng in Asia and North America. As the ginseng is sold directly to the Distributors at agreed prices, the Company does not pay any selling expenses to the Distributors for the distribution of ginseng. There were no sales transactions with the Distributors during the three months ended September 30, 2017 (September 30, 2016 - \$1,723,375).

#### (c) Ginseng farming agreement

The Company and Ponderosa Ginseng Farms Corp. ("Ponderosa"), a private company having some directors in common with the Company, have a ginseng farming agreement (the "Farming Agreement") under which the Company plants and maintains certain number of acres of ginseng in Ontario for the benefit of Ponderosa each year. Pursuant to the Farming Agreement, Ponderosa will reimburse the Company the actual farming expenses (the "Actual Costs"), which are estimated and prepaid annually (the "Prepayment") prior to the beginning of the Company's fiscal year. In return, the Company earns a planting fee equal to 15% of the Actual Costs from Ponderosa. Subsequent to the completion of a farming year, the Company will calculate the Actual Costs and settle the account with Ponderosa accordingly.

During the year ended June 30, 2017, Ponderosa notified the Company that it wished to terminate the planting of new acres effective in the fall of 2016. The Company will continue with the farming of the 60 acres that are currently under cultivation for Ponderosa until they are gradually harvested out by the fall of 2019.

For the three months ended September 30, 2017, the Company incurred Actual Costs of \$138,964 (September 30, 2016 - \$141,204). Total planting fee income realized in the period was \$20,845 (September 30, 2016 - \$50,581). At September 30, 2017, the balance of Prepayment was \$380,691 (June 30, 2017 - \$520,113).

#### (d) Key management personnel compensation

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors, executive officers and the President of CIGO.

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars)

#### 3. Related party balances and transactions (continued)

##### (d) Key management personnel compensation (continued)

Short-term benefits for key management personnel compensation consist of salaries, bonuses and medical benefits. The Company does not provide any post-employment benefits or other long-term employee benefits. Short-term benefits for the President of CIGO are included in crop expenses. No stock options were granted to key management personnel during the three-month periods ended September 30, 2017 and 2016. For the three months ended September 30, 2017, key management personnel compensation consisted solely of short-term benefits of \$259,697 (September 30, 2016 - \$170,241).

#### 4. Inventories

<b>As at</b>	<b>September 30 2017</b>	<b>(Audited) June 30 2017</b>
Ginseng seed	\$ 348,963	\$ 303,171
Supplies	132,994	161,514
	<b>\$ 481,957</b>	<b>\$ 464,685</b>

#### 5. Pre-planting costs

Pre-planting costs are expenses associated with preparing the land for planting in the next fiscal year. These costs will be transferred to crop expenses when the land is seeded. During the three months ended September 30, 2017, \$591,225 of the pre-planting costs was transferred to crop expenses (September 30, 2016 - \$496,981). The table below summarizes the composition of pre-planting costs:

<b>As at</b>	<b>September 30 2017</b>	<b>(Audited) June 30 2017</b>
Land rental	\$ 15,713	\$ 173,776
Fertilizers and pesticides	6,952	439,817
	<b>\$ 22,665</b>	<b>\$ 613,593</b>

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars)

### 6. Property and equipment

	Land	Buildings	Leasehold improvements	Farming equipment	Office and laboratory equipment	Processing equipment	Shadehousing and irrigation	Total
<b>Cost</b>								
Balance, June 30, 2016	\$ 1,967,675	\$ 1,217,180	\$ 30,128	\$ 2,188,177	\$ 60,219	\$ 603,493	\$ 2,237,284	\$ 8,304,156
Acquired	-	-	-	203,848	7,339	279,407	804,648	1,295,242
Disposals	-	-	-	-	(1,282)	-	-	(1,282)
Balance, June 30, 2017	1,967,675	1,217,180	30,128	2,392,025	66,276	882,900	3,041,932	9,598,116
Acquired	-	138,821	-	9,370	-	-	478,253	626,444
Disposal	-	-	-	(28,500)	(2,342)	-	-	(30,842)
Balance, September 30, 2017	\$ 1,967,675	\$ 1,356,001	\$ 30,128	\$ 2,372,895	\$ 63,934	\$ 882,900	\$ 3,520,185	\$ 10,193,719
<b>Accumulated depreciation</b>								
Balance, June 30, 2016	\$ -	\$ 220,662	\$ 1,883	\$ 1,219,389	\$ 21,624	\$ 279,145	\$ 1,459,346	\$ 3,202,049
Depreciation	-	60,858	7,532	215,105	10,015	31,621	119,632	444,763
Disposals	-	-	-	-	(1,282)	-	-	(1,282)
Balance, June 30, 2017	-	281,520	9,415	1,434,494	30,357	310,766	1,578,978	3,645,530
Depreciation	-	16,545	1,883	57,824	2,695	-	39,047	117,994
Disposal	-	-	-	(28,500)	(2,342)	-	-	(30,842)
Balance, September 30, 2017	\$ -	\$ 298,065	\$ 11,298	\$ 1,463,818	\$ 30,710	\$ 310,766	\$ 1,618,025	\$ 3,732,682
<b>Carrying amounts</b>								
At June 30, 2017	\$ 1,967,675	\$ 935,660	\$ 20,713	\$ 957,531	\$ 35,919	\$ 572,134	\$ 1,462,954	\$ 5,952,586
At September 30, 2017	1,967,675	1,057,937	18,830	909,077	33,224	572,134	1,902,160	6,461,037

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars)

#### 7. Biological assets

The Company's biological assets consist solely of live ginseng crops. Changes to the fair value of biological assets are summarized as follows:

As at	September 30 2017	(Audited) June 30 2017
Balance, beginning of the period	\$ 13,839,000	\$ 11,506,000
Crop expenses for the period (Note 15)	2,400,403	5,079,926
Change in fair value resulting from growth and pricing	1,439,597	5,839,074
Change due to harvested crops transferred to inventories	-	(8,586,000)
Balance, end of the period	\$ 17,679,000	\$ 13,839,000
Consist of:		
Current portion	\$ 1,943,000	\$ 3,831,000
Non-current portion	15,736,000	10,008,000

Ginseng crops consist of immature, near maturity and mature crops. Immature crops are measured at historical costs as there are no markets for these crops. Near maturity crops are measured using the discounted expected future cash flow method when the costs to complete the crops and the future selling prices of ginseng can be reasonably estimated. Mature crops are measured at estimated fair value less expected costs to harvest and sell. The following table presents the fair value of each category of the crops:

As at	September 30 2017	(Audited) June 30 2017
Immature ginseng crops	\$ 8,290,000	\$ 5,413,000
Near maturity ginseng crops	7,446,000	4,595,000
Mature ginseng crops	1,943,000	3,831,000
	\$ 17,679,000	\$ 13,839,000

#### 8. Credit facilities

The credit facilities made available to CIGO by a Canadian chartered bank (the "Bank") include a revolving term facility (Note 9 (b)) and a revolving demand facility of \$1,000,000 at annual interest rate of Bank's prime rate plus 1% (the "Credit Facility"). The Credit Facility is renewed annually and collateralized by general security agreements and a charge over all ginseng inventories and crops. The Credit Facility requires the Company to maintain a current ratio of not less than 1.20 at the end of the fiscal year. In the event that the Company does not satisfy the financial covenants, the Bank has the right to terminate or demand payment of, or cancel or restrict availability of any unused portion of the revolving demand facility. At September 30, 2017, \$nil was drawn on the revolving demand facility (June 30, 2017 - \$nil) and the Company was in compliance with the financial covenants contained within the Credit Facility.

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars)

### 9. Long-term borrowings

As at	September 30 2017	(Audited) June 30 2017
Current portion of principal:		
Mortgages (a)	\$ 119,539	\$ 119,082
Revolving term facility (b)	99,256	98,631
Other collateral loans (c)	19,380	22,210
	238,175	239,923
Non-current portion of principal:		
Mortgages (a)	1,046,880	1,060,660
Revolving term facility (b)	164,093	189,143
Other collateral loans (c)	21,024	23,923
	1,231,997	1,273,726
	\$ 1,470,172	\$ 1,513,649

#### (a) Mortgages

- (i) In 2016, the Company acquired a mortgage of \$500,000 for a farm property in Tillsonburg, Ontario purchased in November 2015. The mortgage is amortized over 20 years, has a term of five years and bears an annual interest rate of 2.71%, compounded semi-annually with monthly blended principal and interest payment of \$2,698 during the term. At September 30, 2017, the principal balance was \$416,927 (June 30, 2017 - \$422,189).
- (ii) In 2014, the Company acquired a mortgage of \$825,000 for the purchase of a farm property near Walsingham, Ontario. The mortgage is amortized over 25 years, has a term of five years and bears an annual interest rate of 3.86%, compounded semi-annually with monthly blended principal and interest payment of \$4,277 during the term. At September 30, 2017, the principal balance was \$492,944 (June 30, 2017 - \$501,005).
- (iii) In 2012, the Company acquired a mortgage of \$825,000 for the purchase of an operation and farm property in Milldale, Ontario. The mortgage is amortized over 15 years, has a term of seven years and bears an annual interest rate of 4.50%, compounded semi-annually with annual blended principal and interest payment of \$77,100 during the term. At September 30, 2017, the principal balance was \$256,548 (June 30, 2017 - \$256,548).

The mortgages are secured by a charge against the Company's real properties in Ontario. No financial covenants are imposed on the Company with respect to the mortgages. Minimum mortgage payments, including interest, during the amortized periods are as follows:

As at	September 30 2017	(Audited) June 30 2017
Within 1 year	\$ 160,803	\$ 160,803
After 1 year but within 5 years	1,093,165	1,114,091
Total principal and interest payment	\$ 1,253,968	\$ 1,274,894

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars)

#### 9. Long-term borrowings (continued)

##### (b) Revolving term facility

The Bank has made available to the Company a \$1,000,000 revolving term facility for the purchase of equipment by way of a series of variable interest rate term loans at the Bank's prime rate plus 0.25% and fixed rate term loans which interest rate is to be determined at the time of borrowing. The loans are repayable in monthly blended payments of principal and interest for a maximum term of one year for variable interest rate loans and a maximum term of seven years for fixed rate term loans.

At September 30, 2017, the Company had several fixed rate term loans at annual interest rates between 2.28% and 2.82% maturing from 2019 to 2021. Minimum principal and interest payments over the term of the loans are as follows:

As at	September 30 2017	(Audited) June 30 2017
Within 1 year	\$ 104,928	\$ 104,928
After 1 year but within 5 years	168,631	194,863
Total principal and interest payment	\$ 273,559	\$ 299,791

##### (c) Other collateral loans

The Company financed certain equipment and vehicle purchases via collateral loans at interest rates ranging from 3.32% to 3.49% for terms of four to six years. Each loan is secured by the equipment against which it is borrowed. No financial covenants are imposed on the Company with respect to these loans. The carrying values of borrowings approximate their fair values at the reporting date. Minimum principal and interest payments over the term of the loans are as follows:

As at	September 30 2017	(Audited) June 30 2017
Within 1 year	\$ 20,430	\$ 23,441
After 1 year but within 5 years	21,702	24,803
Total principal and interest payment	\$ 42,133	\$ 48,244

#### 10. Long-term loans

In 2014, the Company settled a debt with Trilogy, a portion of which was settled by entering into long-term loan agreements (the "Indebtedness"). Trilogy assigned the Indebtedness to certain parties, who are directors and officers of the Company (together the "Debt Holders"). The Indebtedness of \$1,870,000 is to be repaid under the terms of loan agreements having a final maturity date of January 1, 2021 (the "Loans"). The Loans are secured by all of the assets of the Company and subordinate to the Company's indebtedness to the Bank. The Loans bear no interest until January 1, 2018 with interest at 9% per annum thereafter, calculated and compounded annually, in arrears. Interest is due annually and payable commencing on January 1, 2019. No payment of the principal is required until January 1, 2018. Beginning on January 1, 2018, the Company is required to repay 25% of the principal of the Loans on January 1 of each year until the Loans are fully repaid on January 1, 2021. Any amount due and not paid will bear an interest rate of 12% per annum. The Company has the right to pre-pay any amount of the Loans at any time with a 5% prepayment fee.

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended September 30, 2017 and 2016  
(Unaudited - Expressed in Canadian Dollars)

### 10. Long-term loans (continued)

In 2015, the Company made an advanced payment of \$468,000 of the principal of the Loans to Debt Holders, thereby reducing the first instalment that was originally due on January 1, 2018 to \$nil. The next instalment of the Loans is due on January 1, 2019.

Minimum principal and interest payments over the term of the Loans are as follows:

<b>As at</b>	<b>September 30 2017</b>	<b>(Audited) June 30 2017</b>
Within 1 year	\$ -	\$ -
After 1 year but within 5 years	1,654,450	1,654,450
<b>Total principal and interest payment</b>	<b>\$ 1,654,450</b>	<b>\$ 1,654,450</b>

The Loans are measured at amortized cost and accreted to their face value over the term at effective interest rate of 22%. At June 30, 2017 and 2016, the carrying amount of the Loans was as follows:

<b>As at</b>	<b>September 30 2017</b>	<b>(Audited) June 30 2017</b>
Balance, beginning of the year	\$ 1,029,854	\$ 844,144
Accretion	52,491	185,710
<b>Balance, end of the year</b>	<b>\$ 1,082,345</b>	<b>\$ 1,029,854</b>
Consist of:		
Current portion	\$ -	\$ -
Non-current portion	1,082,345	1,029,854

### 11. Share capital

- (a) Authorized
- Unlimited number of common shares without par value
  - Unlimited number of convertible preference shares without par value
- (b) Issued and outstanding

At September 30, 2017 and June 30, 2017, the Company had 7,209,847 common shares issued and outstanding.

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

#### For the Three Months Ended September 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars)

#### 12. Share-based payments

No stock options were exercised, cancelled or forfeited during the three-month periods ended September 30, 2017 and 2016. At September 30, 2017 and June 30, 2017, 192,000 stock options were outstanding with weighted average exercise price of \$0.29 per common share. At September 30, 2017, the weighted average remaining contractual life of the outstanding stock options was 1.43 years.

In May 2017, the Board of Directors of the Company approved the adoption of an amended and restated stock option plan (the "Amended Plan") to increase the maximum number of common shares that may be reserved for issuance from 248,216 to 720,000, representing approximately 10% of the total issued and outstanding common shares of the Company. The filing of the Amended Plan has been accepted by the TSX Venture Exchange and the Company will be seeking shareholder approval for the Amended Plan at its annual shareholder meeting scheduled to be held in December 2017. The Company intends to grant an additional 522,000 stock options with an exercise price of \$0.85 per common share to officers and directors of the Company, which will be issued upon obtaining shareholder approval for the Amended Plan.

#### 13. Administrative expenses

For the three-month periods ended September 30,	2017	2016
Filing and transfer agent	\$ 5,043	\$ 3,142
Insurance	9,450	9,450
Investor relations	-	2,051
Legal and audit	18,404	14,035
Office	14,514	10,834
Rent	11,303	11,350
Salaries	261,661	168,535
Travel	4,167	4,101
	\$ 324,542	\$ 223,498

#### 14. Finance costs

For the three-month periods ended September 30,	2017	2016
Interest accretion on long-term payable	\$ 52,491	\$ 43,025
Interest on long-term borrowings	12,724	15,891
	\$ 65,215	\$ 58,916

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
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### 15. Crop expenses

Crop expenses include all costs associated with planting, maintaining and harvesting the ginseng crops. Crop expenses are deferred in biological assets until the crops are harvested. The components of crop expenses for the three-month periods ended September 2017 and 2016 are as follows:

For the three-month periods ended September 30,	2017	2016
Depreciation	\$ 114,589	\$ 98,253
Direct labour	696,921	604,597
Fertilizers	239,956	189,924
Fuel and utilities	43,012	51,751
Land rental	146,987	118,098
Mulch	367,825	150,000
Office	3,619	2,970
Operating and maintenance	69,686	92,922
Pesticides	523,778	553,960
Seed	194,030	410,990
	\$ 2,400,403	\$ 2,273,465

### 16. Basic and diluted earnings (loss) per share

For the three-month periods ended September 30,	2017	2016
Net income (loss)	\$ 1,124,854	\$ (512,654)
Weighted average number of shares outstanding	7,209,847	7,209,847
Basic earnings (loss) per share	\$ 0.16	\$ (0.07)
Weighted average number of shares outstanding	7,209,847	7,209,847
Effect of common share equivalents	138,971	-
	7,348,818	7,209,847
Diluted earnings (loss) per share	\$ 0.15	\$ (0.07)

Included in the calculation of diluted earnings per share for the three-month period ended September 30, 2017 was 192,000 outstanding stock options for which their exercise price of \$0.29 was lower than the average share price in the reporting period.

### 17. Segmented reporting

The Company operates principally in one single industry segment, being cultivating and selling ginseng. All the assets of the Company are located in Canada. All sales transactions are made with Distributors located in Canada (Note 3 (b)). During the three months ended September 30, 2017, there were no sales transactions between the Company and the Distributors (September 30, 2016 - \$1,723,375).

As all ginseng of the Company is sold to the Distributors who have an exclusive right to distribute the Company's ginseng in Asia and North America, the end-buyers of the ginseng are not made known to the Company.

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars)

#### 18. Financial instruments

The following table lists the carrying value which approximates its fair value of each class of financial instruments as at September 30, 2017 and June 30, 2017:

As at	September 30 2017	(Audited) June 30 2017
Loans and receivables	\$ 7,472,822	\$ 10,280,000
Available-for-sale	100,001	100,001
Other financial liabilities	4,614,138	3,972,072

#### 19. Financial risk management

##### Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations when they come due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that there is sufficient working capital for its ongoing operating expenditures through an arrangement with credit facilities. At September 30, 2017, the Company had a working capital surplus of \$7,453,000 (June 30, 2017 - \$12,554,000).

##### Credit risk

The Company's primary credit risk is its trade receivables. The carrying amounts of trade receivables represent the Company's maximum exposure to credit risk. The Company considers all its trade receivables collectible. The Company did not have any trade receivables at September 30, 2017 and June 30, 2017. Other receivables consist of input tax credit and security deposits, which credit risk is considered to be minimal.

The Company may also have credit risk relating to cash and cash equivalents, which it manages by dealing with Canadian chartered banks. To minimize its exposure to credit risk, the Company places all its cash and cash equivalents in accounts which can be drawn on demand. The Company's cash and cash equivalents carrying value as at September 30, 2017 totaled \$7,177,972 (June 30, 2017 - \$10,136,221), representing the maximum exposure to credit risk of these financial assets.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through the floating interest rate of its revolving demand facility, which may have an effect on its earnings and cash flows in future periods. The Company does not use derivative instruments to mitigate this risk. Under the credit facility agreement, the revolving demand facility is subject to a mutually agreed premium added to the prime rate (note 8). As the Company did not have an amount outstanding on the revolving demand facility on September 30, 2017, a change in the interest rate would not have any impact on the Company.

The Company's non-revolving term facility, long-term borrowings and long-term loans are not subject to interest rate risk as they are fixed interest rate loans.

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2017 and 2016

(Unaudited - Expressed in Canadian Dollars)

### 19. Financial risk management (continued)

#### Currency risk

The Company's exposure to currency risk is minimal as the agreements with the Distributors provide that the Distributors will buy all the Company's harvest in a given year in Canadian dollars.

### 20. Capital management

The Company's main objective in managing its capital is to safeguard its ability to continue operations. The Company considers its capital structure to include the revolving demand facility, long-term borrowings, long-term loans and shareholders' equity. In respect of the Credit Facility, the Company is required to maintain a current ratio of not less than 1.2 at the end of each fiscal year. With respect to the mortgages, other collateral loans and long-term loans (notes 9 and 10), the Company is not subject to any financial covenant. There have been no changes to the Company's approach to capital management since June 30, 2017. The Company's capital includes the following:

<b>As at</b>	<b>September 30 2017</b>	<b>(Audited) June 30 2017</b>
Long-term loans	\$ 1,082,345	\$ 1,029,854
Long-term borrowings	1,470,172	1,513,649
Shareholders' equity	25,077,609	23,952,754
	<b>\$ 27,630,126</b>	<b>\$ 26,496,257</b>

### 21. Subsequent event

On September 14, 2017, the Company filed a notice with the TSX Venture Exchange to make a normal course issuer bid to repurchase outstanding common shares on the open market for cancellation. As approved by the TSX Venture Exchange, the Company may repurchase for cancellation up to 360,492 common shares, representing approximately 5% of the issued and outstanding Common Shares of the Company at the time of the bid. The purchases are to be made through the facilities of TSX Venture Exchange during the period October 2, 2017 to September 30, 2018, or until such time as the bid is completed or terminated at the Company's option.