



IMPERIAL GINSENG PRODUCTS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Three Months Ended September 30, 2018 and 2017

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 2018	(Audited) June 30 2018
ASSETS			
Current			
Cash and cash equivalents		\$ 3,332,147	\$ 6,005,081
Trade and other receivables		242,638	140,005
Income tax receivable		741,000	741,000
Inventories	4	504,454	494,105
Prepaid expenses		195,713	375,872
Pre-planting costs	5	88,214	629,276
Biological assets	6	11,197,000	11,855,000
Total current assets		16,301,166	20,240,339
Biological assets	6	14,573,000	11,947,000
Property and equipment	8	7,466,478	6,518,136
Deposits		5,110	5,110
Investment		100,001	100,001
Deferred tax assets		251,000	251,000
Total Assets		\$ 38,696,755	\$ 39,061,586
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 2,298,568	\$ 2,053,835
Deposit for planting cost reimbursement	3 (c)	398,551	491,701
Current portion of long-term borrowings	9	815,542	306,402
Current portion of long-term loans	10	564,225	536,642
Total current liabilities		4,076,886	3,388,580
Long-term borrowings	9	1,075,844	1,041,875
Long-term loans	10	756,236	719,780
Deferred tax liabilities		5,171,000	5,171,000
Total liabilities		11,079,966	10,321,235
SHAREHOLDERS' EQUITY			
Share capital	11	35,050,614	35,120,605
Contributed surplus		1,154,014	1,089,722
Deficit		(8,587,839)	(7,469,976)
Total shareholders' equity		27,616,789	28,740,351
Total Liabilities and Shareholders' Equity		\$ 38,696,755	\$ 39,061,586

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 and Comprehensive Income
(Expressed in Canadian Dollars)

For the three months ended September 30,	Note	2018	2017
Administrative expenses	12	\$ (461,259)	\$ (324,542)
Change in fair value of biological assets	6	(719,442)	1,439,597
(Loss) Income from operations before other items		(1,180,701)	1,115,055
Other items			
Finance income		12,417	25,966
Finance costs	13	(77,182)	(65,215)
Other income		107,007	21,169
Gain from disposition of property and equipment		20,596	27,879
Net (loss) income and total comprehensive income		\$ (1,117,863)	\$ 1,124,854
(Loss) Earnings per share			
Basic	15	\$ (0.15)	\$ 0.16
Diluted	15	(0.15)	0.15

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
Balance, September 30, 2017	35,101,085	771,102	(10,794,578)	25,077,609
Changes in the period:				
Net income	-	-	3,604,857	3,604,857
Exercise of stock options	19,520	(10,240)	-	9,280
Changes to shareholders' equity	-	-	(63,000)	(63,000)
Share-based payment	-	328,860	-	328,860
Dividends	-	-	(217,255)	(217,255)
Balance, June 30, 2018	35,120,605	1,089,722	(7,469,976)	28,740,351
Changes in the period:				
Net loss	-	-	(1,117,863)	(1,117,863)
Exercise of stock options	49,120	(22,840)	-	26,280
Repurchase of common shares	(119,111)	87,132	-	(31,979)
Balance, September 30, 2018	\$ 35,050,614	\$ 1,154,014	\$ (8,587,839)	\$ 27,616,789

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,	2018	2017
Cash provided by (used in) operating activities:		
Net (loss) income	\$ (1,117,863)	\$ 1,124,854
Adjustments for items not involving cash:		
Depreciation	3,445	3,405
Finance income	(12,417)	(25,966)
Finance costs	77,182	65,215
Gain from disposition of property and equipment	(20,596)	(27,879)
Change in fair value of biological assets	719,442	(1,439,597)
Income taxes paid	-	(741,000)
Changes in non-cash working capital items:		
Crop costs, net of deferred depreciation of \$140,256 (September 30, 2017 - \$114,589)	(2,547,186)	(2,285,814)
Trade and other receivables	(122,838)	(140,900)
Inventories	(10,349)	(17,271)
Prepaid expenses	180,159	81,118
Pre-planting costs	541,062	590,928
Accounts payable and accrued liabilities	240,410	630,120
Deposit for planting cost reimbursement	(93,150)	(139,422)
Net cash used in operating activities	(2,162,699)	(2,322,209)
Cash provided by (used in) investing activities:		
Acquisition of property and equipment	(1,093,446)	(626,444)
Proceeds from disposition of property and equipment	22,000	27,879
Net cash used in investing activities	(1,071,446)	(598,565)
Cash provided by (used in) financing activities:		
Finance income received	32,622	15,795
Finance costs paid	(8,821)	(9,792)
Proceeds from long-term borrowings	600,000	-
Repayment of long-term borrowings	(56,891)	(43,477)
Proceeds from stock options exercised	26,280	-
Shares repurchased for cancellation	(31,979)	-
Net cash provided by (used in) financing activities	561,211	(37,474)
Decrease in cash and cash equivalents	(2,672,934)	(2,958,248)
Cash and cash equivalents, beginning of the period	6,005,081	10,136,220
Cash and cash equivalents, end of the period	\$ 3,332,147	\$ 7,177,972

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, 2018 and 2017

(Unaudited - Expressed in Canadian Dollars)

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 a distributor. 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) and IFRS interpretations issued by the International Accounting Standards Board (IASB).

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, and those in effect for the year ended June 30, 2019. 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, 2018.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 27, 2018.

(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) Changes in accounting policies

Except as described below, the accounting policies applied in these condensed interim consolidated financial statements are the same as those disclosed in Note 3 of the Company's audited annual consolidated financial statements.

Effective July 1, 2018, the Company adopted the following revised standards issued by the IASB:

IFRS 9, *Financial Instruments* ("IFRS 9") replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payment for principal and interest. Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9.

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

2. Basis of preparation (continued)

(c) Changes in accounting policies (continued)

The reclassification of financial assets and financial liabilities resulted from the adoption of the new classification requirement under IFRS 9 did not result in any changes in the measurement of the Company's financial assets and financial liabilities.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") replaces IAS 18 *Revenue*. IFRS 15 requires entities to recognize revenue when the control of goods or services transfers to the customers whereas IAS 18 required entities to recognize revenue when the risks and rewards of the goods or services transfer to the customer. Under IFRS 15, a single five-step model is utilized to achieve the core revenue recognition principle: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when or as the entity satisfies a performance obligation.

The Company concluded that the adoption of IFRS 15 did not result in any changes in the timing of revenue recognition as compared to IAS 18 as the point of transfer of risks and rewards of the goods or services and the transfer of control occur at the same time. As such, the adoption of IFRS 15 has resulted in no adjustment to the opening retained earnings or to the presentation of the Company's financial statements.

(d) 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. The nature and amounts of such estimates have not changed significantly during the interim period.

In preparing these condensed interim consolidated financial statements, the Company applied the same critical accounting estimates and judgments disclosed in Note 4 of its audited consolidated financial statements for the year ended June 30, 2018.

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, Trilogy provides accounting, office and administrative services to the Company for a monthly fee of \$10,500. For the three months ended September 30, 2018, the Company was charged \$31,500 (September 30, 2017 - \$31,500) in administrative fee. No administrative fee was outstanding to Trilogy at September 30, 2018 (June 30, 2018 - \$nil).

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

3. Related party balances and transactions (continued)

(b) Distributor services

The Company has a distribution agreement with an entity controlled by a director of the Company (the "Distributor") under which the Distributor 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 Distributor at agreed prices, the Company does not pay any selling expenses to the Distributor for the distribution of ginseng. There were no sales transactions with the Distributor during the three-month periods ended September 30, 2018 and 2017.

(c) Ginseng farming agreement

The Company and Ponderosa Ginseng Farms Corp. ("Ponderosa"), a private company having a director 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 (the "Ponderosa Acres"). 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.

In fiscal 2017, Ponderosa notified the Company that it wished to terminate the planting of new acres. The Company will continue with the farming of the Ponderosa Acres until they are gradually harvested out by the fall of 2019. At September 30, 2018, the Company was maintaining 50 Ponderosa Acres just before the start of the harvest season for the year.

For the three months ended September 30, 2018, the Company incurred Actual Costs of \$128,434 (September 30, 2017 - \$138,964). Total planting fee income realized in the period was \$19,265 (September 30, 2017 - \$20,845). At September 30, 2018, the balance of Prepayment was \$398,551 (June 30, 2018 - \$491,701).

(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.

Short-term benefits for key management personnel compensation consist of salaries, bonuses and medical benefits. Termination benefits include retiring allowance and/or severance as a result of the Company terminating an employment contract. 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 during the three-month periods ended September 30, 2018 and 2017.

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

3. Related party balances and transactions (continued)

(d) Key management personnel compensation (continued)

For the three-month periods ended September 30, 2018 and 2017, key management personnel compensation is as follows:

For the three-month periods ended September 30,	2018	2017
Short-term benefits	\$ 197,305	\$ 259,967
Termination benefits	198,888	-
	\$ 396,193	\$ 259,967

4. Inventories

As at	September 30 2018	(Audited) June 30 2018
Ginseng seed	\$ 341,811	\$ 355,839
Supplies	162,643	138,266
	\$ 504,454	\$ 494,105

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, 2018, \$542,494 of the pre-planting costs was transferred to crop expenses (September 30, 2017 - \$591,225). The table below summarizes the composition of pre-planting costs:

As at	September 30 2018	(Audited) June 30 2018
Land rental	\$ 41,028	\$ 161,907
Fertilizers and pesticides	47,186	467,369
	\$ 88,214	\$ 629,276

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2018 and 2017

(Unaudited - Expressed in Canadian Dollars)

6. 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 2018	(Audited) June 30 2018
Balance, beginning of the period	\$ 23,802,000	\$ 13,839,000
Crop expenses for the period (Note 14)	2,687,442	5,880,331
Change in fair value resulting from growth and pricing	(719,442)	7,910,669
Change due to harvested crops transferred to inventories	-	(3,828,000)
Balance, end of the period	\$ 25,770,000	\$ 23,802,000
Consist of:		
Current portion	\$ 11,197,000	\$ 11,855,000
Non-current portion	14,573,000	11,947,000

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 2018	(Audited) June 30 2018
Immature ginseng crops	\$ 6,250,000	\$ 4,424,000
Near maturity ginseng crops	8,323,000	7,523,000
Mature ginseng crops	11,197,000	11,855,000
	\$ 25,770,000	\$ 23,802,000

7. 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, 2018, the Company was in compliance with the financial covenants contained within the Credit Facility. At September 30, 2018, \$nil was drawn on the revolving demand facility (June 30, 2018 - \$nil).

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2018 and 2017

(Unaudited - Expressed in Canadian Dollars)

8. Property and equipment

	Land	Buildings	Leasehold improvements	Farming equipment	Office and laboratory equipment	Processing equipment	Shadehousing and irrigation	Total
Cost								
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	-	145,545	-	350,651	-	-	641,645	1,137,841
Disposals	-	-	-	(89,225)	(2,342)	-	-	(91,567)
Balance, June 30, 2018	1,967,675	1,362,725	30,128	2,653,451	63,934	882,900	3,683,577	10,644,390
Acquired	-	5,308	-	81,607	1,949	-	1,004,582	1,093,446
Disposal	-	-	-	(80,929)	(9,666)	(19,989)	(429,684)	(540,268)
Balance, Sep 30, 2018	\$ 1,967,675	\$ 1,368,033	\$ 30,128	\$ 2,654,129	\$ 56,217	\$ 862,911	\$ 4,258,475	\$ 11,197,568
Accumulated depreciation								
Balance, June 30, 2017	\$ -	\$ 281,520	\$ 9,415	1,434,494	30,357	310,766	1,578,978	3,645,530
Depreciation	-	66,866	7,532	249,257	10,776	23,054	158,445	515,930
Disposals	-	-	-	(32,863)	(2,343)	-	-	(35,206)
Balance, June 30, 2018	-	348,386	16,947	1,650,888	38,790	333,820	1,737,423	4,126,254
Depreciation	-	17,088	1,883	63,057	2,702	-	58,971	143,701
Disposal	-	-	-	(79,525)	(9,667)	(19,989)	(429,684)	(538,865)
Balance, Sep 30, 2018	\$ -	\$ 365,474	\$ 18,830	\$ 1,634,420	\$ 31,825	\$ 313,831	\$ 1,366,710	\$ 3,731,090
Carrying amounts								
At June 30, 2018	\$ 1,967,675	\$ 1,014,339	\$ 13,181	\$ 1,002,563	\$ 25,144	\$ 549,080	\$ 1,946,154	\$ 6,518,136
At Sep 30, 2018	1,967,675	1,002,559	11,298	1,019,709	24,392	549,080	2,891,765	7,466,478

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2018 and 2017

(Unaudited - Expressed in Canadian Dollars)

9. Long-term borrowings

As at	September 30 2018	(Audited) June 30 2018
Current portion of principal:		
Mortgages (a)	\$ 590,527	\$ 164,451
Revolving term facility (b)	192,243	109,433
Other collateral loans (c)	32,772	32,518
	815,542	306,402
Non-current portion of principal:		
Mortgages (a)	373,536	813,393
Revolving term facility (b)	620,825	138,710
Other collateral loans (c)	81,483	89,772
	1,075,844	1,041,875
	\$ 1,891,386	\$ 1,348,277

(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, 2018, the principal balance was \$395,523 (June 30, 2018 - \$400,929).
- (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, 2018, the principal balance was \$459,917 (June 30, 2018 - \$468,292).
- (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, 2018, the principal balance was \$108,623 (June 30, 2018 - \$108,623).

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 2018	(Audited) June 30 2018
Within 1 year	\$ 620,128	\$ 197,270
After 1 year but within 5 years	386,452	830,236
Total principal and interest payment	\$ 1,006,580	\$ 1,027,506

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2018 and 2017
(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, 2018, the Company had several fixed rate term loans at annual interest rates between 2.28% and 4.25% maturing from 2019 to 2024. Minimum principal and interest payments over the term of the loans are as follows:

As at	September 30 2018	(Audited) June 30 2018
Within 1 year	\$ 220,794	\$ 115,249
After 1 year but within 5 years	576,856	144,456
Total principal and interest payment	\$ 797,650	\$ 259,705

(c) Other collateral loans

The Company financed certain equipment and vehicle purchases via collateral loans at interest rates ranging from 2.90% to 3.49% maturing from 2020 to 2022. 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 2018	(Audited) June 30 2018
Within 1 year	\$ 35,744	\$ 35,744
After 1 year but within 5 years	85,166	94,102
Total principal and interest payment	\$ 120,910	\$ 129,846

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, 2018 and 2017

(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:

As at	September 30 2018	(Audited) June 30 2018
Within 1 year	\$ 593,225	\$ 593,225
After 1 year but within 5 years	1,061,225	1,061,225
Total principal and interest payment	\$ 1,654,450	\$ 1,654,450

The Loans are measured at amortized cost and accreted to their face value over the term at effective interest rate of 22%. At September 30, 2018 and June 30, 2018, the carrying amount of the Loans was as follows:

As at	September 30 2018	(Audited) June 30 2018
Balance, beginning of the year	\$ 1,256,422	\$ 1,029,854
Accretion	64,039	226,568
Balance, end of the year	\$ 1,320,461	\$ 1,256,422
Consist of:		
Current portion	\$ 564,225	\$ 536,642
Non-current portion	756,236	719,780

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

	Number of common shares	Amount
Balance, July 1, 2017	7,209,847	\$ 35,101,085
Shares issued upon exercise of stock options	32,000	19,520
Balance, June 30, 2018	7,241,847	35,120,605
Shares issued upon exercise of stock options (Note 11 (c))	52,000	49,120
Shares repurchased and cancelled under NCIB (Note 11 (d))	(24,900)	(119,111)
	7,268,947	\$ 35,050,614

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

11. Share capital (continued)

(c) Stock options

The Company has an amended and restated stock option plan (the "Amended Plan") under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 720,000 common shares. The Amended Plan was adopted by the Board of Directors of the Company (the "Board") in May 2017 and approved by shareholders of the Company in December 2017. Under the Amended Plan, the stock options can be granted for a maximum term of 10 years and vest at the discretion of the Board. The exercise price of each option is determined by the Board, subject to the pricing policies of the TSXV.

In December 2017, upon the receipt of shareholder approval of the Amended Plan, the Company issued 522,000 stock options that were granted in May 2017 to officers and directors of the Company. Each stock option entitles the holder to purchase one common share at an exercise price of \$0.85 per common share on or before May 26, 2022. All these options vested immediately upon issuance. The Company used the Black-Scholes option pricing model with the following assumptions to value these stock options and recorded an estimated grant value of \$328,860, which was charged to profit or loss for the year ended June 30, 2018.

Stock price on the date of grant	\$ 0.85
Exercise price	\$ 0.85
Risk-free interest rate	1.53%
Expected life	5 years
Expected volatility	98.76%
Forfeiture rate	0%

During the three months ended September 30, 2018, 52,000 stock options were exercised (September 30, 2017 – no stock options exercised). A continuity schedule of stock options outstanding and exercisable is as follows:

	Number of options	Weighted average exercise price
Outstanding and exercisable, July 1, 2017	192,000	\$ 0.29
Granted	522,000	0.85
Exercised	(32,000)	
Outstanding and exercisable, June 30, 2018	682,000	0.72
Exercised	(52,000)	
Outstanding and exercisable, September 30, 2018	630,000	\$ 0.74

The following table summarizes information on stock options outstanding and exercisable at September 30, 2018:

Number of stock options	Weighted-average exercise price (\$)	Expiry date	Weighted-average remaining contractual life (years)
128,000	\$ 0.29	March 4, 2019	0.42
502,000	0.85	May 26, 2022	3.65
630,000	\$ 0.74		3.00

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

11. Share capital (continued)

(d) Normal course issuer bid

In September 2017, the Company filed a notice with the TSXV to make a normal course issuer bid ("NCIB") to repurchase outstanding common shares on the open market for cancellation. The Company may repurchase, for cancellation, up to 360,492 common shares over a twelve-month period commencing October 2, 2017 and ending September 30, 2018. All purchases are made through the facilities of the TSXV and are done at market prices. As purchases are made, the Company reduces share capital for the average book value of the common shares repurchased, and charges contributed surplus for the difference between the price paid and the average book value. During the three-month period ended September 30, 2018, the Company repurchased 24,900 common shares for cancellation at an average price of \$1.28 per share (September 30, 2017 – no shares were repurchased).

In September 2018, TSXV approved the renewal of the NCIB under which the Company will be entitled to repurchase for cancellation up to 363,000 common shares over a twelve-month period commencing October 1, 2018 and ending September 30, 2019.

12. Administrative expenses

For the three-month periods ended September 30,	2018	2017
Filing and transfer agent	\$ 5,887	\$ 5,043
Insurance	9,450	9,450
Investor relations	1,170	-
Office	14,732	14,514
Professional fees	15,645	18,404
Rent	11,942	11,303
Salaries	393,898	261,661
Travel	8,535	4,167
	\$ 461,259	\$ 324,542

13. Finance costs

For the three-month periods ended September 30,	2018	2017
Interest accretion on long-term payable	\$ 64,039	\$ 52,491
Interest on long-term borrowings	13,143	12,724
	\$ 77,182	\$ 65,215

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

14. 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 30, 2018 and 2017 are detailed as follows:

For the three-month periods ended September 30,	2018	2017
Depreciation	\$ 140,256	\$ 114,589
Direct labour	856,109	696,921
Fertilizers	268,235	239,956
Fuel and utilities	57,906	43,012
Land rental	153,547	146,987
Mulch	257,400	367,825
Office and program fees	2,419	3,619
Operating and maintenance	96,665	69,686
Pesticides	639,531	523,778
Seed	215,374	194,030
	\$ 2,687,442	\$ 2,400,403

15. Basic and diluted earnings (loss) per share

For the three-month periods ended September 30,	2018	2017
Net (loss) income	\$ (1,117,863)	\$ 1,124,854
Weighted average number of shares outstanding	7,264,750	7,209,847
Basic (loss) earnings per share	\$ (0.15)	\$ 0.16
Weighted average number of shares outstanding	7,264,750	7,209,847
Effect of common share equivalents	-	138,971
	7,264,750	7,348,818
Diluted (loss) earnings per share	\$ (0.15)	\$ 0.15

For the three-month period ended September 30, 2018, potentially dilutive common shares relating to the outstanding stock options at period end, totaling 322,435, were not included in the computation of loss per share because their effect was anti-dilutive.

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 weighted average exercise price of \$0.29 was lower than the average share price in the corresponding reporting period.

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

16. 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 Distributor located in Canada (Note 3 (b)). The Company had no sales transactions with the Distributor during the three-month periods ended September 30, 2018 and 2017.

As all ginseng of the Company is sold to the Distributor who has an exclusive right to distribute the Company's ginseng in Asia and North America (Note 3 (b)), the end-buyers of the ginseng are not made known to the Company.

17. Financial instruments

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities, and loans and borrowings. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities approximate their fair value. The following table lists the classification of the Company's financial assets and financial liabilities at September 30, 2018 and June 30, 2018:

	As at September 30, 2018		As at June 30, 2018	
	Amortized cost	Fair value through other comprehensive income	Loans and receivables	Available-for-sale
Financial assets				
Cash and cash equivalents	\$ 3,332,147	\$ -	\$ 6,005,081	\$ -
Trade and other receivables	247,748	-	145,115	-
Investment	-	100,001	-	100,001
Total financial assets	\$ 3,579,895	\$ 100,001	\$ 6,150,196	\$ 100,001
	Amortized cost	Fair value through profit or loss	Amortized cost	Fair value through profit or loss
Financial liabilities				
Accounts payable and accrued liabilities	\$ 2,298,568	\$ -	\$ 2,053,835	\$ -
Loans and borrowings	3,211,847	-	2,604,699	-
Total financial liabilities	\$ 5,510,415	\$ -	\$ 4,658,534	\$ -

18. 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, 2018, the Company had a working capital surplus of approximately \$12,224,000 (June 30, 2018 - \$16,852,000).

Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2018 and 2017

(Unaudited - Expressed in Canadian Dollars)

18. Financial risk management (continued)

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 did not have any trade receivables at September 30, 2018 (June 30, 2018 - \$24,444). Other receivables consist of input tax credit and security deposits, which credit risks are 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, 2018 totaled \$3,332,147 (June 30, 2018 - \$6,005,081), 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 7). As the Company did not have an amount outstanding on the revolving demand facility on September 30, 2018, a change in the interest rate would not have any impact on the Company.

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

Currency risk

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

19. 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 loans, long-term borrowings 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, 2018. The Company's capital includes the following:

As at	September 30 2018	(Audited) June 30 2018
Long-term loans	\$ 1,320,461	\$ 1,256,422
Long-term borrowings	1,891,386	1,348,277
Shareholders' equity	27,616,789	28,740,351
	\$ 30,828,636	\$ 31,345,050