



IMPERIAL GINSENG PRODUCTS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Three Months Ended September 30, 2020 and 2019

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 2020	(Audited) June 30 2019
ASSETS			
Current			
Cash and cash equivalents		\$ 2,436,991	\$ 2,141,629
Trade and other receivables		131,494	97,538
Inventories	5	1,273,837	2,244,566
Prepaid expenses		37,969	2,400
Biological assets	6	3,195,000	2,862,000
Current assets before assets held for sale		7,075,291	7,348,133
Non-current assets classified as held for sale	7	500,000	1,092,889
Total current assets		7,575,291	8,441,022
Biological assets	6	741,000	5,310,000
Property and equipment	9	5,596,978	5,901,898
Right-of-use assets	10 (a)	277,695	789,152
Investments	8	167,010	167,010
Deferred tax assets		1,082,000	106,000
Total Assets		\$ 15,439,974	\$ 20,715,082
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 1,113,869	\$ 716,694
Deposit for planting cost reimbursement	4 (c)	48,776	55,694
Current portion of long-term borrowings	12	511,716	559,711
Current portion of long-term loans	13	484,865	461,350
Current portion of lease liabilities	10 (b)	281,742	621,474
Total current liabilities		2,440,968	2,414,923
Long-term borrowings	12	397,918	796,176
Lease liabilities	10 (b)	384,863	517,126
Deferred tax liabilities		-	571,000
Total liabilities		3,223,749	4,299,225
SHAREHOLDERS' EQUITY			
Share capital	14	34,792,623	34,792,623
Contributed surplus		1,344,158	1,344,158
Accumulated other comprehensive loss		(66,767)	(66,767)
Deficit		(23,853,789)	(19,654,157)
Total shareholders' equity		12,216,225	16,415,857
Total Liabilities and Shareholders' Equity		\$ 15,439,974	\$ 20,715,082

Going concern (Note 1)
Event after the reporting period (Note 22)

On Behalf of the Board

(signed) "Stephen McCoach"
Director

(signed) "Maurice Levesque"
Director

The accompanying notes to the consolidated financial statements are an integral part of these statements.

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

For the three months ended September 30,	Note	2020	2019
Revenues		\$ 1,023,805	\$ 545,444
Cost of sales		966,661	449,883
Gross profit		57,144	95,561
Administrative expenses	15	(217,989)	(262,255)
Decrease in fair value of biological assets	6	(1,703,647)	(1,075,008)
Loss from operations before other items		(1,864,492)	(1,241,702)
Other items			
Finance income		1,498	16,989
Finance costs	16	(59,440)	(70,488)
Other income	4 (b) & (c)	20,088	12,462
Gain from disposition of assets held for sale	7	127,388	-
Impairment loss on classification of assets held for sale	7	(3,971,674)	-
Loss before tax recovery		(5,746,632)	(1,282,739)
Income tax recovery		1,547,000	394,000
Net loss and total comprehensive loss for the period		\$ (4,199,632)	\$ (888,739)
Loss per share, basic and diluted	17	\$ (0.57)	\$ (0.12)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

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

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
Opening balance, Jul 1, 2019	\$ 34,792,623	\$ 1,344,158	\$ (19,871)	\$ (12,072,502)	\$ 24,044,408
Net loss for the period	-	-	-	(888,739)	(888,739)
Balance, Sep 30, 2019	34,792,623	1,344,158	(19,871)	(12,961,241)	23,155,669
Changes from Oct 1, 2019 to Jun 30, 2020:					
Net loss				(6,465,484)	(6,465,484)
Change in fair value of investments	-	-	(46,896)	-	(46,896)
Repurchase of preferred shares	-	-	-	(227,432)	(227,432)
Balance, Jun 30, 2020	34,792,623	1,344,158	(66,767)	(19,654,157)	16,415,857
Net loss for the period	-	-	-	(4,199,632)	(4,199,632)
Balance, Sep 30, 2020	\$ 34,792,623	\$ 1,344,158	\$ (66,767)	\$ (23,853,789)	\$ 12,216,225

The accompanying notes to the consolidated financial statements are an integral part of these statements.

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

For the three months ended September 30,	Note	2020	2019
Cash provided by (used in) operating activities:			
Net loss		\$ (4,199,632)	\$ (888,739)
Adjustments for items not involving cash:			
Depreciation		44,740	2,700
Finance income		(1,498)	(16,988)
Finance costs		59,440	70,488
Decrease in fair value of biological assets		1,703,647	1,075,008
Gain from disposition of assets held for sale		(127,388)	-
Impairment loss on classification of assets held for sale		3,971,674	-
Income tax recovery		(1,547,000)	(394,000)
Changes in non-cash working capital items:			
Crop costs, net of depreciation	6	(1,476,428)	(2,081,846)
Trade and other receivables		(33,956)	(23,418)
Inventories		941,379	526,777
Prepaid expenses		(35,569)	13,004
Pre-planting costs		-	212,054
Accounts payable and accrued liabilities		396,054	(266,084)
Deposit for planting cost reimbursement		(6,918)	(120,244)
Net cash used in operating activities		(311,455)	(1,891,288)
Cash provided by (used in) investing activities:			
Acquisition of property and equipment		(16,194)	(129,197)
Proceeds from disposition of assets held for sale		1,220,277	-
Net cash provided by (used in) investing activities		1,204,083	(129,197)
Cash provided by (used in) financing activities:			
Finance income received		1,498	22,958
Finance costs paid		(25,909)	(13,797)
Repayment of long-term borrowings		(446,253)	(68,502)
Principal payments of lease liabilities		(117,707)	(7,230)
Interest paid on lease liabilities		(8,895)	(1,770)
Net cash used in financing activities		(597,266)	(68,341)
Increase (decrease) in cash and cash equivalents		295,362	(2,088,826)
Cash and cash equivalents, beginning of the period		2,141,629	5,112,635
Cash and cash equivalents, end of the period		\$ 2,436,991	\$ 3,023,810

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2020 and 2019 (Unaudited – Expressed in Canadian Dollars)

1. Nature of operations and going concern

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 China 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 555, 701 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1E4.

As disclosed in Note 1 to the Company’s audited consolidated financial statements for the year ended June 30, 2020, the continuing downward pressure on ginseng prices as a result of the political factors and COVID-19 cast significant doubt about the future ginseng prices and hence, the ability of the Company to attain profitability. In June 2020, the Board of the Company, after taking into account the material uncertainties that may cast significant doubt to the Company’s ability to realize its assets and discharge its liabilities, decided that the Company will completely cease planting new crops going forward. In October 2020, the Board, in the ultimate best interest of the stakeholders, approved the abandonment of all the immature crops. In early November 2020, the Company found a party who was interested in buying all the Company’s immature crops, which the Company planned to abandon. Prior to the issue of these financial statements, an agreement was reached and the Company sold all of its 1-year-old and 2-year-old crops, totaling 203 acres, for \$500,000 (Note 22). The Company plans to continue with the mature and near-maturity crops, of approximately 320 acres, until they are gradually harvested out, which is expected to be completed by fiscal 2022.

At September 30, 2020, not including the carrying amount of the crops held for sale, the Company had a working capital of approximately \$4.63 million, all of which was made up of ginseng in the form of dried root inventory and mature crops. As such, the ability of the Company to continue in operations depends highly on its ability to generate sales and provide adequate funds for its operating requirements. The Company may acquire additional working capital to fund its operations by selling its real properties.

These financial statements have been prepared on the assumption that the Company is a going concern. Management believes that it remains appropriate to prepare these financial statements on a going concern basis as there is reasonable expectation that the Company will continue in operations for the next 12 months from the date these financial statements are authorized to issue. These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, and the reported revenues and expenses, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations and that such adjustments could be material. The Company concluded that these financial statements appropriately reflect and disclose management’s best estimate of the Company’s future operations and financial results at this time.

The duration and impact of the COVID-19 pandemic on the ginseng industry, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

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).

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2020 and 2019 (Unaudited – Expressed in Canadian Dollars)

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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, 2021. These condensed interim consolidated financial statements do not contain all disclosures required by IFRS for annual financial statements. Accordingly, these financial statements should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended June 30, 2020.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 26, 2020.

(b) Basis of consolidation, presentation and measurement

These condensed interim financial statements include the accounts of the Company's subsidiaries over which it has control, where control is defined as the power to govern the financial and operating policies. Control is achieved when the Company has power over its subsidiaries, has exposure or rights to variable returns from the subsidiaries and has the ability to use its power to affect the amount of the returns. The Company has two wholly owned subsidiaries, Canadian Imperial Ginseng Ontario Ltd. ("CIGO") and Knightswood Holdings Ltd. ("Knightswood"). These consolidated financial statements do not include the accounts of Knightswood as the Company does not have control based on the definition of control under IFRS 10.

These condensed interim consolidated financial statements have been prepared on a historical cost basis with the exception of biological assets and investments 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.

3. Critical accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on past experience and factors considered reasonable under the circumstances. Though these estimates and assumptions are reviewed on an ongoing basis, due to their uncertainty, material adjustments could be required in future periods. In preparing these condensed interim consolidated financial statements, the Company applied the same critical accounting estimates and judgments disclosed in the Company's audited consolidated financial statements for the year ended June 30, 2020.

4. Related party balances and transactions

(a) Key management personnel compensation

The Company's key management personnel include members of the Board, executive officers and the President of CIGO. 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 during the three-month periods ended September 30, 2020 and 2019. For the three-month period ended September 30, 2020, key management personnel compensation consisted solely of short-term benefits of \$177,331 (September 30, 2019 - \$174,474).

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2020 and 2019 (Unaudited – Expressed in Canadian Dollars)

4. Related party balances and transactions (continued)

(b) Knightswood Holdings Ltd. and Business Management Agreement

In January 2020, the Company entered into a business management agreement with Elcyc Holdings Ltd. and Canterra Capital Corp. (collectively the “Operator”) for the management of Knightswood Holdings Ltd. (the “Knightswood Agreement”). The Company acquired Knightswood in January 2020 (Note 8 (b)). Each Operator is owned and controlled by a director of the Company. Under the Knightswood Agreement, the Operator is solely responsible for managing the business operations and financial affairs, making decisions and setting out policies of Knightswood. In return, the Operator is entitled to all the cash surplus in Knightswood after paying a fixed annual fee of \$50,000 to the Company for holding the shares of Knightswood (the “Fixed Fee”). The Fixed Fee is due in four equal instalments at the end of each calendar quarter and is to be paid by Knightswood directly to the Company. For the three months ended September 30, 2020, the Company reported \$12,500 in other income (September 30, 2019 - \$nil). No amount was outstanding from Knightswood at September 30, 2020 (June 30, 2020 - \$nil).

(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 reimburses the Company the actual farming and root processing 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 2017, Ponderosa notified the Company to terminate planting new acres but continue with farming the existing Ponderosa Acres until they are gradually harvested out. At September 30, 2020, there remained 7 Ponderosa Acres which will all be harvested in the fall of 2020. For the three months ended September 30, 2020, the Company incurred Actual Costs of \$28,586 (September 30, 2019 - \$83,077). Total planting fee income realized in the period was \$4,288 (September 30, 2019 - \$12,462). At September 30, 2020, the balance of prepayment was \$48,776 (June 30, 2020 - \$55,694).

Pursuant to the Farming Agreement, the Company will undertake the selling of ginseng root harvested from the Ponderosa Acres and pay to Ponderosa the full amount of proceeds from each completed sale within 30 days of receipt by the Company. For the three months ended September 30, 2020, the Company made sales totaling \$152,759 for Ponderosa (September 30, 2019 - \$96,575). No amounts were outstanding to Ponderosa at September 30, 2020 (June 30, 2020 - \$nil).

5. Inventories

At September 30, 2020, the Company’s inventories consisted of dried root of \$1,180,748 and chemicals of \$93,089 (June 30, 2020 – dried root of \$2,147,409 and chemicals of \$97,157).

6. Biological assets

The Company’s biological assets consist solely of ginseng crops. 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. In estimating the fair value of the ginseng crops, the Company applied the same key assumptions disclosed in its audited consolidated financial statements for the year ended June 30, 2020.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

6. Biological assets (continued)

The following table presents the fair value of each category of the crops:

As at	September 30 2020	(Audited) June 30 2020
Immature ginseng crops	\$ -	\$ 3,804,000
Near maturity ginseng crops	741,000	1,506,000
Mature ginseng crops	3,195,000	2,862,000
	\$ 3,936,000	\$ 8,172,000

Changes to the fair value of biological assets are summarized as follows:

As at	September 30 2020	(Audited) June 30 2020
Balance, beginning of the period	\$ 8,172,000	\$ 16,252,000
Crop expenses in the period	1,885,382	5,563,407
Change in fair value due to lowering price and yield expectations	(1,703,647)	(7,248,407)
Crops reclassified as assets held for sale (Note 7)	(4,417,735)	-
Fair value of harvested crops transferred to inventories	-	(6,395,000)
Balance, end of the period	\$ 3,936,000	\$ 8,172,000
Consist of:		
Current portion	\$ 3,195,000	\$ 2,862,000
Non-current portion	741,000	5,310,000

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, 2020 and 2019 are as follows:

For the three months ended September 30,	2020	2019
Direct labour	\$ 713,810	\$ 948,987
Fertilizers	9,011	139,215
Fuel and utilities	40,744	49,095
Short-term leases	-	30,774
Mulch	58,500	126,945
Office and program fees	2,812	2,351
Operating and maintenance	121,941	108,072
Pesticides	529,610	603,415
Seed	-	72,992
Crop costs before depreciation	1,476,428	2,081,846
Depreciation – property and equipment	319,773	143,205
Depreciation – right-of-use assets	89,181	111,957
	\$ 1,885,382	\$ 2,337,008

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2020 and 2019 (Unaudited – Expressed in Canadian Dollars)

7. Non-current assets classified as held for sale

Upon the Company entering into an agreement for the sale of all its immature crops in November 2020 (Note 22), crop costs in biological assets, right-of-use assets and lease liabilities allocable to these crops were classified as held for sale at September 30, 2020. On classification of these crops as held for sale, an impairment loss of \$3,971,674 was recognized on the consolidated statements of loss.

In September 2020, the Company completed the sale of its property in Walsingham, Ontario, which was classified as held for sale at June 30, 2020, and reported a gain of \$127,388 on the consolidated statements of loss.

8. Investments

(a) Ponderosa Ginseng Farms Corp.

In 1994, the Company invested \$395,000 in the preferred shares of Ponderosa and wrote down the investment to a nominal \$1 in 2002 due to a prolonged economic downturn in the ginseng industry at that time. In 2005, Ponderosa underwent an equity restructuring and converted its preferred shares into common shares resulting in the Company owning a 1% of the voting rights in Ponderosa. In 2016, the Company acquired additional common shares of Ponderosa for \$100,000, resulting in the Company holding a total of approximately 9.8% of the voting rights in Ponderosa.

The investment in Ponderosa is categorized as fair value through other comprehensive income. When estimating the fair value of the investment, the Company applies the same key assumptions and unobservable inputs, that is, expected prices and yields, market volatility and discount rate, used in determining the fair value of its own ginseng crops as Ponderosa is in the same ginseng industry as the Company. In addition, since Ponderosa is expected to be wound up in fiscal 2021, the Company considers the probability of possible outcomes when discounting the value of the projected cash flows upon Ponderosa's liquidation.

(b) Knightswood Holdings Ltd.

On January 6, 2020, the Company and Auxly Cannabis Group Inc. entered into a share purchase agreement under which the Company bought all the issued and outstanding shares of Knightswood Holdings Ltd. ("Knightswood") for \$10. Knightswood is in the business of providing its subsidiaries a qualified investment, as defined in the *Income Tax Act* (Canada), for their debentures or debt securities.

The Company has engaged the Operator for the sole management and finances of Knightswood (Note 4 (b)). Under the agreement with the Operator, the Company will not commit its management or resources and is under no obligation to advance funds to or cover the expenses of Knightswood. On the other hand, the Company does not have any right to any variable financial returns from the activities of Knightswood other than the Fixed Fee. The Company also has no rights, power, ability or obligation to direct the activities of Knightswood or be involved in any of the daily affairs, decision making, management or activities of Knightswood. As such, the financial results and position of Knightswood are not consolidated with the financial statements of the Company pursuant to the definition of control under IFRS.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

9. Property and equipment

	Land	Buildings	Leasehold improvements	Farming equipment	Office and laboratory equipment	Processing equipment	Shadehousing and irrigation	Total
Cost								
Balance, June 30, 2019	\$ 1,967,675	\$ 1,767,789	\$ 30,128	\$ 2,700,704	\$ 58,131	\$ 860,446	\$ 4,333,987	\$ 11,718,860
Acquired	-	176,018	-	5,289	1,900	18,752	67,071	269,030
Disposal	-	-	-	-	-	(1,135)	-	(1,135)
Reclassified to held for sale	(967,179)	(180,422)	-	-	-	-	-	(1,147,601)
Balance, June 30, 2020	1,000,496	1,763,385	30,128	2,705,993	60,031	878,063	4,401,058	10,839,154
Acquired	-	-	-	1,900	2,596	-	11,698	16,194
Disposal	-	-	-	(2,800)	-	-	-	(2,800)
Balance, Sep 30, 2020	\$ 1,000,496	\$ 1,763,385	\$ 30,128	\$ 2,705,093	\$ 62,627	\$ 878,063	\$ 4,412,756	\$ 10,852,548
Accumulated depreciation								
Balance, June 30, 2019	\$ -	\$ 421,231	\$ 24,479	\$ 1,776,821	\$ 40,159	\$ 362,576	\$ 1,542,818	\$ 4,168,084
Depreciation	-	93,554	5,649	222,539	9,400	176,491	317,386	825,019
Disposal	-	-	-	-	-	(1,135)	-	(1,135)
Reclassified to held for sale	-	(54,712)	-	-	-	-	-	(54,712)
Balance, June 30, 2020	-	460,073	30,128	1,999,360	49,559	537,932	1,860,204	4,973,256
Depreciation	-	20,715	-	27,930	2,190	-	270,279	321,114
Disposal	-	-	-	(2,800)	-	-	-	(2,800)
Balance, Sep 30, 2020	\$ -	\$ 480,788	\$ 30,128	\$ 2,024,490	\$ 51,749	\$ 537,932	\$ 2,130,483	\$ 5,255,570
Carrying amounts								
At June 30, 2020	\$ 1,000,496	\$ 1,303,312	\$ -	\$ 706,633	\$ 10,472	\$ 340,131	\$ 2,540,854	\$ 5,901,898
At Sep 30, 2020	1,000,496	1,282,597	-	680,603	10,878	340,131	2,282,273	5,596,978

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

10. Leases

The Company has lease agreements for the land used for cultivation and an office space. Lease term for the land generally ranges from five to seven years with an option to extend for one additional year or terminate before the end of the term.

(a) Right-of-use assets

As at	September 30 2020	(Audited) June 30 2020
Balance, beginning of the period	\$ 789,152	\$ 1,520,504
Additions during the period	-	140,490
Derecognition as a result of sale of crops (Note 7)	(408,227)	-
Depreciation recognized in current crop costs (Note 6)	(89,181)	(440,236)
Depreciation recognized in administrative expenses	(14,049)	(14,049)
Impairment	-	(417,557)
	\$ 277,695	\$ 789,152

(b) Lease liabilities

As at	September 30 2020	(Audited) June 30 2020
Balance, beginning of the period	\$ 1,138,600	\$ 1,205,241
Additions during the period	-	140,490
Removal as a result of sale of crops (Note 7)	(354,288)	-
Interest accretion (Note 16)	8,895	40,667
Payments	(126,602)	(247,798)
	\$ 666,605	\$ 1,138,600
Consist of:		
Current portion	\$ 281,742	\$ 621,474
Non-current portion	384,863	517,126

(c) Contractual undiscounted cash flows

As at	September 30 2020	(Audited) June 30 2020
Within 1 year	\$ 289,753	\$ 645,233
After 1 year but within 5 years	418,489	543,897
Total undiscounted lease payments	\$ 708,242	\$ 1,189,130

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements
For the Three Months Ended September 30, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

11. Credit facilities

The credit facilities made available to CIGO by a Canadian chartered bank (the “Bank”) include a revolving term facility (Note 12 (b)) and a revolving demand facility of \$1,000,000 at annual interest rate of Bank’s prime rate plus 0.5% (the “Credit Facility”). The Credit Facility is renewed annually and collateralized by general security agreements and a charge over all ginseng inventories and crops. No financial covenants are imposed on the Company with respect to the Credit Facility. At September 30, 2020, \$Nil was drawn on the revolving demand facility (June 30, 2020 - \$Nil).

12. Long-term borrowings

As at	September 30 2020	(Audited) June 30 2020
Current portion of principal:		
Mortgages (a)	\$ 350,949	\$ 393,394
Revolving term facility (b)	128,364	134,073
Other collateral loans (c)	32,403	32,244
	511,716	559,711
Non-current portion of principal:		
Mortgages (a)	-	362,187
Revolving term facility (b)	332,601	360,511
Other collateral loans (c)	65,317	73,478
	397,918	796,176
	\$ 909,634	\$ 1,355,887

(a) Mortgages

The mortgage on the Company’s farm property in Tillsonburg, Ontario 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 ending in January 2021. At September 30, 2020, the principal balance was \$350,949 (June 30, 2020 - \$356,653).

In September 2020, the Company sold its farm property in Walsingham, Ontario and the imposed security on the property was discharged upon paying out the mortgage of \$389,872 in its entirety.

No financial covenants are imposed on the Company with respect to the mortgage. Minimum mortgage payments, including interest, during the amortization period are as follows:

As at	September 30 2020	(Audited) June 30 2020
Within 1 year	\$ 354,075	\$ 413,321
After 1 year but within 5 years	-	397,507
Total principal and interest payment	\$ 354,075	\$ 810,828

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2020 and 2019 (Unaudited – Expressed in Canadian Dollars)

12. Long-term borrowings (continued)

(b) Revolving term facility

The Bank has made available to the Company a 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 for which the 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 seven years for fixed rate term loans.

At September 30, 2020, the Company had several fixed rate term loans at annual interest rates between 2.82% and 4.25% maturing from 2021 to 2024. Minimum principal and interest payments over the term of the loans are as follows:

As at	September 30 2020	(Audited) June 30 2020
Within 1 year	\$ 145,108	\$ 152,125
After 1 year but within 5 years	353,564	385,178
Total principal and interest payment	\$ 498,672	\$ 537,303

(c) Other collateral loans

The Company financed certain equipment and vehicle purchases via collateral loans at interest rates ranging from 0% to 2.90% maturing from 2022 to 2025. 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 2020	(Audited) June 30 2020
Within 1 year	\$ 33,583	\$ 33,584
After 1 year but within 5 years	65,873	74,269
Total principal and interest payment	\$ 99,456	\$ 107,853

13. 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"). At that time, Trilogy assigned the Indebtedness to certain parties, who are, or were directors and officers of the Company (together the "Debt Holders"). The Indebtedness of \$1,870,000 was 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 are subordinate to the Company's indebtedness to the Bank. The Loans bore 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. Any amount due and not paid will bear an interest rate of 12% per annum. Beginning on January 1, 2018, the Company was 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.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2020 and 2019 (Unaudited – Expressed in Canadian Dollars)

13. Long-term loans (continued)

The Loans are measured at amortized cost and accreted to their face value over the term at effective interest rate of 22%. As the Loans will be fully repaid on January 1, 2021, at September 30, 2020 and June 30, 2020, the carrying amount of the Loans, being all current, was as follows:

As at	September 30 2020	(Audited) June 30 2020
Balance, beginning of the period	\$ 461,350	\$ 877,597
Accretion	23,515	135,403
Payment during the period	-	(551,650)
Balance, end of the period	\$ 484,865	\$ 461,350

At September 30, 2020, the minimum principal and interest payments over the remaining term of the Loans was \$509,575 (June 30, 2020 - \$509,575).

14. 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, 2020 and June 30, 2020, the Company had 7,326,547 issued and outstanding common shares. There were no shares transactions during the three months ended September 30, 2020 and the year ended June 30, 2020.

- (c) Stock options

The Company has an amended and restated stock option plan (the "Option 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. During the three-month periods ended September 30, 2020 and 2019, no stock options were granted, exercised or forfeited. Below is a continuity schedule of stock options outstanding and exercisable:

	Number of options	Weighted average exercise price
Outstanding and exercisable, June 30, 2019	\$ 502,000	\$ 0.85
Forfeited	(320,000)	0.85
Outstanding and exercisable, September 30, 2020 and June 30, 2020	\$ 182,000	\$ 0.85

At September 30, 2020, the weighted-average remaining contractual life of the outstanding and exercisable stock options was 1.65 years. These stock options will expire on May 26, 2022.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2020 and 2019 (Unaudited – Expressed in Canadian Dollars)

14. Share capital (continued)

(d) Normal course issuer bid (“NCIB”)

In September 2019, TSXV approved the renewal of the NCIB under which the Company was entitled to repurchase for cancellation up to 366,000 Common Shares over a twelve-month period commencing October 1, 2019 and ending September 30, 2020. No Common Shares were repurchased during the three-month periods ended September 30, 2020 and 2019. The Company did not renew the NCIB upon its expiry on September 30, 2020.

15. Administrative expenses

For the three months ended September 30,	2020	2019
Filing and transfer agent	\$ 2,448	\$ 5,025
Insurance	15,645	9,765
Investor relations	1,302	-
Office	19,055	12,820
Professional fees	16,000	43,002
Salaries	163,539	174,932
Short-term leases	-	9,943
Travel	-	6,768
	\$ 217,989	\$ 262,255

16. Finance costs

For the three months ended September 30,	2020	2019
Interest on long-term borrowings	\$ 27,030	\$ 13,797
Interest accretion on long-term loans	23,515	44,730
Interest accretion on lease liabilities	8,895	11,961
	\$ 59,440	\$ 70,488

17. Basic and diluted loss per share

For the three months ended September 30,	2020	2019
Net loss	\$ (4,199,632)	\$ (888,739)
Weighted average number of shares outstanding	7,326,547	7,326,547
Loss per share, basic and diluted	\$ (0.57)	\$ (0.12)

For the three-month periods ended September 30, 2020 and 2019, the outstanding stock options at each respective period end were not considered dilutive as their weighted average exercise price was greater than the average market price for each respective period.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2020 and 2019 (Unaudited – Expressed in Canadian Dollars)

18. Financial instruments

Financial instruments measured at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices from observable market transactions either directly or indirectly; and
- Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company classifies and measures its cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities at amortized cost and their fair values approximate their carrying amounts due to their immediate or short-term nature.

Their fair values of long-term borrowings and long-term loans are determined using a discounted cash flow approach, which approximates their carrying values as the discount rates on these liabilities are at rates similar to prevailing market rates. As such, long-term borrowings and long-term loans are classified within Level 2 of the fair value hierarchy where observable market interest rates of similar loans with similar risks are available.

Investment in Ponderosa is classified within Level 3 of the fair value hierarchy as observable inputs are not available for an unquoted private equity investment that is soon to be wound up. The Company determines the fair value of its investment in Ponderosa based on the best estimated liquidation value of the investment.

19. Financial risk management

Credit risk

The Company's primary credit risk is its trade receivables. The carrying amount of trade receivables represents the Company's maximum exposure to credit risk. At September 30, 2020 and June 30, 2020, the Company did not have any trade receivables. 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, 2020 totaled \$2,436,991 (June 30, 2020 - \$2,141,629), representing the maximum exposure to credit risk of these financial assets.

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. This process assumes ginseng sales occur in a normal manner over the selling season, which, given the current political, economic and COVID-19 pandemic situations, may or may not happen. The Company also attempts to ensure that there is sufficient working capital for its ongoing operating expenditures through an arrangement with the Credit Facility. At September 30, 2020, the Company had a working capital surplus of approximately \$4,634,000 (June 30, 2020 - \$4,933,000) comprised solely of ginseng root inventory and crops to be harvested this fall. Liquidity risk is therefore highly dependent on the ginseng root sale price and timing of these sales.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2020 and 2019 (Unaudited – Expressed in Canadian Dollars)

19. Financial risk management (continued)

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. As the Company did not have an amount outstanding on the revolving demand facility on September 30, 2020 and June 30, 2020, a change in the interest rate would not have any impact on the Company. The Company's long-term borrowings and long-term loans 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 distribution agreement provides that the Distributor will buy all the Company's harvest in a given year in Canadian dollars (Note 21).

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 loans, long-term borrowings and shareholders' equity. In respect of the Credit Facility, other collateral loans and long-term loans, the Company is not subject to any financial covenant. There have been no changes in the Company's approach to capital management since June 30, 2020. The Company's capital includes the following:

As at	September 30 2020	(Audited) June 30 2020
Long-term borrowings	\$ 909,634	\$ 1,355,887
Long-term loans	484,865	461,350
Shareholders' equity	12,216,225	16,415,857
	\$ 13,610,724	\$ 18,233,094

21. 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. The Company has a distribution agreement with Golden Phoenix Ventures Ltd. (the "Distributor"). Under the agreement, 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 all the 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, the end-buyers of the ginseng are not made known to the Company.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2020 and 2019

(Unaudited – Expressed in Canadian Dollars)

22. Event after the reporting period

In November 2020, the Company and an unrelated party (the “Purchaser”) entered into an agreement for the sale of all its immature crops, totaling 203 acres, for \$500,000. Under the sales agreement, all the land lease agreements with respect to these crops will be assigned and transferred to the Purchaser. Accordingly, the Company will be released from all its obligations and liabilities under these lease agreements. Also under the terms of the sales agreement, the Purchaser gets to use the infrastructure (shadecloth, posts, cable and irrigation) until the crops are harvested, at which time the infrastructure is to be returned to the Company.