



IMPERIAL
GINSENG

IMPERIAL GINSENG PRODUCTS LTD.

AUDITED ANNUAL FINANCIAL STATEMENTS

June 30, 2023 and June 30, 2022

Independent Auditor's Report

Grant Thornton LLP
Suite 1600
333 Seymour Street
Vancouver, BC
V6B 0A4
T +1 604 687 2711
F +1 604 685 6589

To the Shareholders of [Imperial Ginseng Products Ltd.](#)

Opinion

We have audited the consolidated financial statements of Imperial Ginseng Products Ltd. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2023, and June 30, 2022 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2023 and June 30, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Wind up of business

As discussed in Notes 1 and 24 to the consolidated financial statements, the Company received shareholders' approval authorizing the directors of the Company to wind up the Company's business and distribute the assets to shareholders and dissolve the Company if deemed desirable.

Given the significance of this wind up to the Company's operations, the determination of the basis of presentation and compliance within the accounting framework has been identified as a key audit matter.

Our audit procedures included, amongst others:

- Evaluated management's windup plan and assessment to determine the appropriateness of a basis of presentation other than a going concern;
- Evaluated management's assessment of compliance with IFRS using the presentation basis of other than a going concern; and

- Consulted with our internal individual with specialized skills and knowledge in IFRS to review management's assessment and conclusion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alex Lau.



Vancouver, Canada
September 21, 2023

Chartered Professional Accountants

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

As at June 30	Note	2023	2022
ASSETS			
Current			
Cash and cash equivalents		\$ 16,641,401	\$ 10,613,287
Receivables and prepaids		550,936	55,581
Inventories	6	-	1,202,673
Biological assets	7	-	813,000
Total current assets before assets held for sale		17,192,337	12,684,541
Non-current assets classified as held for sale	9	1,283,718	-
Total current assets		18,476,055	12,684,541
Property and equipment	8	-	3,336,034
Right-of-use assets	12 (a)	-	14,049
Investment	10	10	10
Deferred tax assets	17 (d)	-	304,000
Total Assets		\$ 18,476,065	\$ 16,338,634
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 644,156	\$ 656,421
Income tax payable		129,037	177,200
Post-employment benefit obligation	11	367,161	555,148
Lease liabilities	12 (b)	-	14,902
Total current liabilities		1,140,354	1,403,671
Post-employment benefit obligation	11	-	595,671
Total liabilities		1,140,354	1,999,342
SHAREHOLDERS' EQUITY			
Share capital	13 (b)	34,939,323	34,821,963
Contributed surplus		1,344,158	1,393,710
Deficit		(18,947,770)	(21,876,381)
Total shareholders' equity		17,335,711	14,339,292
Total Liabilities and Shareholders' Equity		\$ 18,476,065	\$ 16,338,634

Commitment (Note 22)

Events after the reporting period (Note 24)

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 Income
(Expressed in Canadian Dollars)

For the years ended June 30,	Note	2023	2022
Revenues	14	\$ 4,300,009	\$ 3,443,580
Cost of sales		4,249,486	3,649,422
Gross profit (loss)		50,523	(205,842)
Administrative expenses	15	(2,471,795)	(1,864,552)
Change in fair value of biological assets	7	372,067	(882,370)
Loss from operations before other items		(2,049,205)	(2,952,764)
Other items			
Finance income		402,133	24,672
Finance costs	16	(38,484)	(44,209)
Other income		245,813	84,065
Gain on disposition of property and equipment		3,359,215	300,337
Government program payments	1	2,385,550	5,818,673
Windup expenses		(221,369)	(152,659)
Write-down of inventories	6	(53,439)	(95,436)
Income before income taxes		4,030,214	2,982,679
Income tax expense	17		
Current		(808,998)	(204,120)
Deferred		(304,000)	(461,000)
		(1,112,998)	(665,120)
Net income and total comprehensive income for the year		\$ 2,917,216	\$ 2,317,559
Earnings per share:	18		
Basic		\$ 0.38	\$ 0.31
Diluted		0.38	0.31

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, July 1, 2021	\$ 34,821,963	\$ 1,393,710	\$ (66,767)	\$ (24,136,362)	\$ 12,012,544
Changes in the year:					
Net income	-	-	-	2,317,559	2,317,559
Change in fair value of investment	-	-	9,189	-	9,189
Cumulative loss on equity investment transferred to deficit upon derecognition	-	-	57,578	(57,578)	-
Balance, June 30, 2022	34,821,963	1,393,710	-	(21,876,381)	14,339,292
Changes in the year:					
Net income	-	-	-	2,917,216	2,917,216
Prior year adjustment	-	-	-	11,395	11,395
Proceeds from stock options exercised	67,808	-	-	-	67,808
Cost of stock options exercised	49,552	(49,552)	-	-	-
Balance, June 30, 2023	\$ 34,939,323	\$ 1,344,158	\$ -	\$ (18,947,770)	\$ 17,335,711

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 years ended June 30,	2023	2022
Cash provided by (used in) operating activities:		
Net income	\$ 2,917,216	\$ 2,317,559
Adjustments for items not involving cash:		
Depreciation	110,071	164,617
Change in fair value of biological assets	(372,067)	882,370
Finance income	(402,133)	(24,672)
Finance costs	38,484	44,209
Gain on disposition of property and equipment	(3,359,215)	(300,337)
Write-down of inventories	53,439	95,436
Deferred taxes	304,000	461,000
Changes in non-cash working capital items:		
Cost of crops harvested	2,627,061	3,050,000
Crop costs, net of depreciation	(932,283)	(1,916,894)
Receivables and prepaids	(200,366)	12,696
Inventories	1,115,363	(10,220)
Accounts payable and accrued liabilities	(12,264)	149,365
Income tax payable	(48,163)	177,200
Post-employment benefit obligation	(822,097)	750,501
Net cash provided by operating activities	1,017,046	5,852,830
Cash provided by (used in) investing activities:		
Acquisitions of property and equipment	(3,444)	(12,688)
Proceeds from disposition of property and equipment	4,854,507	422,178
Return of capital on investments	-	176,190
Net cash provided by investing activities	4,851,063	585,680
Cash provided by (used in) financing activities:		
Finance income received	107,144	15,589
Principal payments of lease liabilities	(14,902)	(57,931)
Interest paid on lease liabilities	(45)	(1,588)
Proceeds from stock options exercised	67,808	-
Net cash provided by (used in) financing activities	160,005	(43,930)
Increase in cash and cash equivalents	6,028,114	6,394,580
Cash and cash equivalents, beginning of the year	10,613,287	4,218,707
Cash and cash equivalents, end of the year	\$ 16,641,401	\$ 10,613,287
Supplemental disclosure of cash flow information:		
Income taxes paid	\$ 857,125	\$ 26,920

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

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(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 business was cultivating and processing ginseng in the province of Ontario and selling the dried ginseng to wholesalers in China. 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 732, 1055 Dunsmuir Street, Vancouver, British Columbia, Canada V7X 1L2.

As disclosed in the consolidated financial statements for the previous two years, after the Company completed the final harvest in the fall of 2022, it proceeded with the wind up of the farm operation, which included the sale of the principal operating site and substantially all the farm equipment, and the dissolution of Canadian Imperial Ginseng Ontario Ltd. (“CIGO”), a wholly owned subsidiary through which the Company carried out the farming of ginseng.

During the year ended June 30, 2023, the Company applied for several government programs and received approximately \$2.4 million as a result of the large decline in the Company’s income due to the sharp decrease in ginseng prices since 2020.

Subsequent to the year ended June 30, 2023, in August 2023 at a special meeting of shareholders, the Company received shareholders’ approval for the wind up of its business and the distribution of assets to shareholders. The Company is currently finalizing a cash distribution plan and its goal remains to generate the highest possible return to shareholders upon its wind-up.

IAS 10 states that an entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period that either it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so. Given the Company has ceased farming and liquidated all its farm assets at the date of this report, management concludes that the Company should not be regarded as a going concern and as such, these consolidated financial statements have been prepared on a basis other than that of a going concern. The prior year comparative financial statements have not been restated and are presented on a going concern basis. These consolidated financial statements do not include any provision for the future costs of terminating the business of the Company except to the extent that such were committed as at June 30, 2023.

These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities and that such adjustments could be material. At June 30, 2023, the Company had a working capital surplus, not including held for sale assets, of approximately \$16 million. The Company believes that all its liabilities and contractual obligations will be met when they fall due.

2. Basis of preparation

(a) Statement of compliance

Although these consolidated financial statements have been prepared on a basis other than that of a going concern, the significant accounting policies are unaffected by the change in basis. These consolidated financial statements were prepared following the measurement, recognition and disclosure requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issuance by the Board on September 21, 2023.

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

2. Basis of preparation (continued)

b) Basis of consolidation

These consolidated financial statements include the accounts of CIGO over which the Company had 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.

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 (Note 10).

(c) Basis of presentation and measurement

These consolidated financial statements have been prepared on a historical cost basis with the exception of biological assets and investment which are measured at fair value. These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

3. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits with banks that are readily convertible into known amounts of cash.

(b) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently carried at amortized cost less any provision for expected credit loss ("ECL"). ECL is recognized when there is no reasonable expectation of recovery of trade receivables. ECL is measured by applying the simplified approach as described under IFRS 9 and the amount of loss is written off in the consolidated statements of gain or loss.

(c) Inventories

Inventories consist of dried ginseng root and chemicals. Dried ginseng root inventory is valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The components of the cost of ginseng inventory are (i) fair value of the crops transferred from biological assets at point of harvest; (ii) drying cost incurred in bringing the ginseng to its existing condition; and (iii) depreciation charge on the drying equipment used in processing the ginseng. Ginseng inventory is accounted for using the first-in, first-out method.

(d) Non-current assets classified as held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use. The assets, immediately prior to their classification as held for sale, are measured at the lower of their carrying amounts and their fair value less costs to sell. Once classified as held for sale, the assets are not subject to depreciation. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(e) Property and equipment

Property and equipment ("PP&E") are initially recognized at cost which includes all expenses directly attributable to bringing the asset to the location and working condition for its intended use. Beginning June 1, 2020, PP&E was depreciated on a straight-line basis over the remaining useful life, which ended on December 31, 2022, less its estimated residual value.

Depreciation is charged to crop costs with the exception of processing equipment which is charged to ginseng inventory when the crops are harvested. PP&E are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses.

(f) Impairment of long-lived assets

The Company monitors the recoverability of long-lived assets, including property and equipment, based upon estimates using factors such as future asset utilization and business climate. An impairment loss is recognized if an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of fair value less costs of disposal and value in use, which is the discounted future cash flows. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An annual impairment test at the cash-generating unit level will be performed when assessment on an individual asset basis is not applicable. If the carrying amount of an asset exceeds its recoverable amount, the carrying amount will be reduced to its recoverable amount and an impairment loss will be recognized in profit or loss. If it is determined that the impairment loss recognized in the prior years has reduced, it is reversed to the extent of the amount initially recognized as a loss.

(h) Biological assets

The fair value of mature crops is measured using the discounted expected future cash flow method under which the expected future revenue less costs to complete and harvest is discounted to present value. The Company uses its weighted average cost of capital as the discount rate. At the point of harvest, the fair value of harvested crops is measured at market value less costs to dry. The Company does not incur any selling expenses as the ginseng is sold directly to the Distributor (Note 3 (j)).

(i) Leases

At inception of a contract, the Company assesses whether it is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Except for short-term leases and leases of low-value assets, the Company recognizes a right-of-use asset and a corresponding lease liability with respect to all leases at the lease commencement date. Short-term leases are leases with a term of 12 months or less and payments for these leases are recognized on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of all the future lease payments and discounted using the Company's incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The lease liability is remeasured when there is a change in future lease payments arising from a change in rates or changes in the Company's assessment of whether it will exercise an extension or a termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Imperial Ginseng Products Ltd.
Notes to the Consolidated Financial Statements
June 30, 2023 and June 30, 2022
(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(i) Leases (continued)

Each lease payment is apportioned between an interest charge and a reduction of the lease liability. Interest charges are included in finance cost in the consolidated statements of profit or loss. Lease liability is subsequently increased by the interest charges and decreased when lease payments are made.

The right-of-use asset is initially measured at cost and is depreciated using the straight-line method throughout the lease term. The lease term includes periods covered by an extension option if the Company is reasonably certain that the option will be exercised. This determination is made on a lease-by-lease basis and reviewed periodically. Depreciation is included in current crops costs within biological assets. The right-of-use asset may be adjusted for certain remeasurements of the corresponding lease liability.

(j) Revenue recognition

The Company evaluates the contractual arrangements it enters into in determining its performance obligations. When such performance obligations are concluded to be distinct from each other, the Company allocates the revenue to each performance obligation based on its relative estimated stand-alone selling prices. Performance obligations that are concluded not to be distinct are combined together into a single unit of account and revenue is recognized at an amount equal to the transaction price allocated to the specific obligation when it is satisfied.

Until April 2023, the Company had an exclusive agreement with a distributor (the "Distributor") for the sale of all its ginseng. Revenue was recognized when the control over ginseng was transferred to the Distributor as specified by the delivery terms of each sale, which occurred when the Distributor picked up the ginseng at the Company's facility. Whereas sales terms were payment prior to release of shipment, the Company recognized revenue when payment was received since the ginseng was separately identified as belonging to the Distributor and ready for physical transfer. Revenue was measured at the transaction price agreed under each sale. Fee or bonus paid or payable to the Distributor was recorded as a reduction of revenue.

(k) Cost of sales

Cost of sales includes crop costs, drying costs and depreciation charge on processing equipment. Crop costs are the fair value of the crops transferred from biological assets at point of harvest. Drying costs are the cost to process the crops into dried ginseng root. Processing equipment is depreciated according to the Company's accounting policy.

(l) Other income

Revenues generated from activities that are not the Company's core business are treated as other income. The Company's core business is cultivating, processing and distributing ginseng through the Distributor. Included in other income are a fee from Knightswood, sale of small tools and miscellaneous rental income.

(m) Government program payments

Government program payments are recognized at their fair value when received. The Company does not make an accrual for government program payments as entitlement to these payments depends on a number of factors that are not controllable by the Company.

Imperial Ginseng Products Ltd.
Notes to the Consolidated Financial Statements
June 30, 2023 and June 30, 2022
(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(n) Share-based payments

The Company has a stock option plan which is disclosed in Note 13 (c). The Company uses the Black-Scholes option pricing model for valuing the options granted. The fair value of the options is estimated in accordance with the terms of the option which are determined by the Board when the options are granted. If the options do not have a vesting period, the option value is entirely recognized at the date of grant. If the options have a vesting period, each tranche of options vested is considered a separate grant for the calculation of fair value and recognized over the vesting period. The cost of the options is charged to profit or loss and the corresponding amount is accumulated in contributed surplus. When the options are exercised, their respective fair value accumulated in contributed surplus is transferred to share capital together with the proceeds received.

(o) Income taxes

Current taxes are recognized for the estimated income taxes payable for the current period. The tax rates used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period. Current tax assets and liabilities are offset only when there is a legally enforceable right of offset, and the Company intends either to settle on a net basis or to realize asset and settle liability simultaneously.

Deferred taxes are recognized for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the tax benefits can be utilized. Deferred tax assets and liabilities are offset only if they relate to income taxes levied by the same taxation authority and the Company has a legally enforceable right to set off current tax assets against current tax liabilities.

(p) Earnings per share

Earnings per share is calculated using the weighted average number of common shares outstanding during each period. Diluted earnings per share is calculated using the treasury stock method under which all options whose average price is less than or equal to the average share price for the period are assumed to be exercised and all convertible securities are converted at the average share price during the period, and that the Company will use the proceeds to purchase its common shares at the average market price during the period. The purchased shares reduce the number of shares issued upon exercise of the options and this net number of shares is included in the denominator when calculating diluted earnings per share. Diluted amounts are not presented when the effect of the computations is anti-dilutive due to the loss incurred. Accordingly, there would be no difference in the amounts presented for basic and diluted loss per share.

Imperial Ginseng Products Ltd.
Notes to the Consolidated Financial Statements
June 30, 2023 and June 30, 2022
(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

(q) Financial instruments

Financial assets

Financial assets are initially recorded at fair value and are measured subsequently into one of the following classifications:

(i) Amortized cost

Financial assets are measured subsequently at amortized cost using the effective interest rate method if they are acquired principally to collect contractual cash flows of principal and interest on specified dates. Interest income is recognized in profit or loss.

(ii) Fair value through other comprehensive income ("FVTOCI")

Financial assets are measured subsequently at FVTOCI if they are acquired to collect contractual cash flows of principal and interest on specified dates and to sell. FVTOCI classification is mandatory for certain debt instrument assets unless the option for FVTPL is chosen. Interest income from debt instruments, calculated using the effective interest rate method, and impairment gains or losses are recognized directly in profit or loss. Fair value gains or losses are recognized in other comprehensive income and classified to profit or loss on derecognition.

FVTOCI classification for equity investments is an irrevocable election at initial recognition. Dividends are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment. All other gains and losses are recognized in other comprehensive income and there is no reclassification on derecognition.

(iii) Fair value through profit or loss ("FVTPL")

Financial assets are measured subsequently at FVTPL if they do not meet the criteria for being measured at amortized cost or FVTOCI. Changes in fair value are recognized in profit or loss.

All financial liabilities are initially recorded at fair value and classified upon inception as either at amortized cost or fair value through profit or loss. After initial recognition, changes in fair value are recognized in profit or loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. The loss allowance, measured at an amount equal to the twelve month expected credit losses, is recognized as an impairment gain or loss in profit or loss.

Classification of financial instruments

The Company accounts for its cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities at amortized cost. Investments are accounted for at FVTOCI.

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

4. Critical accounting estimates and judgments

The preparation of these 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. Described below are the assets or liabilities that have a significant risk of a material adjustment to their carrying amounts.

Going concern assessment

The assessment of whether the Company is to continue as a going concern involves management judgment in determining if the going concern assumption is still appropriate. Since the Company is no longer involved in the activity of buying and selling goods as at June 30, 2023, management concluded that these financial statements should be prepared on a basis other than that of a going concern. Although management has considered all the available information it had about the future and concluded that the Company should not be regarded as a going concern, unexpected future events may have significant impact on management's judgment.

Determination of control of subsidiaries

The Company relies on its interpretation of the definition of control under IFRS in determining whether consolidation of the financial statements of the Company and its subsidiaries is required. In determining whether the Company controls its subsidiary, management assesses whether the Company has (i) power over the subsidiary; (ii) exposure, or rights, to variable returns from its involvement with the subsidiary and (iii) the ability to use its power over the subsidiary to affect those returns.

Fair value of biological assets

When determining the fair value of crops, management is required to make a number of estimates including future market prices and yields, costs to complete and harvest, and a discount rate to calculate the present value of future cash flows. These estimates are subject to volatility in market prices and a number of uncontrollable factors. These factors could significantly affect the fair value of the crops resulting in a material adjustment to the carrying amount in the future accounting periods.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated expenses necessary to make the sale. These estimates are based on the current market conditions which could change significantly.

Assessment of property and equipment

Property and equipment are depreciated over their useful lives, taking into account the residual value at the end of their useful life, and are written down if they are impaired. Management estimates the residual values, useful lives and impairment based on past experience with assets of similar nature and functions. Actual results could differ from these estimates.

Value and classification of non-current assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Since it was determined that all the farm assets should be reclassified to held for sale from property and equipment, management was required to estimate their fair value as held for sale assets are measured at the lower of their carrying amounts and their fair value less costs to sell. The realizable value of these assets could differ significantly from management's estimates.

Imperial Ginseng Products Ltd.
Notes to the Consolidated Financial Statements
June 30, 2023 and June 30, 2022
(Expressed in Canadian Dollars)

4. Critical accounting estimates and judgments (continued)

Income tax

Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of assets and liabilities, as well as accumulated tax losses. The Company estimates the timing of the reversal of these temporary differences and applies an applicable tax rate. Since there could be changes in the expected operating results or enacted tax rates and legislation, it might result in material adjustments to deferred tax.

5. Related party balances and transactions

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

(a) Business Management Agreement for Knightswood

The Company has an agreement with Elcyc Holdings Ltd. and Canterra Capital Corp. (collectively the "Operator") for the sole management of Knightswood (the "Knightswood Agreement"). Each Operator is owned and controlled by a director of the Company. The Knightswood Agreement has a term of five years expiring January 6, 2025 but may be terminated earlier either by mutual agreement or providing a 60-day written notice to the other party. Upon termination, the Company will transfer all the shares of Knightswood to the Operator for \$10.

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 paid by Knightswood directly to the Company. For the year ended June 30, 2023, the Company reported \$50,000 in other income (2022 - \$50,000). No amounts were outstanding from Knightswood at June 30, 2023 and 2022.

(b) 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, executive officers and the president of CIGO. Short-term benefits for key management personnel compensation consist of salaries, bonuses and medical benefits. Post-employment benefits are pre-determined lump-sum amounts payable at the end of the retention period (Note 11). The Company does not provide any other long-term employee benefits. No stock options were granted during the years ended June 30, 2023 and 2022.

The table below summarizes the composition of key management personnel compensation for the years ended June 30, 2023 and 2022:

For the years ended June 30,	2023	2022
Short-term benefits	\$ 1,340,597	\$ 1,055,857
Post-employment benefits	778,106	510,301
	\$ 2,118,703	\$ 1,566,158

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

6. Inventories

During the year ended June 30, 2023, the Company sold all the dried ginseng and had no inventory at June 30, 2023 (2022 - \$1,131,356). There was no write down of ginseng inventory to its net realizable value during the year ended June 30, 2023 (2022 - \$ 95,436). At June 30, 2023, the Company wrote off all the chemical inventory of \$53,439 (2022 - \$nil).

7. Biological assets

At June 30, 2023, the Company had no biological assets as it had harvested all the crops. Changes to the fair value of biological assets during the years ended June 30, 2023 and 2022 are summarized as follows:

As at June 30,	2023	2022
Balance, beginning of the year	\$ 813,000	\$ 1,856,000
Crop expenses	1,441,994	2,889,370
Change in fair value	372,067	(882,370)
Fair value of harvested crops transferred to inventories	(2,627,061)	(3,050,000)
Balance, end of the year	\$ -	\$ 813,000

In estimating the fair value of the mature ginseng crops, the following key assumptions are applied:

- The Company has assumed that the prevailing average market prices as of the end of the reporting period will not deviate materially from the actual prices when these crops are harvested in the next twelve months. When determining the prices used in estimating the fair value, the Company uses the current market prices as a basis and factors in the anticipated inflation, ginseng supply, expected quality of the Company's ginseng and other factors that may impact the anticipated prices.
- The yield per acre is the Company's estimate of anticipated yields at the time of harvest based on the condition of the crops as of the end of the reporting period. The Company does not take into account any unforeseeable factors such as adverse weather patterns, potential diseases or other factors that may impact the actual yields when the crops are harvested in future years.
- When determining the costs to complete and the costs to harvest, the Company assumes that these costs are similar to the actual costs incurred in the past years. The Company also factors in any additional expenses that are known to be specifically required to complete certain gardens.

Crop expenses include all costs associated with maintaining and harvesting the ginseng crops. The components of crop expenses for the years ended June 30, 2023 and 2022 are as follows:

For the years ended June 30,	2023	2022
Direct labour	\$ 641,725	\$ 1,207,269
Fertilizers, pesticides and mulch	48,366	299,798
Fuel and utilities	70,254	133,491
Operating and maintenance	171,938	276,336
Crop costs before depreciation	932,283	1,916,894
Depreciation – property and equipment	509,711	914,877
Depreciation – right-of-use assets	-	57,599
	\$ 1,441,994	\$ 2,889,370

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

8. Property and equipment

	Land	Buildings	Farm equipment	Office and laboratory equipment	Processing equipment	Shadehousing and irrigation	Total
Cost							
Balance, June 30, 2021	\$ 1,000,496	\$ 1,763,385	\$ 2,573,822	\$ 62,627	\$ 878,063	\$ 4,379,004	\$ 10,657,397
Acquired	-	-	-	12,688	-	-	12,688
Disposal	-	-	(86,943)	-	(2,200)	(624,222)	(713,365)
Balance, June 30, 2022	1,000,496	\$ 1,763,385	\$ 2,486,879	\$ 75,315	\$ 875,863	\$ 3,754,782	\$ 9,956,720
Acquired	-	-	-	3,444	-	-	3,444
Disposal	(294,998)	(1,123,395)	(2,204,021)	(52,069)	(875,863)	(3,754,782)	(8,305,128)
Reclassified to held for sale	(705,498)	(639,990)	(282,858)	-	-	-	(1,628,346)
Balance, June 30, 2023	\$ -	\$ -	\$ -	\$ 26,690	\$ -	\$ -	\$ 26,690
Accumulated depreciation							
Balance, June 30, 2021	\$ -	542,943	1,983,558	58,308	696,479	2,908,843	6,190,131
Depreciation	-	31,077	103,355	8,668	99,378	779,602	1,022,080
Disposal	-	-	(79,785)	-	(2,144)	(509,596)	(591,525)
Balance, June 30, 2022	-	\$ 574,020	\$ 2,007,128	\$ 66,976	\$ 793,713	\$ 3,178,849	\$ 6,620,686
Depreciation	-	25,896	50,884	11,783	50,790	432,511	571,864
Disposal	-	(395,823)	(1,917,477)	(52,069)	(844,503)	(3,611,360)	(6,821,232)
Reclassified to held for sale	-	(204,093)	(140,535)	-	-	-	(344,628)
Balance, June 30, 2023	\$ -	\$ -	\$ -	\$ 26,690	\$ -	\$ -	\$ 26,690
Carrying amounts							
At June 30, 2022	\$ 1,000,496	\$ 1,189,365	\$ 479,751	\$ 8,339	\$ 82,150	\$ 575,933	\$ 3,336,034
At June 30, 2023	-	-	-	-	-	-	-

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

9. Non-current assets held for sale

Upon completing the final harvest, the following assets were reclassified to held for sale from property and equipment (Note 8) as these assets are available for immediate sale in their present condition and the sale is highly probable. Under IFRS 5, held for sale assets are measured at the lower of their carrying amount immediately before reclassification and fair value less costs to sell.

As at June 30,	2023	2022
Land and buildings	\$ 1,141,395	\$ -
Farm equipment	142,323	-
	\$ 1,283,718	\$ -

10. Investment

In 2020, the Company acquired all the issued and outstanding shares of Knightswood Holdings Ltd. ("Knightswood") from an unrelated party 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 5 (a)). Under the Knightswood Agreement, 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.

11. Post-employment benefits

In 2021, the Company entered into a retention agreement with certain key employees. Under the retention agreement, each employee will receive a pre-determined lump-sum amount (the "Retention Payment") at the end of the retention period. The Retention Payment is a fixed amount irrespective of the duration of the retention period and will not be paid on a pro-rated basis if the employee resigns during the retention period. The Retention Payment, which was approximately \$2.2 million in total, is discounted at 2% and amortized over the expected retention period. Present value of the Retention Payment is reported as a post-employment benefit obligation in the consolidated statements of financial position, with the corresponding expenses in administrative expenses and finance cost in the consolidated statements of profit or loss.

During the year ended June 30, 2023, \$1,755,700 of the Retention Payment was paid. At June 30, 2023, the undiscounted contractual obligation for Retention Payment was \$462,500 (Note 20). The table below summarizes the present value of the Company's post-employment benefit obligation as at June 30, 2023 and 2022.

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

11. Post-employment benefits (continued)

As at June 30,	2023	2022
Balance, beginning of the year	\$ 1,150,819	\$ 357,697
Additions in the year:		
Benefits (Note 15)	933,603	750,501
Interest (Note 16)	38,439	42,621
	2,122,861	1,150,819
Less payments	(1,755,700)	-
Balance, end of the year	\$ 367,161	\$ 1,150,819
Consists of:		
Current portion	\$ 367,161	\$ 555,148
Non-current portion	-	595,671

12. Leases

The Company's right-of-use assets and lease liabilities ceased in September 2022 upon the expiry of an office lease, which was the only lease of the Company. Since then, the Company has been renting an office on a month-to-month basis and the rent is included in administrative expenses. At June 30, 2023, the Company did not have any contractual lease obligations (2022 - \$14,942).

(a) Right-of-use assets

As at June 30,	2023	2022
Balance, beginning of the year	\$ 14,049	\$ 127,844
Depreciation recognized in administrative expenses	(14,049)	(56,196)
Depreciation recognized in crop expenses	-	(57,599)
Balance, end of the year	\$ -	\$ 14,049

(b) Lease liabilities

As at June 30,	2023	2022
Balance, beginning of the year	\$ 14,902	\$ 72,833
Interest accretion	45	1,588
Lease payments made	(14,947)	(59,519)
Balance, end of the year	\$ -	\$ 14,902

Imperial Ginseng Products Ltd.
Notes to the Consolidated Financial Statements
June 30, 2023 and June 30, 2022
(Expressed in Canadian Dollars)

13. 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, June 30, 2021 and 2022	7,391,747	\$ 34,821,963
Shares issued upon exercise of stock options	260,800	117,360
Balance, June 30, 2023	7,652,547	\$ 34,939,323

- (c) Stock options

The Company has an amended and restated stock 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. No stock options were granted, forfeited or cancelled during the years ended June 30, 2023 and 2022. During the year ended June 30, 2023, all the outstanding stock options were exercised and 260,800 Common Shares were issued (2022 – nil). There were no outstanding stock options at June 30, 2023.

14. Completion bonus

Pursuant to an agreement between the Company and the Distributor (the “Distributor Agreement”), the Company will pay a bonus (the “Completion Bonus”) to the Distributor if the Distributor buys all the Company’s remaining ginseng in the event that the Company ceases to be in the ginseng business (“Completion”). The Completion Bonus is calculated based on the sales in the three years immediately prior to Completion. The Completion Bonus is accrued and recorded as a reduction of revenues and will be paid upon Completion. During the year ended June 30, 2023, the Company paid the Distributor a Completion Bonus of \$170,727 after the Distributor completed the final sale of ginseng for the Company (2022 - \$nil). The Distribution Agreement was ended after payment of the Completion Bonus.

15. Administrative expenses

For the years ended June 30,	2023	2022
Depreciation	\$ 25,412	\$ 64,022
Operating expenses	134,379	49,113
Professional fees	127,539	75,395
Salaries ⁽¹⁾	2,184,465	1,676,022
	\$ 2,471,795	\$ 1,864,552

⁽¹⁾ Included in salaries for the year ended June 30, 2023 was post-employment benefits of \$933,603 (2022 - \$750,501) (Note 11).

Imperial Ginseng Products Ltd.
Notes to the Consolidated Financial Statements
June 30, 2023 and June 30, 2022
(Expressed in Canadian Dollars)

16. Finance costs

For the year ended June 30, 2023, finance cost included interest of \$38,439 on post-employment benefits (2022 - \$42,621) and interest accretion of \$45 on lease liabilities (2022 - \$1,588).

17. Income taxes

(a) Income tax expense

For the years ended June 30,	2023	2022
Current tax		
Current year	\$ 809,037	\$ 177,200
Adjustments with respect to prior year	(39)	26,920
	\$ 808,998	\$ 204,120
Deferred tax		
Origination and reversal of temporary differences	\$ 304,000	\$ 772,600
Change in valuation allowance	-	(311,600)
	\$ 304,000	\$ 461,000
Income tax expense	\$ 1,112,998	\$ 665,120

(b) Reconciliation of income taxes

The following table reconciles income taxes calculated at statutory tax rate to the actual tax provision for the years ended June 30, 2023 and 2022:

For the years ended June 30,	2023	2022
Income before taxes	\$ 4,030,214	\$ 2,982,679
Statutory tax rate	26.42%	26.45%
Expected income tax expense	1,064,684	788,900
Increase (decrease) in income taxes resulting from:		
Change in unrecognized deferred tax assets (c)	157,963	(109,000)
Change in prior year provisions	-	(41,600)
Adjustments with respect to current tax of prior year	(39)	26,920
Non-deductible items	558	100
Others	(110,168)	(200)
Income tax expense	\$ 1,112,998	\$ 665,120

(c) Unrecognized deferred tax assets

Deferred tax assets are recognized to the extent that it is more likely than not that some portion or all of the tax benefits will be utilized. The ultimate recognition of deferred tax assets is dependent on the Company's ability to generate future taxable income. At June 30, 2023, deferred tax benefits of \$549,000 were not recognized as it was not probable that future taxable income would be available against which these tax benefits could be utilized (2022 - \$161,000).

Imperial Ginseng Products Ltd.
Notes to the Consolidated Financial Statements
June 30, 2023 and June 30, 2022
(Expressed in Canadian Dollars)

17. Income taxes (continued)

(d) Deferred tax assets and liabilities

The Company operates in multiple provinces and is subject to taxes under the jurisdiction of the province in which it operates. The Company recognizes deferred tax assets and liabilities to the extent that the realization of the related tax benefit through future taxable profits under the same taxation authority is probable (Note 17 (c)).

The Company operates under two tax jurisdictions, British Columbia and Ontario. The following table sets out the significant components of the recognized deferred tax assets and liabilities under the tax jurisdiction in which the Company operates at June 30, 2023 and 2022:

As at June 30,	2023		2022	
Under the British Columbia tax jurisdiction:				
Property and equipment	\$	-	\$	8,000
Others		-		42,000
Deferred tax assets	\$	-	\$	50,000
Under the Ontario tax jurisdiction:				
Biological assets	\$	-	\$	(215,000)
Property and equipment		-		349,000
Cumulative eligible capital		-		168,000
Others		-		(48,000)
Deferred tax assets	\$	-	\$	254,000
Total recognized deferred tax assets	\$	-	\$	304,000

(e) The following table summarizes the movements of deferred tax account under its tax jurisdiction during the years ended June 30, 2023 and 2022:

For the years ended June 30,	2023		2022	
Under the British Columbia tax jurisdiction:				
Deferred tax assets, beginning of the year	\$	50,000	\$	19,000
Recognized in net income		(50,000)		31,000
Deferred tax assets, end of the year	\$	-	\$	50,000
Under the Ontario tax jurisdiction:				
Deferred tax assets, beginning of the year	\$	254,000	\$	746,000
Recognized in net income		(254,000)		(492,000)
Deferred tax assets, end of the year	\$	-	\$	254,000

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

18. Basic and diluted earnings per share

For the years ended June 30,	2023	2022
Net income	\$ 2,917,216	\$ 2,317,559
Weighted average number of shares outstanding	7,602,352	7,391,747
Basic earnings per share	\$ 0.38	\$ 0.31
Weighted average number of shares outstanding	7,602,352	7,391,747
Effect of common share equivalents	-	175,785
	7,602,352	7,567,532
Diluted earnings per share	\$ 0.38	\$ 0.31

19. 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.

20. 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 June 30, 2023 and 2022, the Company did not have any trade receivables. At June 30, 2023, other receivables included a secured promissory note of \$237,300 for which the Company considers its credit risk to be moderate.

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 June 30, 2023 totaled \$16,641,401 (2022 - \$10,613,287), representing the maximum exposure to credit risk of these financial assets.

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.

Imperial Ginseng Products Ltd.
Notes to the Consolidated Financial Statements
June 30, 2023 and June 30, 2022
(Expressed in Canadian Dollars)

20. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations when they come due. At June 30, 2023, the Company had a working capital surplus, not including assets held for sale, of approximately \$16 million. The Company believes that its exposure to liquidity risk is minimal.

The Company's contractual obligations include accounts payable and accrued liabilities and post-employment benefit obligation. The following table is a summary of contractual obligations and payments related to financial liabilities due as at June 30, 2023 and 2022. The amounts disclosed are contractual undiscounted cash flows.

As at June 30,	2023	2022
Contractual obligations due in 2023		
Payables and accrued liabilities	\$ -	\$ 501,421
Post-employment benefit obligation	-	870,000
		1,371,421
Contractual obligations due in 2024		
Payables and accrued liabilities	644,156	155,000
Post-employment benefit obligation	462,500	1,348,200
	1,106,656	1,503,200
	\$ 1,106,656	\$ 2,874,621

21. Capital management

The Company's main objective in managing its capital is to safeguard its assets until the distribution of assets to shareholders is complete. There were no changes in the Company's approach to capital management during the year ended June 30, 2023. At June 30, 2023, the Company's capital consists solely of shareholders' equity of \$17,335,711 (2022 - \$14,339,292).

22. Commitment

At June 30, 2023, the Company did not have any commitments (2022 – office lease payment of \$15,000).

23. 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. Until April 2023, the Company had Distributor Agreement under which the Distributor would 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 was sold to the Distributor who had an exclusive right to distribute the Company's ginseng in Asia and North America, the end-buyers of the ginseng were not made known to the Company.

Imperial Ginseng Products Ltd.

Notes to the Consolidated Financial Statements

June 30, 2023 and June 30, 2022

(Expressed in Canadian Dollars)

24. Events after the reporting period

(a) Special Meeting of Shareholders

On August 15, 2023, at a special meeting of shareholders, the Company received approvals authorizing the directors of the Company for the following:

- (i) To wind up the Company's business and distribute the assets to shareholders at a time and in an amount to be determined by the directors of the Company.
- (ii) To dissolve the Company If deemed desirable, at a time to be determined by the directors of the Company.

(b) Sale of farm property

In July 2023, the Company accepted an offer on the sale of its remaining farm property in Ontario for \$1.6 million. The transaction was completed on September 15, 2023.