



IMPERIAL GINSENG PRODUCTS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024 and June 30, 2023

IMPERIAL GINSENG PRODUCTS LTD.

Management's Discussion and Analysis

Year ended June 30, 2024

This management's discussion and analysis ("MD&A") reviews the operating results, financial position and liquidity of Imperial Ginseng Products Ltd. ("Imperial" or the "Company"). Information contained herein is presented as at August 28, 2024 unless otherwise indicated. All amounts are stated in Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended June 30, 2024.

Additional information related to the Company is available for view on SEDAR+ at www.sedarplus.ca or the Company's website at www.imperialginseng.com.

This MD&A may contain forward-looking information that is based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. Forward-looking information speaks only as of the date it is provided, is not a guarantee of future performance and involves risks and uncertainties that are difficult to control or predict. Readers should refer to the "Cautionary Note Regarding Forward-Looking Information and Business Risks" in this MD&A.

About the Company

Imperial was incorporated under the laws of the province of British Columbia in 1989. The Company's common shares ("Common Shares") are listed on the TSX Venture Exchange (TSXV) under the symbol "IGP". Until the year ended June 30, 2023, the Company's principal business was cultivating and processing North American ginseng in Ontario and selling the dried ginseng, almost exclusively to wholesalers in China, through a distributor.

In 2020, the Company made a public announcement that it would wind up its subsidiary company's ginseng operation upon the final harvest in FY2023. It was decided at that time that it would be in the best interest of the stakeholders that the Company exited the ginseng industry which was suffering as a result of the hardship caused by economic and political factors, and a shortage of labour caused by the COVID-19 pandemic. At a special meeting of shareholders held on August 15, 2023, the Company received approval to wind up its affairs and distribute nearly all the remaining assets to shareholders.

In December 2023, the Company received TSXV's approval of a cash distribution to shareholders of the Company ("Shareholders"). On December 20, 2023, the Board declared a cash distribution of \$2.25 per Common Share, to the holders of record on January 12, 2024, which was settled on January 26, 2024 (the "Distribution").

Discussion of Operations and Future Plan

With the completion of the farm operations, the Board decided that, rather than dissolving the Company, it will attempt to preserve some value in the Company as a publicly traded corporation by maintaining it until a viable business alternative is identified. The Board is currently in the process of considering alternative business propositions and opportunities in hopes of securing a new business line, a potential reverse takeover or finding acquisition candidates looking for a publicly listed company. Any new activities or business will, by their very nature, involve a high degree of risk. In addition, there is no assurance that the Company will be successful in identifying or arranging for any new business or acquisition candidates, either before, or after the October 1, 2024 deadline described below.

The TSXV has notified the Company that it does not currently meet the Continued Listing Requirements ("CLR") for a Tier 2 industrial issuer as it now has no significant operations. The TSXV initially gave the Company until May 1, 2024, which was later extended to October 1, 2024, to meet the CLR or it will transfer the Company to the NEX Board, where it can remain until it qualifies to reactivate.

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Selected Annual Information

The table below is selected financial information derived from the Company's audited consolidated financial statements for the years stated. This data should be read together with the consolidated financial statements for the years then ended.

	2024	2023
Statements of Financial Position data:		
Non-current assets classified as held for sale	\$ -	\$ 1,284,000
Total assets	362,000	18,476,000
Total liabilities	36,000	1,140,000
Statements of Income data:		
Total revenue from sale of root	\$ -	\$ 4,300,000
Net income	208,000	2,917,000
Earnings per share – basic and diluted	0.03	0.38

Results of Operation

The following table compares the operating results for the years ended June 30, 2024 and 2023.

	2024	2023	Change from 2023
Revenue	\$ -	\$ 4,300,000	\$ (4,300,000)
Cost of sales	-	4,249,000	(4,249,000)
Gross profit (loss)	-	51,000	(51,000)
Administrative expenses	722,000	2,472,000	(1,750,000)
Change in fair value of biological assets	-	372,000	(372,000)
Finance income	490,000	402,000	88,000
Finance costs	5,000	38,000	(33,000)
Other income	33,000	246,000	(213,000)
Gain on disposition of property and equipment	485,000	3,359,000	(2,874,000)
Government program payments	-	2,386,000	(2,386,000)
Wind up expenses	-	221,000	(221,000)
Write-down of inventories	-	54,000	(54,000)
Income tax expense	73,000	1,113,000	(1,040,000)
Net income	208,000	2,917,000	(2,709,000)
Earnings per share, basic and diluted	0.03	0.38	(0.35)

For the year ended June 30, 2024, the Company reported a net income of \$208,000 with basic and diluted earnings of \$0.03 per share. This compares to a net income of \$2,917,000, with basic and diluted earnings of \$0.38 per share for the prior year.

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Administrative expenses

In FY2024, administrative expenses decreased by \$1,750,000 to \$722,000 from \$2,472,000 in the prior year. Within administrative expenses, salaries decreased by \$1,720,000 to \$464,000 from \$2,184,000 in prior year. Prior year included full year of salaries and bonuses, whilst current year salaries were only until January 2024.

The following table summarizes the composition of administrative expenses for the years ended June 30, 2024 and 2023.

	2024	2023	Change from 2023
Depreciation	\$ -	\$ 25,000	\$ (25,000)
Operating expenses	137,000	134,000	3,000
Professional fees	121,000	128,000	(7,000)
Salaries	464,000	2,184,000	(1,720,000)
	<u>\$ 722,000</u>	<u>\$ 2,472,000</u>	<u>\$ (1,750,000)</u>

Finance income

Finance income consists of interest earned on bank balance and demand deposits. Since 2022, the Company had been investing the cash that was in excess of working capital requirements in cashable guaranteed investments. For the year ended June 30, 2024, the Company reported finance income of \$490,000. This compares to \$402,000 in the prior year.

Finance costs

In FY2024 and FY2023, the Company incurred finance costs of \$5,000 and \$38,000, respectively, which were primarily interest accretion on post-employment benefits.

Other income

Other income earned in FY2024 was significantly lower than that in the prior year. Prior year other income included income from selling tools and supplies that were no longer required after the final harvest. Also included in other income in both FY2024 and FY2023 was a management fee of \$33,000 and \$50,000 from Knightswood, respectively.

Gain on disposition of property and equipment

As the Company finished its final harvest in the fall of 2022, the equipment was available for sale. Most of the equipment was fully depreciated in the books of the account. Upon sale of this equipment by the Company, an accounting gain of \$485,000 was reported for the year ended June 30, 2024. The gains reported by the Company in the same period in the prior year was \$3,359,000.

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Government program payments

In the past years, the Company received benefit payments from government programs that aimed at providing financial aid to farms who were faced with disaster situation. As the Company has ceased farming, no benefit payments were made to the Company under these programs for the year ending on June 30, 2024. In FY2023, the Company had received a government program payment of \$2,386,000.

Summary of Quarterly Results

The following table summarizes the Company's unaudited consolidated quarterly operating results for each of the eight most recently completed quarters. These unaudited quarterly results should be read in conjunction with the consolidated financial statements and the discussions below.

		Total revenue from sale of ginseng	Net income (loss)	Earnings (loss) per share, basic	Earnings (loss) per share, diluted
June 30, 2024	Q4 FY2024	-	314,000	0.04	0.04
March 31, 2024	Q3 FY2024	-	(37,000)	(0.00)	(0.00)
December 31, 2023	Q2 FY2024	-	47,000	0.01	0.01
September 30, 2023	Q1 FY2024	-	(116,000)	(0.02)	(0.02)
June 30, 2023	Q4 FY2023	-	3,127,000	0.41	0.41
March 31, 2023	Q3 FY2023	2,528,000	(213,000)	(0.03)	(0.03)
December 31, 2022	Q2 FY2023	735,000	823,000	0.11	0.11
September 30, 2022	Q1 FY2023	1,037,000	(820,000)	(0.11)	(0.11)

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance, liquidity or capital resources of the Company.

Liquidity and Capital Resources

The Company's approach to managing its liquidity is to ensure that it has sufficient resources to meet its liabilities when they come due. At June 30, 2024, the Company had a working capital surplus of approximately \$326,000. The Company believes that its current cash position provides sufficient liquidity to cover all its financial liabilities.

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Transactions with Related Parties

Knightswood Holdings Ltd. ("Knightswood");
Elcyc Holdings Ltd. and Canterra Capital Corp. (collectively the "Operator")

Under a business management agreement between the Company and the Operator (the "Knightswood Agreement"), Knightswood, a wholly owned subsidiary of the Company, is solely managed by the Operator. Elcyc Holdings Ltd. is owned and controlled by Maurice Levesque, a director of the Company and Canterra Capital Corp. is owned and controlled by Stephen McCoach, CEO and director of the Company.

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. 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 will be paid by Knightswood directly to the Company. For the year ended June 30, 2024, the Company reported \$33,000 in other income. No amount was outstanding from Knightswood at June 30, 2024.

By mutual agreement between the Company and the Operator, the Knightswood Agreement was terminated on February 28, 2024. The Company transferred all the shares of Knightswood to an unrelated party nominated by the Operator for \$10.

Key management personnel compensation

The Company's key management personnel includes members of the Board and executive officers of both the Company and, until June 30, 2023, its former subsidiary, Canadian Imperial Ginseng Ontario Ltd. Compensation of key management personnel consists of short-term benefits which include salaries, bonuses and medical benefits. Post-employment benefits are pre-determined lump-sum amounts payable at the end of the retention period. The Company does not provide any other long-term employee benefits.

For the years ended June 30, 2024 and 2023, compensation to key management personnel was as follows:

	2024	2023
Executive officers		
Short-term benefits	\$ 321,000	\$ 1,316,000
Post-employment benefits	98,000	761,000
	419,000	2,077,000
Directors		
Short-term benefits	13,000	25,000
Post-employment benefits	-	17,000
	13,000	42,000
	\$432,000	\$ 2,119,000

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Proposed Transactions

There are no proposed transactions at the date of this report.

Critical Accounting Estimates

The management of the Company is required to make critical accounting estimates and judgments in determining the carrying amount of the following and/or the nature of transaction when preparing the consolidated financial statements. Actual amounts or outcomes could differ materially from those estimates.

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. At the end of this reporting period, the directors of the Company have decided that, rather than dissolving the Company, they will preserve the value of the Company as a publicly traded corporation by maintaining it until a viable business alternative is identified. The Board is currently in the process of considering alternative business propositions and opportunities in hopes of securing new business lines, a potential reverse takeover or acquisition candidates looking for a publicly listed company. Accordingly, the financial statements of the Company for this reporting period have been prepared on the assumption that the Company is a going concern as the Company will continue to operate for at least 12 months after the reporting period. Although management has considered all the available information it had about the future and concluded that the Company should be regarded as a going concern, unexpected future events may have a 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.

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.

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, 2024, deferred tax benefits of 317,000 were not recognized as it was not probable that future taxable income would be available against which these tax benefits could be utilized.

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Financial Instrument and Risk Management

The Company's financial instruments include cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities.

Cash and cash equivalents are exposed to credit risk and the Company reduces the credit risk by placing all its cash with Canadian chartered banks in accounts that are drawn on demand.

The Company's receivables included accrued interest on demand deposits with Canadian chartered banks and input tax credits.

The Company believes that its exposure to liquidity risk that it may not be able to meet its financial obligations is minimal as it had a working capital surplus of \$326,000 at June 30 2024.

Outstanding Share Data

At June 30, 2024 and the date of this report, there were **7,652,547** common shares issued and outstanding.

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Cautionary Note Regarding Forward-Looking Information and Business Risks

This MD&A contains certain forward-looking statements and forward-looking information within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements or information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases or words and phrases that state or indicate that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve risks, uncertainties and other factors beyond the Company's ability to predict or control which may cause actual results and performance to differ materially from those anticipated.

Although management believes that the assumptions made and the expectations represented in such forward-looking statements are reasonable, there is no assurance that such forward-looking statement or information herein will prove to be correct. Forward-looking information includes, without limitation, statements of, or information about, generating the highest possible return to shareholders upon winding up the Company.

Although management considers these assumptions to be reasonable based on information currently available, they may prove to be incorrect.

Although management has attempted to identify factors that may cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Also, many of the factors are beyond our control. The Company cannot guarantee future results, performance or achievements. There can be no assurance that any forward-looking statement will materialize. As actual results and future events could vary materially from those anticipated in such statements and information, readers should not place undue reliance on forward-looking statements or information.

Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may impact the financial performance of the Company when further information becomes available.

The forward-looking information contained in this MD&A is made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.