

## FORM 51-102F3

### MATERIAL CHANGE REPORT

#### 1. Name and Address of Company

Imperial Ginseng Products Ltd. (the “**Company**”)  
Suite 310, 650 West Georgia Street  
Vancouver, B.C. V6B 4N7

#### 2. Date of Material Change

January 24, 2014

#### 3. News Release

A press release was issued in Vancouver, British Columbia and distributed through Marketwired on January 24, 2014.

#### 4. Summary of Material Change

The Company has completed the transactions contemplated in the debt settlement agreement (the “**Debt Settlement Agreement**”) with certain officers, directors and significant shareholders of the Company (the “**Debt Holders**”). As at June 30, 2013, the Company was indebted to the Debt Holders in the amount of \$2,984,944 consisting of a current debt of \$2,707,578 and unpaid dividends on Class “A” preference shares of \$277,366. Under the Debt Settlement Agreement, \$1,114,944 of the indebtedness was settled by the issuance of 4,129,422 common shares of the Company at the deemed price of \$0.27 per share and the remaining \$1,870,000 of the indebtedness will be repaid under the terms of loan agreements (the “**Loans**”) having a maturity date of January 1, 2021, and secured by all of the assets of the Company (including the assets of its subsidiary). The Loans are subordinate to the Company’s indebtedness to its commercial bank. During the first four years of the term of the Loans, they do not bear interest and no repayments of principal are required. During the next four years of the term of the Loans, principal shall be repayable as to 25% per annum each January 1, commencing January 1, 2018, and shall bear interest thereafter at the rate of 9% per annum. The Company has the right to pre-pay any amount of the Loans at any time with a 5% prepayment fee.

#### 5. Full Description of Material Change

##### 5.1 Full Description of Material Change

The Company has completed the transactions contemplated in the Debt Settlement Agreement with the Debt Holders. As at June 30, 2013, the Company was indebted to the Debt Holders in the amount of \$2,984,944 consisting of a current debt of \$2,707,578 and unpaid dividends on Class “A” preference shares of \$277,366. Under the Debt Settlement Agreement, \$1,114,944 of the indebtedness was settled by the issuance of 4,129,422 common shares of the Company at the deemed price of \$0.27 per share and the remaining \$1,870,000 of the indebtedness will be repaid under the terms of the Loans having a maturity date of January 1, 2021, and secured by all of the assets of the Company (including the assets of its subsidiary). The Loans are subordinate to the Company’s indebtedness to its commercial bank. During the first four years of the term of the Loans, they do not bear interest and no repayments of principal are required. During the next four years of the term of the Loans, principal shall be repayable as to 25% per annum each January 1, commencing January 1, 2018, and shall bear interest thereafter at the rate of 9% per annum. The Company has the right to pre-pay any amount of the Loans at any time with a 5% prepayment fee.

In addition to the statutory 4 month hold period expiring on May 25, 2014, all of the 4,129,422 shares issued pursuant to the Debt Settlement Agreement are also subject to a negotiated long term hold period expiring as to one-third of the shares at the end of each of the third, fourth and fifth years after their issuance on January 24, 2014.

An Independent Committee of the Board of Directors was formed in 2011 to negotiate the settlement of the indebtedness to the Debt Holders. The Independent Committee recommended the Debt Settlement Agreement and believes it is in the best interest of the Company and all shareholders as it (i) removes uncertainty with respect to the debt by converting the cash settled portion of the debt from a current liability to a long term liability with specific repayment terms, (ii) reduces the Company's total debt from approximately \$3 million to \$1.87 million, (iii) conserves the Company's cash for the next four years, and (iv) because the interest rate drops from 12% to 9% and no interest is charged for the first four years, saves the Company over \$3 million in interest charges over the next eight years.

The transaction has been approved by 91% of the minority shareholders voted at the Company's AGM and by the TSX Venture Exchange, which also changed the Company's tier classification to Tier 2 effective January 23, 2014.

The material change is more fully described in the Company's press release which is attached hereto as Schedule "A".

#### **MI 61-101 Additional Disclosure**

Trilogy Bancorp Ltd. ("**Trilogy**"), one of the Debt Holders, first assigned portions of the debt and instructed the Company to issue some of the shares and Loans under the Debt Settlement Agreement directly to Stephen McCoach, Hugh Cartwright and Maurice Levesque (through MLTS Holdings Inc.), whose family trusts are equal owners of Trilogy.

The transactions involving common shares and Loans with each of Trilogy, Stephen McCoach, Hugh Cartwright and Maurice Levesque (through MLTS Holdings Inc.) constitute a "related party transaction" under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"), as Stephen McCoach, Hugh Cartwright and Maurice Levesque are directors and officers of the Company. As indicated above, the Independent Committee has reviewed and approved the Debt Settlement Agreement. The Debt Settlement Agreement is exempt from the formal valuation requirement by section 5.5(b) of MI 61-101 as the securities of the Company are listed on the TSX Venture Exchange only. However, the Debt Settlement Agreement was subject to the minority approval requirement of MI 61-101, which approval was obtained on December 17, 2013.

The purpose of the transaction was to settle the Company's current indebtedness to Trilogy by way of 37% in equity and 63% in long-term Loans. As indicated above, the Independent Committee has reviewed and approved this transaction and believes that the Company will be benefiting from the transaction in the following ways:

- Reduce the total indebtedness to Trilogy from approximately \$3 million to \$1.87 million as approximately \$1.11 million of the indebtedness will be settled with common shares of the Company.
- Remove the uncertainty with respect to the indebtedness by converting the cash settled portion of the debt from a current liability to a long term liability with specific repayment terms.
- Conserve cash for the next four years as no repayment of principal will be required until January 1, 2018.

- Save over \$3 million in interest charges over the next eight years through dropping the interest rate from 12% to 9% and no interest on the Loans in the first four years of the terms of the Loans.

The following table discloses the interest in the transaction of each related party and the effect of the transaction on the percentage of securities of the Company, beneficially owned or controlled by each related party for which there would be a material change in that percentage.

Related party	Number of common shares of the Company issued	Settlement value of the shares @ \$0.27 per share	Percentage of common shares of the Company owned before the transaction	Percentage of common shares of the Company owned after the transaction	Loans	Percentage of Loans of the Company held before the transaction	Percentage of Loans of the Company held after the transaction
Trilogy	166,459	\$ 44,944	35.6%	15.6%	-	-	-
Stephen McCoach*	2,222,222	\$600,000	1.1%	34.5%	\$380,000	-	20.3%
Hugh Cartwright*	851,852	\$230,000	0.8%	13.4%	\$750,000	-	40.1%
Maurice Levesque*	888,889	\$240,000	0.4%	13.8%	\$740,000	-	39.6%
<b>TOTAL</b>	<b>4,129,422</b>	<b>\$1,114,944</b>	<b>37.9%</b>	<b>77.3%</b>	<b>\$1,870,000</b>		<b>100.0%</b>

\* In addition, the family trust of each of Stephen McCoach, Hugh Cartwright and Maurice Levesque holds its one-third interest in Trilogy, which holds the securities set out above.

## 5.2 Disclosure for Restructuring Transactions

Not applicable.

## 6. Reliance on subsection 7.1 (2) of National Instrument 51-102

This report is not being filed on a confidential basis.

## 7. Omitted Information

No significant information has been omitted from this report.

## 8. Executive Officer

The name and business number of the executive officer of the Company who is knowledgeable about the material change and this report is:

Stephen McCoach, Chief Executive Officer and Director  
Phone (604) 601-5801

## 9. Date of Report

January 24, 2014

## Schedule "A"

### PRESS RELEASE

## Imperial Ginseng Products Ltd. Announces Debt Settlement Completion

**VANCOUVER, BRITISH COLUMBIA** – Imperial Ginseng Products Ltd. (TSX Venture Exchange: IGP and IGP.PRA.A) (the "Company" or "Imperial") announces that, further to its press release of October 16, 2013, it has completed the transactions contemplated in the debt settlement agreement (the "Debt Settlement Agreement") with certain officers, directors and significant shareholders of the Company (the "Debt Holders"). As at June 30, 2013, the Company was indebted to the Debt Holders in the amount of \$2,984,944 consisting of a current debt of \$2,707,578 and unpaid dividends on Class "A" preference shares of \$277,366. Under the Debt Settlement Agreement, \$1,114,944 of the indebtedness was settled by the issuance of 4,129,422 common shares of the Company at the deemed price of \$0.27 per share and the remaining \$1,870,000 of the indebtedness will be repaid under the terms of loan agreements (the "Loans") having a maturity date of January 1, 2021, and secured by all of the assets of the Company (including the assets of its subsidiary). The Loans are subordinate to the Company's indebtedness to its commercial bank. During the first four years of the term of the Loans, they do not bear interest and no repayments of principal are required. During the next four years of the term of the Loans, principal shall be repayable as to 25% per annum each January 1, commencing January 1, 2018, and shall bear interest thereafter at the rate of 9% per annum. The Company has the right to pre-pay any amount of the Loans at any time with a 5% prepayment fee.

In addition to the statutory 4 month hold period expiring on May 25, 2014, all of the 4,129,422 shares issued pursuant to the Debt Settlement Agreement are also subject to a negotiated long term hold period expiring as to one-third of the shares at the end of each of the third, fourth and fifth years after their issuance on January 24, 2014.

An Independent Committee of the Board of Directors was formed in 2011 to negotiate the settlement of the indebtedness to the Debt Holders. The Independent Committee recommended the Debt Settlement Agreement and believes it is in the best interest of the Company and all shareholders as it (i) removes uncertainty with respect to the debt by converting the cash settled portion of the debt from a current liability to a long term liability with specific repayment terms, (ii) reduces the Company's total debt from approximately \$3 million to \$1.87 million, (iii) conserves the Company's cash for the next four years, and (iv) because the interest rate drops from 12% to 9% and no interest is charged for the first four years, saves the Company over \$3 million in interest charges over the next eight years.

The transaction has been approved by 91% of the minority shareholders voted at the Company's AGM and by the TSX Venture Exchange, which also changed the Company's tier classification to Tier 2 effective January 23, 2014.

The Debt Holders include Trilogy Bancorp Ltd. ("Trilogy"), a private company, and Stephen McCoach, Hugh Cartwright and Maurice Levesque (through MLTS Holdings Inc.), all officers and directors of the Company. Trilogy, of 310 – 650 West Georgia Street, Vancouver, BC, is owned and controlled equally by the family trusts of Stephen McCoach, Hugh Cartwright and Maurice Levesque. Accordingly, the following information is provided in relation to the shareholdings of each of these Debt Holders.

Trilogy acquired 166,459 common shares (the "Trilogy Shares") of the Company, representing 2.6% of the issued and outstanding shares of the Company calculated as at January 24, 2014, at the deemed price of \$0.27 per Trilogy Share. Immediately prior to the closing, Trilogy owned 848,484 common shares of Imperial, representing 35.6% of the issued and outstanding shares of Imperial calculated as at January 23, 2014. After the acquisition of the Trilogy Shares, Trilogy owns 1,014,943 common shares representing 15.6% of the issued and outstanding common shares of the Company calculated as at

January 24, 2014. Trilogy has acquired the securities for investment purposes and may acquire further common shares or dispose of its holdings of common shares of the Company both as investment conditions warrant.

Stephen McCoach (“McCoach”), of Vancouver, BC, acquired 2,222,222 common shares (the “McCoach Shares”) of the Company, representing 34.1% of the issued and outstanding shares of the Company calculated as at January 24, 2014, at the deemed price of \$0.27 per McCoach Share. Immediately prior to the closing, McCoach owned 26,269 common shares of Imperial, representing 1.1% of the issued and outstanding shares of Imperial calculated as at January 23, 2014. After the acquisition of the McCoach Shares, McCoach owns 2,248,491 common shares representing 34.5% of the issued and outstanding common shares of the Company calculated as at January 24, 2014. In addition, McCoach’s family trust holds its one-third interest in Trilogy, which holds the number of shares set out above. McCoach has acquired the securities for investment purposes and may acquire further common shares or dispose of its holdings of common shares of the Company both as investment conditions warrant.

Hugh Cartwright (“Cartwright”), of Vancouver, BC, acquired 851,852 common shares (the “Cartwright Shares”) of the Company, representing 13.1% of the issued and outstanding shares of the Company calculated as at January 24, 2014, at the deemed price of \$0.27 per Cartwright Share. Immediately prior to the closing, Cartwright owned 19,821 common shares of Imperial, representing 0.8% of the issued and outstanding shares of Imperial calculated as at January 23, 2014. After the acquisition of the Cartwright Shares, Cartwright owns 871,673 common shares representing 13.4% of the issued and outstanding common shares of the Company calculated as at January 24, 2014. In addition, Cartwright’s family trust holds its one-third interest in Trilogy, which holds the number of shares set out above. Cartwright has acquired the securities for investment purposes and may acquire further common shares or dispose of its holdings of common shares of the Company both as investment conditions warrant.

Maurice Levesque, through MLTS Holdings Inc. (“Levesque”), of North Vancouver, BC, acquired 888,889 common shares (the “Levesque Shares”) of the Company, representing 13.7% of the issued and outstanding shares of the Company calculated as at January 24, 2014, at the deemed price of \$0.27 per Levesque Share. Immediately prior to the closing, Levesque owned 8,470 common shares of Imperial, representing 0.4% of the issued and outstanding shares of Imperial calculated as at January 23, 2014. After the acquisition of the Levesque Shares, Levesque owns 897,359 common shares representing 13.8% of the issued and outstanding common shares of the Company calculated as at January 24, 2014. In addition, Levesque’s family trust holds its one-third interest in Trilogy, which holds the number of shares set out above. Levesque has acquired the securities for investment purposes and may acquire further common shares or dispose of its holdings of common shares of the Company both as investment conditions warrant.

## **ON BEHALF OF THE BOARD OF DIRECTORS**

***“Stephen McCoach”***

**Chief Executive Officer and Director**

For additional information or for a copy of the early warning report, please contact Stephen McCoach at:

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