IMPERIAL GINSENG PRODUCTS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Nine Months Ended March 31, 2015 and 2014

(Expressed in Canadian dollars)

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3)(a), the Company discloses that its auditors have not performed a review of these interim consolidated financial statements. The accompanying unaudited interim consolidated financial statements have been prepared by and are the responsibility of the Company's management.

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

As at	note	March 31 2015	(Audited) June 30 2014
ASSETS			
Current assets			
Cash and cash equivalents		**$ 7,563,617**	$ 5,566,150
Trade and other receivables		**26,949**	167,741
Inventories	6	**2,409,865**	352,421
Prepaid expenses		**214,414**	50,163
Pre-planting costs	7	**239,800**	572,721
Biological assets	8	**5,167,000**	2,699,000
		15,621,645	9,408,196
Biological assets	8	**4,552,000**	6,194,000
Property, plant and equipment	9	**3,550,063**	3,430,677
Other receivables		**19,095**	19,095
Available-for-sale investment		**1**	1
		$ 23,742,804	$ 19,051,969
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 460,659**	$ 1,104,230
Deposits	5 (b)	**1,899,357**	-
Planting cost recovery	5 (c)	**113,651**	404,587
Current portion of long-term borrowings	11	**232,396**	199,140
		2,706,063	1,707,957
Long-term borrowings	11	**1,378,837**	1,763,574
Long-term loans	12	**658,365**	800,441
		4,743,265	4,271,972
EQUITY			
Share capital	13	**52,833,867**	52,873,321
Contributed surplus		**781,342**	741,888
Deficit		**(34,615,670)**	(38,835,212)
		18,999,539	14,779,997
		$ 23,742,804	$ 19,051,969

Subsequent event (note 22)

On Behalf of the Board

(signed) "Stephen McCoach"
Director

(signed) "Hugh Cartwright"
Director

See accompanying notes to the consolidated financial statements.

Imperial Ginseng Products Ltd.
Condensed Interim Consolidated Statements of Income and Comprehensive Income
(Unaudited - Expressed in Canadian Dollars)

	note	Three-month period ended March 31		Nine-month period ended March 31	
		2015	**2014**	**2015**	**2014**
Revenue	5(b)	**$ 1,563,034**	$ 698,474	**$ 5,542,975**	$ 9,014,525
Cost of sales	8	**1,228,604**	649,034	**4,430,220**	7,545,160
		334,430	49,440	**1,112,755**	1,469,365
Administrative expenses	15	**(234,228)**	(194,345)	**(641,166)**	(609,473)
Change in fair value of biological assets	8	**1,120,629**	81,104	**3,528,431**	1,130,682
Share-based payments	14	**-**	(51,520)	**-**	(51,520)
		886,401	(164,761)	**2,887,265**	469,689
Income (loss) before other items		**1,220,831**	(115,321)	**4,000,020**	1,939,054
Finance income		**14,799**	19,063	**49,395**	20,446
Finance costs	17	**(260,230)**	(52,854)	**(388,939)**	(81,283)
Other income		**50,044**	84,187	**547,941**	115,855
Gain from disposition of property, plant and equipment		**-**	-	**11,125**	1,384
Gain on restructuring of debt	12	**-**	1,232,482	**-**	1,232,482
		(195,387)	1,282,878	**219,522**	1,288,884
Income and comprehensive income		**$ 1,025,444**	$ 1,167,557	**$ 4,219,542**	$ 3,227,938
Earnings per share	18				
Basic		**$ 0.16**	$ 0.34	**$ 0.65**	$ 0.95
Diluted		**0.14**	0.28	**0.60**	0.77

See accompanying notes to the consolidated financial statements.

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

	Share capital (note 13)						
	Common share	**Convertible preference shares Series A**	**Accrued dividends**	**Total**	**Contributed surplus**	**Deficit**	**Total equity**
Opening balance, July 1, 2014	$ 34,405,517	$ 18,467,804	$ -	$ 52,873,321	$ 741,888	$ (38,835,212)	$ 14,779,997
Changes in the period:							
Conversion of shares	533,072	(533,072)	-	-	-	-	-
Cancellation of shares		(39,454)	-	(39,454)	39,454	-	-
Net income	-	-	-	-	-	4,219,542	4,219,542
Balance, March 31, 2015	**$ 34,938,589**	**$ 17,895,278**	**$ -**	**$ 52,833,867**	**$ 781,342**	**$ (34,615,670)**	**$ 18,999,539**

	Share capital						
	Common share	**Convertible preference shares Series A**	**Accrued dividends**	**Total**	**Contributed surplus**	**Deficit**	**Total equity**
Opening balance, July 1, 2013	$ 33,290,573	$ 18,467,804	$ 277,365	$ 52,035,742	$ 670,208	$ (42,728,842)	$ 9,977,108
Changes in the period:							
Issuance of shares	1,114,944	-	-	1,114,944	-	-	1,114,944
Share-based payments	-	-	-	-	51,520	-	51,520
Settlement of dividends	-	-	(277,365)	(277,365)	-	-	(277,365)
Net income	-	-	-	-	-	3,227,938	3,227,938
Balance, March 31, 2014	**$ 34,405,517**	**$ 18,467,804**	**$ -**	**$ 52,873,321**	**$ 721,728**	**$ (39,500,904)**	**$ 14,094,145**

See accompanying notes to the consolidated financial statements.

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

For the nine months ended March 31,	2015	2014
Cash provided by (used in) operating activities:		
Net income	**$ 4,219,542**	$ 3,227,938
Adjustments for items not involving cash:		
Depreciation	**15,226**	22,692
Share-based payments	**-**	51,520
Finance income	**(49,395)**	(20,446)
Finance costs	**388,939**	81,283
Gain from disposition of property, plant and equipment	**(11,125)**	(1,384)
Change in fair value of biological assets	**(3,528,431)**	(1,130,682)
Gain on restructuring of debt	**-**	(1,232,482)
Changes in non-cash working capital items:		
Cost of crops harvested	**5,830,700**	7,394,798
Crop costs, net of deferred depreciation of $175,131 (March 31, 2014 - $167,080)	**(2,953,138)**	(2,082,268)
Trade and other receivables	**115,319**	(56,400)
Inventories	**(2,052,657)**	(306,935)
Prepaid expenses	**(164,251)**	(104,572)
Pre-planting costs	**332,921**	-
Accounts payable and accrued liabilities	**(632,678)**	(265,613)
Deposits	**1,899,357**	-
Planting cost recovery	**(290,936)**	-
	3,119,393	5,577,449
Cash provided by (used in) investing activities:		
Acquisition of property, plant and equipment	**(335,400)**	(142,676)
Proceeds from disposition of property, plant and equipment	**31,995**	19,940
	(303,405)	(122,736)
Cash provided by (used in) financing activities:		
Finance costs paid	**(73,908)**	(53,854)
Finance income received	**74,868**	3,355
Proceeds from long-term borrowings	**66,032**	-
Repayment of long-term borrowings	**(417,513)**	(132,371)
Repayment of long-term loans	**(468,000)**	-
	(818,521)	(182,870)
Increase in cash and cash equivalents	**1,997,467**	5,271,843
Cash and cash equivalents, beginning of period	**5,566,150**	1,266,671
Cash and cash equivalents, end of period	**$ 7,563,617**	**$** 6,538,514

See accompanying notes to the consolidated financial statements.

1. General

Imperial Ginseng Products Ltd. (the "Company") was incorporated under the laws of the province of British Columbia in 1989. The Company's core business is cultivating and processing ginseng in Ontario and selling ginseng to wholesalers in Asia and Canada through distributors. The Company is listed on the TSX Venture Exchange ("TSXV") with its common shares trading under the stock symbol "IGP" and its convertible preference shares trading under the stock symbol "IGP.PR.A".

The Company's registered address and records office are located at 2900 - 550 Burrard Street, Vancouver, British Columbia V6C 0A3. The head office and principal address of the Company is Suite 310, 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N7.

2. Basis of preparation

(a) Statement of compliance

These condensed interim consolidated financial statements, including comparatives, are prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting,* using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on May 28, 2015.

(b) Basis of presentation and measurement

These condensed interim consolidated financial statements include the accounts of Imperial Ginseng Products Ltd., the parent company, and its wholly owned subsidiary, Canadian Imperial Ginseng Ontario Ltd. ("CIGO").

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended June 30, 2014, subject to the new or amended standards set out in note 4 below. Accordingly, these financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended June 30, 2014.

These financial statements have been prepared on a historical cost basis except for the following:

- Crops are biological assets and are measured at fair value
- Available-for-sale investment is measured at fair value
- Long-term loans are measured at fair value

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars which is the functional currency of the parent company and its wholly owned subsidiary.

3. Critical accounting estimates and judgements

In applying the accounting policies, the Company's management is required to make critical accounting estimates and judgments in determining the carrying amount of the items and/or the nature of transaction as described below.

Accounting estimates

Fair value of biological assets

When determining the fair value of crops, management is required to make a number of estimates including market prices, 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 fair value re-measurement 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 condition and it could change significantly.

Long-term borrowings and loans

Long-term borrowing and loans are classified as other financial liabilities, recorded at fair value on initial recognition and subsequently measured at amortized cost using the effective interest method. Estimates used in determining the effective interest rate include the risk-free interest rate, cost of borrowing and market risk.

Assessment of property, plant and equipment

Property, plant 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 its past experience with assets of similar nature and functions. Actual results could differ from these estimates.

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.

Fair value measurement of stock-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option and volatility and making assumptions about them.

3. Critical accounting estimates and judgments (continued)

Management judgment

Allowance for uncollectible accounts

The Company sells its entire root harvest to the Distributors and collects all the sales proceeds prior to releasing the shipment. Trade receivables of the Company are generally related to miscellaneous revenues which are mostly on cash terms. The Company evaluates the collectability of these accounts based on the business relationship with and the financial strength of the customers. The actual collectability of these accounts could differ from the judgments made by the Company.

Farming arrangement

The farming arrangement between the Company and Ponderosa requires management to determine whether the operation constitutes a joint arrangement. In accordance with IFRS 11, *Joint Arrangements*, a joint arrangement is a contractual arrangement of which two or more parties have joint control of the arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement. Since the Company is the sole decision maker and is not required to obtain the consent of Ponderosa with respect to farming operations, management concluded that joint control does not exist and the farming arrangement with Ponderosa is not a joint arrangement.

4. Recent accounting pronouncements

Application of new or amended standards and interpretations

The Company has adopted IFRIC 21, *Levies,* which is effective for entities with accounting periods beginning on or after January 1, 2014, in these interim financial statements. IFRIC 21 provides guidance on recognition of a liability to pay levies within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.* The adoption of this interpretation did not have a material impact on the Company.

Future changes in accounting standards

IASB issued amendments to IAS 16, *Property, Plant and Equipment* and IAS 41, *Agriculture*, effective for entities with accounting periods beginning on or after January 1, 2016. The amendments define a bearer plant which is to be included within the scope of IAS 16 instead of IAS 41. Under IAS 41, the fair value of biological assets is reflected in their biological transformation. A bearer plant does not undergo significant biological transformation as it matures. The Company does not expect a significant impact on its financial reporting upon the adoption of these amended standards as ginseng crops are not bearer plants.

IFRS 15, *Revenue from Contracts with Customers,* is effective for entities with accounting periods beginning on or after January 1, 2017, with early adoption permitted. IFRS 15 provides a framework for how revenue is recognized in a contract and how to account for contract modifications. The standard discusses the amount of revenue to recognize as function of the consideration expected to be entitled in exchange for the transfer of goods and services. At this time, the Company cannot reasonably determine the impact of adopting the future accounting standards to its financial reporting.

IASB issued IFRS 9, *Financial Instruments,* which is effective for entities with accounting periods beginning on or after January 1, 2018, with early adoption permitted. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* by using a single model approach to determine whether a financial asset is measured at amortized cost or fair value. The Company intends to adopt IFRS 9 in its financial year beginning on July 1, 2018. At this time, the Company cannot reasonably determine the impact of adopting the future accounting standards to its financial reporting.

5. Related party balances and transactions

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

(a) Management company transactions

The Company has an administrative agreement with companies owned and controlled by certain directors of the Company (the "Management Company"). Under the administrative agreement, the Management Company provides accounting, office and administrative services to the Company for a monthly fee of $10,500. For the nine months ended March 31, 2015, the Company was charged $94,500 (March 31, 2014 - $94,500) in administrative fee. At March 31, 2015, $11,025 was outstanding to the Management Company (June 30, 2014 - $nil).

During the year ended June 30, 2014, the Company settled $2,984,944 of indebtedness to the Management Company by way of issuing common shares (note 13(b)) and entering into long-term loan agreements (note 12).

(b) Distributor services

The distribution agreements between the Company and companies controlled by a director of the Company (the "Distributors") provide that the Distributors will buy all the Company's ginseng harvested in a given year at agreed market prices in return for an exclusive right to distribute the Company's ginseng in Asia and Canada. As the ginseng is sold directly to the Distributors at agreed prices, the Company does not pay any selling expenses to the Distributors for the distribution of ginseng. For the nine-month period ended March 31 2015, the Company had sales transactions totaling $5,542,975 with the Distributors (March 31, 2014 - $9,011,375).

During the nine-month period ended March 31, 2015, the Company received deposits totaling $1,899,357 from the Distributors for sales transacted subsequent to the period end.

(c) Ginseng farming agreement

During the year ended June 30, 2014, the Company and Ponderosa Ginseng Farms Corp. ("Ponderosa"), a company having some directors in common with the Company and in which the Management Company has a significant ownership, entered into a ginseng farming agreement (the "Farming Agreement"). Under the Farming Agreement, the Company farms a certain number of acres of ginseng in Ontario for the benefit of Ponderosa each year. Pursuant to the Farming Agreement, Ponderosa shall reimburse the Company the actual farming expenses (the "Actual Costs") plus pay to the Company a planting fee equal to 15% of the Actual Costs. On or before June 30 of each year, Ponderosa shall prepay to the Company an amount equal to 115% of the estimated annual expenses for the next farming year (the "Prepayment"). Subsequent to the completion of a farming year, the Company will calculate the Actual Costs and settle the account with Ponderosa accordingly.

Also pursuant to the Farming Agreement, Ponderosa will pay a yield bonus to the Company if the yields of the ginseng harvested exceed pre-determined base yields. The Farming Agreement may be terminated by either the Company or Ponderosa with eighteen months written notice.

During the nine months ended March 31, 2015, the Company planted 30 acres for Ponderosa (March 31, 2014 – 10 acres) and incurred Actual Costs of $243,260 (March 31, 2014 - $68,782). At March 31, 2015, the Company was maintaining 40 acres of ginseng for Ponderosa (June 30, 2014 – 10 acres). For the nine-month period ended March 31, 2015, the Company recorded $36,489 of planting fee income (March 31, 2014 - $10,318). At March 31, 2015, the balance of Prepayment was $113,651 (June 30, 2014 - $404,587).

(Unaudited - Expressed in Canadian Dollars)

5. Related party balances and transactions (continued)

(d) Key management personnel compensation

The Company's key management personnel have authority and responsibility for overseeing, planning, directing and controlling the activities of the Company. Key management personnel include members of the Board of Directors and executive officers of both the Company and CIGO.

Short-term benefits for key management personnel compensation consist of salaries, bonuses and medical benefits. The Company does not provide any post-employment benefits or other long-term employee benefits. Short-term benefits for the President of CIGO are included in crop expenses. During the nine-month periods ended March 31, 2015, the Company did not grant any stock options to key management personnel (March 31, 2014 – 224,000 stock options granted). The table below summarizes compensation of key management personnel:

For the nine-month periods ended March 31,	2015	2014
Short-term benefits	$ 479,152	$ 382,122
Share-based payments (note 14)	-	51,520
	$ 479,152	$ 433,642

6. Inventories

As at	March 31 2015	(Audited) June 30 2014
Ginseng root	$ 1,604,102	$ -
Ginseng seed	555,645	193,421
Supplies	250,118	159,000
	$ 2,409,865	$ 352,421

7. Pre-planting costs

Pre-planting costs are expenses associated with preparing the land for planting in the next two fiscal years. These costs will be transferred to biological assets in the year the land is seeded. During the nine-month period ended March 31, 2015, $549,178 of the pre-planting costs were transferred to biological assets (March 31, 2014 - $nil). The table below summarizes the composition of pre-planting costs.

As at	March 31 2015	(Audited) June 30 2014
Land rental	$ 104,160	$ 126,922
Fertilizers and pesticides	135,640	445,799
	$ 239,800	$ 572,721

(Unaudited - Expressed in Canadian Dollars)

8. Biological assets

The Company's biological assets consist of ginseng crops. Changes to the fair value of biological assets are summarized as follows:

As at		March 31 2015		(Audited) June 30 2014
Balance at July 1 of the reporting period	$	8,893,000	$	10,649,768
Crop expenses for the period (note 16)		3,128,269		3,460,947
Change in fair value resulting from growth and pricing		3,528,431		2,177,083
Change due to harvested crops transferred to inventories		(5,830,700)		(7,394,798)
	$	9,719,000	$	8,893,000
Biological assets:				
Current portion	$	5,167,000	$	2,699,000
Long-term portion		4,552,000		6,134,000

The inventory cost of ginseng root includes the fair value of the ginseng crops harvested during the year, drying expenses and depreciation on processing equipment. During the nine-month period ended March 31, 2015, $5,830,700 was transferred from biological assets to root inventory. Also included in root inventory was $203,621 of drying and associated expenses. For the nine-month period ended March 31, 2015, $4,430,220 of the total inventory cost was recognized as cost of sales.

Ginseng crops consist of immature, near maturity and mature crops. The following table presents the fair value of each category of the crops:

As at		March 31 2015		(Audited) June 30 2014
Immature ginseng crops	$	4,552,000	$	2,680,000
Near maturity ginseng crops		5,167,000		3,514,000
Mature ginseng crops		-		2,699,000
	$	9,719,000	$	8,893,000

Immature crops are measured at historical costs as there are no markets for these crops.

Near maturity crops are measured using the discounted expected future cash flow method when the costs to complete the crops and the future selling prices of ginseng can be reasonably estimated. When determining the prices used in estimating the fair value, the Company uses the current market prices as 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.

Mature crops are measured at fair value less costs to harvest and sell. In estimating the fair value of the mature crops, the Company assumes 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. Estimate of achievable yields at point of harvest is based on the condition of the crops as of the end of the reporting period. The Company also assumes that the costs to complete and harvest are similar to the actual costs incurred in the past years.

(Unaudited - Expressed in Canadian Dollars)

9. Property, plant and equipment

	Land	Buildings	Farm machinery	Office and laboratory equipment	Processing equipment	Shadehousing and irrigation	Total
Cost							
Balance, July 1, 2013	$ 294,998	$ 871,994	$ 1,329,363	$ 17,035	$ 599,439	$ 1,610,867	$ 4,723,696
Reclassification	-	-	80,065	-	-	(80,065)	-
Acquired	967,179	182,225	191,362	1,676	-	53,895	1,396,337
Disposals	-	-	(24,800)	-	-	-	(24,800)
Balance, June 30, 2014	1,262,177	1,054,219	1,575,990	18,711	599,439	1,584,697	6,095,233
Acquired	-	-	98,486	12,024	-	224,891	335,401
Disposals	-	-	(49,875)	(1,457)	-	-	(51,332)
Balance, March 31, 2015	$ 1,262,177	1,054,219	1,624,601	29,278	599,439	1,809,588	6,379,302
Accumulated depreciation							
Balance, July 1, 2013	$ -	$ 65,400	$ 875,276	$ 13,769	$ 209,910	$ 1,263,614	$ 2,427,969
Reclassification	-	-	3,309	-	-	(3,309)	-
Depreciation	-	44,585	105,125	1,323	22,172	69,626	242,831
Disposals	-	-	(6,244)	-	-	-	(6,244)
Balance, June 30, 2014	-	109,985	977,466	15,092	232,082	1,329,931	2,664,556
Depreciation	-	39,537	95,751	2,445	18,011	39,402	195,146
Disposals	-	-	(29,006)	(1,457)	-	-	(30,463)
Balance, March 31, 2015	$ -	$ 149,522	$ 1,044,211	$ 16,080	$ 250,093	$ 1,369,333	$ 2,829,239
Carrying amounts							
At June 30, 2014	$ 1,262,177	$ 944,234	$ 598,524	$ 3,619	$ 367,357	$ 254,766	$ 3,430,677
At March 31, 2015	1,262,177	904,697	580,390	13,198	349,346	440,255	3,550,063

(Unaudited - Expressed in Canadian Dollars)

10. Credit facilities

The credit facilities made available to CIGO by a Canadian chartered bank (the "Bank") include a non-revolving term facility (note 11 (b)) and a revolving demand facility of $1,750,000 at annual interest rate of prime plus 1% (the "Credit Facility"). The Credit facility is renewed annually and collateralized by general security agreements and a charge over all ginseng inventories and crops. The Credit Facility requires the Company to maintain a current ratio of not less than 1.20 at the end of the fiscal year. In the event that the Company does not satisfy the financial covenants, the Bank has the right to terminate or demand payment of, or cancel or restrict availability of any unused portion of the revolving demand facility.

At March 31, 2015, $nil was drawn on the revolving demand facility (June 30, 2014 - $nil).

11. Long-term borrowings

As at	March 31 2015	(Audited) June 30 2014
Current portion of principal:		
Mortgages (a)	$ 76,000	$ 63,325
Non-revolving term facility (b)	109,950	106,705
Other collateral loans (c)	46,446	29,110
	232,396	199,140
Non-current portion of principal:		
Mortgages (a)	1,194,063	1,505,760
Non-revolving term facility (b)	93,841	176,713
Other collateral loans (c)	90,933	81,101
	1,378,837	1,763,574
	$ 1,611,233	$ 1,962,714

(a) Mortgages

(i) In June 2014, the Company acquired a mortgage in the amount of $825,000 from the Bank for the purchase of a farm property near Walsingham, Ontario. The mortgage is amortized over 25 years, has a term of five years and bears an annual interest rate of 3.86%, compounded semi-annually with monthly blended principal and interest payment of $4,277 during the term. During the nine-month period ended March 31, 2015, the Company paid an additional $82,000 towards the principal thereby reducing the principal balance of the mortgage to $729,264.

(ii) In February 2012, the Company acquired a mortgage in the amount of $825,000 from the Bank for the purchase of an operation and farm property in Milldale, Ontario. The mortgage is amortized over 15 years, has a term of seven years and bears an annual interest rate of 4.50%, compounded semi-annually with annual blended principal and interest payment of $77,100 during the term. During the nine-month period ended March 31, 2015, the Company paid an additional $160,000 towards the principal thereby reducing the principal balance of the mortgage to $540,799.

The mortgages are secured by a charge against the Company's real properties in Ontario. No financial covenants are imposed on the Company with respect to the mortgages. Minimum mortgage payments including interest, during the amortized periods are as follows:

(Unaudited - Expressed in Canadian Dollars)

11. Long-term borrowings (continued)

(a) Mortgages (continued)

As at	March 31 2015	(Audited) June 30 2014
Within 1 year	$ 128,427	$ 129,725
After 1 year but within 5 years	513,710	513,710
More than 5 years	854,245	1,223,728
Total principal and interest payment	$ 1,496,382	$ 1,867,163

(b) Non-revolving term facility

The non-revolving credit facility bears a fixed annual interest rate of 4% for a term of five years until January 2017. Principal and interest are due monthly in a blended installment of $9,675. Minimum principal and interest payments over the terms of the non-revolving term facility are as follows:

As at	March 31 2015	(Audited) June 30 2014
Within 1 year	$ 116,100	$ 116,100
After 1 year but within 5 years	95,552	182,627
Total principal and interest payment	$ 211,652	$ 298,727

(c) Other collateral loans

The Company financed certain equipment and vehicle purchases via collateral loans at interest rates ranging from 0% to 6.99% for terms of two to six years. Each loan is secured by the equipment against which it is borrowed. No financial covenants are imposed on the Company with respect to these loans. The carrying values of borrowings approximate their fair values at the reporting date. Minimum principal and interest payments over the term of the loans are as follows:

As at	March 31 2015	(Audited) June 30 2014
Within 1 year	$ 50,396	$ 32,947
After 1 year but within 5 years	92,966	74,972
More than 5 years	3,101	12,401
Total principal and interest payment	$ 146,463	$ 120,320

(Unaudited - Expressed in Canadian Dollars)

12. Long-term loans

As part of the settlement of the indebtedness to the Management Company (note 5 (a)), on January 1, 2014, the Company entered into long-term loan agreements for an aggregate amount of $1,870,000 (the "Loans"). The Loans are secured by all of the assets of the Company and subordinate to the Company's indebtedness to the Bank. The Loans bear no interest until January 1, 2018 and interest shall be 9% per annum thereafter, calculated and compounded annually, in arrears. Interest is due annually and payable on January 1 commencing 2019. The Loans mature on January 1, 2021 and no payment of the principal is required until January 1, 2018. Commencing January 1, 2018, the Company is required to repay 25% of the principal of the Loans on January 1 of each year. Any amount due and not paid will bear an interest rate of 12% per annum. The Company has the right to pre-pay any amount of the Loans at any time with a 5% prepayment fee.

The Loans are measured at amortized cost and accreted to their face value over the term at effective interest rate of 22%, which is the Company's estimate of the market interest rate for the Loans. In addition, as a result of the debt reorganization, the difference in the fair value of the Loans and the carrying amount of long-term payable prior to the settlement had been recognized as a gain in the consolidated statements of income for the year ended June 30, 2014.

During the nine-month period ended March 31, 2015, the Company made payments totaling $468,000 to the holders of the Loans, thereby reducing the first instalment that was originally due on January 1, 2018 to $nil. Holders of the Loans also agreed to waive the 5% prepayment fee for this early payment. Included in accretion for the nine-month period ended March 31, 2015 was accelerated interest accretion of $210,319 as a result of this prepayment. The next instalment of the Loans will be due on January 1, 2019.

At March 31, 2015, the carrying amount of the Loans was as follows:

As at	**March 31 2015**	**(Audited) June 30 2014**
Balance at July 1 of the reporting period	$ 800,441	$ -
Addition of Loans	-	1,870,000
Discount on Loans	-	(1,145,315)
	800,441	724,685
Accretion	325,923	75,756
Payments	(468,000)	-
	$ 658,364	$ 800,441
Long-term loans:		
Current portion	$ -	$ -
Long-term portion	658,364	800,441

Minimum principal and interest payments over the term of the Loans are as follows:

As at	**March 31 2015**	**(Audited) June 30 2014**
Within 1 year	$ -	$ -
After 1 year but within 5 years	1,144,875	1,061,225
More than 5 years	509,575	1,061,225
Total principal and interest payment	$ 1,654,450	$ 2,122,450

(Unaudited - 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
- 52,500,000 Class "A" preference shares with a par value of $1 each

(b) Issued and outstanding

As at	March 31 2015	(Audited) June 30 2014
Common shares (i)	$ 34,938,589	$ 34,405,517
Convertible preference shares (ii)	17,895,278	18,467,804
	$ 52,833,867	$ 52,873,321

(i) Common shares

	Number of shares	Amount
Balance, July 1, 2013	2,382,020	$ 33,290,573
Issuance of shares	4,129,422	1,114,944
Balance, June 30, 2014	6,511,442	34,405,517
Converted from preference shares	16,213	533,072
Balance, March 31, 2015	6,527,655	$ 34,938,589

During the year ended June 30, 2014, the Company issued 4,129,422 common shares at fair value of $0.27 per share for the settlement of $1,114,944 of the Indebtedness to the Management Company (note 5(a)). These common shares are subject to a negotiated long-term hold period expiring as to one-third on each of January 24, 2017, 2018 and 2019.

(ii) Convertible preference shares

	Number of shares	Amount
Balance, July 1, 2013 and 2014	1,053,181	$ 18,467,804
Converted to common shares	(30,400)	(533,072)
Forfeited and cancelled	(2,250)	(39,454)
Balance, March 31, 2015	1,020,531	$ 17,895,278

The convertible preference shares are non-voting with a non-cumulative dividend rate of 12%. The shares are convertible into common shares of the Company at a price that is subject to a $0.125 increment on January 31 of each year. At March 31, 2015, the conversion rate was 2 preference shares for one common share. No dividends were declared or paid during the nine-month periods ended March 31, 2015 and 2014.

(Unaudited - Expressed in Canadian Dollars)

14. Share-based payments

The Company has a stock option plan under which the Company is authorized to issue up to 248,216 common shares. The options can be granted for a maximum term of ten years and vest as determined by the Board of Directors of the Company. 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 of Directors when the options are granted, using an appropriate valuation model. If the options do not have a vesting period, the option value is entirely recognized at the date of grant.

During the nine-month period ended March 31, 2015, no options were granted, exercised, cancelled or forfeited (March 31, 2014 - 224,000 options granted). At March 31, 2015, 224,000 options were outstanding with weighted average exercise price of $0.29 per common share. The weighted average remaining contractual life of the outstanding options was 3.93 years at March 31, 2015.

15. Administrative expenses

For the nine-month periods ended March 31,	2015	2014
Filing and transfer fees	$ 9,946	$ 17,104
Insurance	8,975	8,975
Investor relations	5,945	7,815
Legal and audit	48,344	111,916
Office	40,319	32,879
Rent	26,461	25,809
Salaries	493,062	395,074
Travel	8,114	9,901
	$ 641,166	$ 609,473

16. Ginseng crop expenses

Ginseng crop expenses include all costs associated with planting, maintaining and harvesting the crops. Ginseng crop expenses are deferred in biological assets until the crops are harvested. The components of crop expenses for the nine-month periods ended March 31, 2015 and 2014 are detailed as follows:

For the nine-month periods ended March 31,	2015	2014
Depreciation	$ 175,131	$ 167,080
Direct labour	1,123,739	960,285
Fertilizers	355,045	136,527
Fuel and utilities	92,406	95,863
Land rental	218,342	170,867
Mulch	316,042	93,950
Office	52,758	36,452
Operating and maintenance	92,394	95,126
Pesticides	539,886	342,471
Seed	162,526	150,727
	$ 3,128,269	$ 2,249,348

17. Finance costs

For the nine-month periods ended March 31,		2015		2014
Interest accretion on long-term loans (note 12)	$	325,924	$	36,575
Interest on long-term borrowings		56,298		39,338
Interest on revolving credit facility		6,717		5,370
	$	388,939	$	81,283

18. Basic and diluted earnings per share

For the nine-month periods ended March 31,		2015		2014
Net income	$	4,219,542	$	3,227,938
Weighted average number of shares outstanding		6,515,051		3,391,769
Basic earnings per share	$	0.65	$	0.95
Weighted average number of shares outstanding		6,515,051		3,391,769
Effect of common share equivalents		559,191		785,697
		7,074,242		4,177,466
Diluted earnings per share	$	0.60	$	0.77

Included in the calculation of diluted earnings per share for the nine-month periods ended March 31, 2015 and 2014 were 224,000 outstanding options for which their exercise price of $0.29 was less than the average share price from the date of issuance to the end of the respective reporting period.

19. Financial risk management

Credit risk

The Company's primary credit risk is its trade receivables. The carrying amounts of trade receivables represent the Company's maximum exposure to credit risk. The Company considers all its trade receivables collectible. Within trade and other receivables, the Company did not have any trade receivables at March 31, 2015 (June 30, 2013 - $nil). Other receivables consist of input tax credit and utility security deposit, which credit risks are considered to be minimal.

The Company may also have credit risk relating to cash and cash equivalents, which it manages by dealing with Canadian chartered banks. To minimize its exposure to credit risk, the Company places all its cash and cash equivalents in accounts which can be drawn on demand. The Company's cash and cash equivalents carrying value as at March 31, 2015 totaled $7,563,617 (June 30, 2014 - $5,566,150), representing the maximum exposure to credit risk of these financial assets.

Currency risk

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

(Unaudited - Expressed in Canadian Dollars)

19. 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. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that there is sufficient working capital for its ongoing operating expenditures through an arrangement with credit facilities. At March 31, 2015, the Company had a working capital surplus of approximately $12,916,000 (June 30, 2014 - $7,700,000).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through the floating interest rate of its revolving demand facility, which may have an effect on its earnings and cash flows in future periods. The Company does not use derivative instruments to mitigate this risk. Under the credit facility agreement, the revolving demand facility is subject to a mutually agreed premium added to the prime rate (note 10). As the Company did not have an amount outstanding on the revolving demand facility on March 31, 2015, a change in the interest rate would not have any impact on the Company.

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

20. Capital management

The Company's main objective in managing its capital is to safeguard its ability to continue operations. The Company considers its capital structure to include the revolving demand facility, long-term borrowings and shareholders' equity. In respect of the Credit Facility, the Company is required to maintain a current ratio of not less than 1.2 at the end of each fiscal year. With respect to the mortgages, other collateral loans and long-term loans (notes 11 and 12), the Company is not subject to any financial covenant. There were no changes in the Company's approach to capital management during the period ended March 31, 2015.

The Company's capital includes the following:

As at	**March 31 2015**	**(Audited) June 30 2014**
Long-term borrowings	$ 1,611,233	$ 1,962,714
Long-term loans	658,365	800,441
Shareholders' equity	18,999,539	14,779,997
	$ 21,269,137	$ 17,543,152

21. Segmented reporting

The Company operates principally in one single industry segment, being cultivating and selling ginseng. All the assets of the Company are located in Canada. All sales transactions are made with Distributors located in Canada (note 5 (b)). The Company had sales transactions totaling $5,542,975 with the Distributors during the nine-month period ended March 31, 2015 (March 31, 2014 - $9,011,375).

As all ginseng of the Company is sold to the Distributors who have an exclusive right to distribute the Company's ginseng in Asia and Canada (note 5 (b)), the end-buyers of the ginseng are not made known to the Company.

22. Subsequent event

On April 29, 2015, the Company announced that the board of directors of the Company had approved a proposed plan of arrangement (the "Arrangement") under which all of the convertible preference shares, Series "A" of the Company (the "Preferred Shares") would be exchanged for either $0.50 cash or 1.11 common shares of the Company (the "Common Shares") per Preferred Share, at the election or deemed election of the holders of the Preferred Shares (the "Preferred Shareholders").

The Company will be seeking Preferred Shareholder approval of the Arrangement at a special meeting (the "Meeting") scheduled to be held on June 8, 2015, with a record date set at the close of business on May 1, 2015 for determining those Preferred Shareholders entitled to notice of and to vote at the Meeting. If the Arrangement is approved at the Meeting and completed, the Preferred Shares will subsequently be delisted from the TSXV. The Common Shares will continue to be listed on the TSXV.

Subject to obtaining the required approvals from regulatory authorities, the Supreme Court of British Columbia and Preferred Shareholders, and the satisfaction or waiver of certain other conditions, the Arrangement is expected to close on or before June 30, 2015.