



IMPERIAL  
G I N S E N G

**IMPERIAL GINSENG PRODUCTS LTD.**

CONDENSED INTERIM FINANCIAL STATEMENTS  
(Unaudited)

Three Months Ended September 30, 2015 and 2014

## **Unaudited Interim Financial Statements**

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

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

As at	Note	September 30 2015	(Audited) June 30 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 3,963,586	\$ 6,498,888
Trade and other receivables		119,231	75,602
Inventories	5	842,785	766,841
Prepaid expenses		149,750	161,342
Pre-planting costs	6	18,095	632,023
Biological assets	7	6,787,000	6,032,000
		11,880,447	14,166,696
Biological assets	7	9,204,000	6,659,000
Property and equipment	4	3,825,229	3,618,892
Deposits		19,095	19,095
Available-for-sale investment		1	1
		\$ 24,928,772	\$ 24,463,684
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 1,560,906	\$ 1,312,581
Deposit for planting cost reimbursement	3 (c)	292,095	506,658
Current portion of long-term borrowings	9	235,861	234,083
		2,088,862	2,053,322
Long-term borrowings	9	1,203,581	1,332,724
Long-term loans	10	727,188	691,921
Deferred tax liabilities		2,062,000	1,890,000
		6,081,631	5,967,967
<b>EQUITY</b>			
Share capital	11	35,101,526	35,083,081
Contributed surplus		771,102	781,342
Deficit		(17,025,487)	(17,368,706)
		18,847,141	18,495,717
		\$ 24,928,772	\$ 24,463,684

On Behalf of the Board

*(signed)* "Stephen McCoach"  
\_\_\_\_\_  
Director

*(signed)* "Maurice Levesque"  
\_\_\_\_\_  
Director

See accompanying notes to the consolidated financial statements.

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

<b>For the three months ended September 30,</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
Administrative expenses	13	\$ (230,214)	\$ (192,592)
Change in fair value of biological assets	7	626,258	(202,026)
<b>Income (loss) before other items</b>		<b>396,044</b>	<b>(394,618)</b>
Finance income		12,613	17,873
Finance costs	14	(50,535)	(58,880)
Other income and expenses		158,215	424,068
Gain (loss) from disposition of property and equipment		(1,118)	11,125
Income (loss) before income taxes		515,219	(432)
Income tax expense		(172,000)	-
<b>Income (loss) and comprehensive income (loss)</b>		<b>\$ 343,219</b>	<b>\$ (432)</b>
<b>Net earnings per share</b>	16		
Basic		\$ 0.05	\$ -
Diluted		0.05	-

See accompanying notes to the consolidated financial statements.

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

	Share Capital (note 11)					Deficit	Total equity
	Common Shares	Preferred Shares	Total	Contributed surplus			
Balance, July 1, 2015	\$ 35,083,081	\$ -	\$ 35,083,081	\$ 781,342	\$ (17,368,706)	\$ 18,495,717	
Changes in the period:							
Proceeds from exercised stock options	9,280	-	9,280	-	-	9,280	
Cost of exercised stock options	10,240	-	10,240	(10,240)	-	-	
Transaction costs	(1,075)	-	(1,075)	-	-	(1,075)	
Net income	-	-	-	-	343,219	343,219	
<b>Balance, September 30, 2015</b>	<b>\$ 35,101,526</b>	<b>\$ -</b>	<b>\$ 35,101,526</b>	<b>\$ 771,102</b>	<b>\$ (17,025,487)</b>	<b>\$ 18,847,141</b>	

	Share Capital					Deficit	Total equity
	Common Shares	Preferred Shares	Total	Contributed surplus			
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:							
Net loss	-	-	-	-	(432)	(432)	
<b>Balance, September 30, 2014</b>	<b>\$ 34,405,517</b>	<b>\$ 18,467,804</b>	<b>\$ 52,873,321</b>	<b>\$ 741,888</b>	<b>\$ (38,835,644)</b>	<b>\$ 14,779,565</b>	

See accompanying notes to the consolidated financial statements.

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

<b>For the three months ended September 30,</b>	<b>2015</b>	<b>2014</b>
<b>Cash provided by (used in) operating activities:</b>		
Net income	\$ 343,219	\$ (432)
Adjustments for items not involving cash:		
Depreciation	771	556
Finance income	(12,613)	(17,873)
Finance costs	50,535	58,880
Gain (loss) from disposition of property, plant and equipment	1,118	(11,125)
Change in fair value of biological assets	(626,258)	202,026
Income tax expense	172,000	-
Changes in non-cash working capital items:		
Crop costs, net of deferred depreciation of \$66,285 (September 30, 2014 - \$57,105)	(2,607,457)	(1,673,916)
Trade and other receivables	(50,398)	(462,098)
Inventories	(75,944)	(457,243)
Prepaid expenses	11,592	(78,781)
Pre-planting costs	613,928	549,178
Accounts payable and accrued liabilities	242,147	327,707
Deposit for planting cost reimbursement	(214,563)	(175,186)
	<b>(2,151,923)</b>	<b>(1,738,307)</b>
<b>Cash provided by (used in) investing activities:</b>		
Acquisition of property and equipment	(274,511)	(137,204)
Proceeds from disposition of property and equipment	-	31,995
	<b>(274,511)</b>	<b>(105,209)</b>
<b>Cash provided by (used in) financing activities:</b>		
Finance costs paid	(9,091)	(10,883)
Finance income received	19,383	6,363
Proceeds from revolving credit facility	-	135,000
Proceeds from long-term borrowings	-	66,032
Repayment of long-term borrowings	(127,365)	(42,416)
Proceeds from exercised stock options	9,280	-
Transaction costs paid	(1,075)	-
	<b>(108,868)</b>	<b>154,096</b>
Decrease in cash and cash equivalents	<b>(2,535,302)</b>	<b>(1,689,420)</b>
Cash and cash equivalents, beginning of the period	<b>6,498,888</b>	<b>5,566,150</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 3,963,586</b>	<b>\$ 3,876,730</b>

See accompanying notes to the consolidated financial statements.

# Imperial Ginseng Products Ltd.

## Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

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### 1. General information

Imperial Ginseng Products Ltd. (the "Company") was incorporated under the laws of the province of British Columbia in 1989. The Company's core business is cultivating and processing ginseng in the province of Ontario and selling the dried ginseng to wholesalers in Asia and North America through distributors. The Company's common shares are listed on the TSX Venture Exchange under the stock symbol "IGP".

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 the account of its wholly owned subsidiary, Canadian Imperial Ginseng Ontario Ltd. ("CIGO"), were prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of application as those used in the most recently prepared audited annual consolidated financial statements. These condensed interim consolidated financial statements do not contain all disclosures required by IFRS for annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended June 30, 2015.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 25, 2015.

#### (b) Basis of measurement and presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis with the exception of biological assets and available-for-sale investment, which are measured at fair value.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

#### (c) Critical accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and to estimate the impacts on the carrying amounts of assets and liabilities at the end of the reporting period, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates. The Company reviews the estimates and the assumptions on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed interim consolidated financial statements, the Company applied the same critical accounting estimates and judgements disclosed in note 4 of its audited consolidated financial statements for the year ended June 30, 2015.

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements For the Three Months Ended September 30, 2015 and 2014 (Unaudited - Expressed in Canadian Dollars)

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#### 3. 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 Trilogy Bancorp Ltd. ("Trilogy"), a company owned and controlled by certain directors of the Company. Under the administrative agreement, Trilogy provides accounting, office and administrative services to the Company for a monthly fee of \$10,500. For the three months ended September 30, 2015, the Company was charged \$31,500 (September 30, 2014 - \$31,500) in administrative fee. At September 30, 2015, no administrative fee was outstanding to Trilogy (June 30, 2015 - \$nil).

(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 North America. During the three months ended September 30, 2015, the Company had no sales transactions with the Distributors (September 30, 2014 - \$nil).

(c) Ginseng farming agreement

The Company and Ponderosa Ginseng Farms Corp. ("Ponderosa"), a company having some directors in common with the Company, have a ginseng farming agreement (the "Farming Agreement") under which the Company plants and maintains certain number of acres of ginseng in Ontario for the benefit of Ponderosa. Pursuant to the Farming Agreement, Ponderosa will reimburse the Company the farming expenses (the "Actual Costs"), which are estimated and prepaid annually (the "Prepayment") prior to the beginning of the Company's fiscal year. In return, the Company earns a planting fee equal to 15% of the Actual Costs from Ponderosa. The Farming Agreement may be terminated by either the Company or Ponderosa with eighteen months written notice.

During the three months ended September 30, 2015, the Company planted 20 acres for Ponderosa (September 30, 2014 - 30 acres). At September 30, 2015, a total of 60 acres was maintained for Ponderosa (June 30, 2015 - 40 acres). For the three months ended September 30, 2015, the Company incurred Actual Costs of \$212,004 (September 30, 2014 - \$142,608) and recorded planting fee income of \$31,801 (September 30, 2014 - \$21,391). At September 30, 2015, the balance of Prepayment was \$292,095 (June 30, 2015 - \$506,658).

(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, executive officers and the President of CIGO.

Short-term benefits for key management personnel compensation consist of salaries, bonuses and medical benefits. The Company does not provide any post-employment benefits or other long-term employee benefits. Short-term benefits for the President of CIGO are included in crop expenses. During the three-month periods ended September 30, 2015 and 2014, the Company did not grant any stock options to key management personnel.

For the three months ended September 30, 2015, compensation to key management personnel, which comprised solely short-term benefits, was \$169,441 (September 30, 2014 - \$129,244).

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

### 4. Property and equipment

	Land	Buildings	Farming equipment	Office and laboratory equipment	Processing equipment	Shadehousing and irrigation	Total
<b>Cost</b>							
Balance, July 1, 2014	\$ 1,262,177	\$ 1,054,219	\$ 1,575,990	\$ 18,711	\$ 599,439	\$ 1,584,697	\$ 6,095,233
Acquired	-	3,625	164,174	12,024	-	286,013	465,836
Disposals	-	-	(49,875)	(1,457)	-	-	(51,332)
Balance, June 30, 2015	1,262,177	1,057,844	1,690,289	29,278	599,439	1,870,710	6,509,737
Acquired	-	-	1,778	1,314	3,705	267,715	274,512
Disposals	-	-	-	(967)	(600)	-	(1,567)
Balance, September 30, 2015	\$ 1,262,177	\$ 1,057,844	\$ 1,692,067	\$ 29,625	\$ 602,544	\$ 2,138,425	\$ 6,782,682
<b>Accumulated depreciation</b>							
Balance, July 1, 2014	\$ -	\$ 109,985	\$ 977,466	\$ 15,092	\$ 232,082	\$ 1,329,931	\$ 2,664,556
Depreciation	-	52,741	129,386	3,388	18,011	53,226	256,752
Disposals	-	-	(29,006)	(1,457)	-	-	(30,463)
Balance, June 30, 2015	-	162,726	1,077,846	17,023	250,093	1,383,157	2,890,845
Depreciation	-	13,224	34,323	903	-	18,606	67,056
Disposals	-	-	-	(402)	(46)	-	(448)
Balance, September 30, 2015	\$ -	\$ 175,950	\$ 1,112,169	\$ 17,524	\$ 250,047	\$ 1,401,763	\$ 2,957,453
<b>Carrying amounts</b>							
At June 30, 2015	\$ 1,262,177	\$ 895,118	\$ 612,443	\$ 12,255	\$ 349,346	\$ 487,553	\$ 3,618,892
At September 30, 2015	1,262,177	881,894	579,898	12,101	352,497	736,662	3,825,229

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

### 5. Inventories

As at	September 30 2015	(Audited) June 30 2015
Ginseng root	\$ 1,097	\$ 1,097
Ginseng seed	709,951	573,924
Supplies	131,737	191,820
	<b>\$ 842,785</b>	<b>\$ 766,841</b>

### 6. Pre-planting costs

Pre-planting costs are expenses associated with preparing the land for planting in the next fiscal year. These costs are transferred to crop expenses when the land is seeded. During the three months ended September 30, 2015, \$613,928 of the pre-planting costs was transferred to current year crop expenses (September 30, 2014 - \$549,178). The table below summarizes the composition of pre-planting costs:

As at	September 30 2015	(Audited) June 30 2015
Land rental	\$ 11,500	\$ 115,660
Fertilizers and pesticides	6,595	516,363
	<b>\$ 18,095</b>	<b>\$ 632,023</b>

### 7. Biological assets

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

As at	September 30 2015	(Audited) June 30 2015
Balance, beginning of the period	\$ 12,691,000	\$ 8,893,000
Crop expenses for the period (note 15)	2,673,742	4,332,270
Change in fair value resulting from growth and pricing	626,258	5,296,430
Change due to harvested crops transferred to inventories	-	(5,830,700)
Balance, end of the period	<b>\$ 15,991,000</b>	<b>\$ 12,691,000</b>
Consist of:		
Current portion	\$ 6,787,000	\$ 6,032,000
Non-current portion	9,204,000	6,659,000

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

#### 7. Biological assets (continued)

Ginseng crops consist of immature, near maturity and mature crops. Immature crops are measured at historical costs as there are no markets for these crops. Near maturity crops are measured using the discounted expected future cash flow method when the costs to complete the crops and the future selling prices of ginseng can be reasonably estimated. Mature crops are measured at estimated fair value less expected costs to harvest and sell. In estimating the fair value of the crops at September 30, 2015, the same key assumptions as the ones applied to the most recently prepared audited consolidated financial statements were used. The following table presents the fair value of the crops:

As at	September 30 2015	(Audited) June 30 2015
Immature crops	\$ 4,655,000	\$ 2,541,000
Near maturity crops	4,549,000	4,118,000
Mature crops	6,787,000	6,032,000
	<b>\$ 15,991,000</b>	<b>\$ 12,691,000</b>

#### 8. Credit facilities

The credit facilities made available to CIGO by a Canadian chartered bank (the "Bank") include a non-revolving term facility (note 9 (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 September 30, 2015, \$nil was drawn on the revolving demand facility (June 30, 2015 - \$nil).

#### 9. Long-term borrowings

As at	September 30 2015	(Audited) June 30 2015
Current portion of principal:		
Mortgages (a)	\$ 79,676	\$ 76,229
Non-revolving term facility (b)	112,167	111,053
Other collateral loans (c)	44,018	46,801
	<b>235,861</b>	<b>234,083</b>
Non-current portion of principal:		
Mortgages (a)	1,096,068	1,187,965
Non-revolving term facility (b)	37,197	65,660
Other collateral loans (c)	70,316	79,099
	<b>1,203,581</b>	<b>1,332,724</b>
	<b>\$ 1,439,442</b>	<b>\$ 1,566,807</b>

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

#### 9. Long-term borrowings (continued)

##### (a) Mortgages

- (i) In 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.
- (ii) In 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.

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:

<b>As at</b>	<b>September 30 2015</b>	<b>(Audited) June 30 2015</b>
Within 1 year	\$ 128,427	\$ 128,427
After 1 year but within 5 years	1,216,744	1,325,125
<b>Total principal and interest payment</b>	<b>\$ 1,345,171</b>	<b>\$ 1,453,552</b>

##### (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:

<b>As at</b>	<b>September 30 2015</b>	<b>(Audited) June 30 2015</b>
Within 1 year	\$ 116,100	\$ 116,100
After 1 year but within 5 years	37,502	66,527
<b>Total principal and interest payment</b>	<b>\$ 153,602</b>	<b>\$ 182,627</b>

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

#### 9. Long-term borrowings (continued)

##### (c) Other collateral loans

The Company financed certain equipment and vehicle purchases via collateral loans at interest rates ranging from 0% to 4.75% 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	September 30 2015	(Audited) June 30 2015
Within 1 year	\$ 47,259	\$ 50,396
After 1 year but within 5 years	74,006	83,467
<b>Total principal and interest payment</b>	<b>\$ 121,265</b>	<b>\$ 133,863</b>

#### 10. Long-term loans

During the year ended June 30, 2014, the Company settled indebtedness to Trilogy (the "Indebtedness") by way of issuing common shares and entering into long-term loan agreements. Trilogy assigned a portion of the Indebtedness to certain parties, who are directors and officers of the Company (together the "Debt Holders"), and directed the Company to settle with the Debt Holders individually. Of the Indebtedness, \$1,870,000 is to be repaid under the terms of loan agreements having a maturity date of January 1, 2021 (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 with interest at 9% per annum thereafter, calculated and compounded annually, in arrears. Interest is due annually and payable commencing on January 1, 2019. No payment of the principal is required until January 1, 2018. Beginning on January 1, 2018, the Company is required to repay 25% of the principal of the Loans on January 1 of each year until the Loans are fully repaid on January 1, 2021. 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 estimated market interest rate of the Loans.

During the year ended June 30, 2015, the Company paid \$468,000 of the principal of the Loans to Debt Holders, thereby reducing the first instalment that was originally due on January 1, 2018 to \$nil. The Debt Holders agreed to waive the 5% prepayment fee for this early payment. The next instalment of the Loans will be due on January 1, 2019. Minimum principal and interest payments over the term of the Loans are as follows:

As at	September 30 2015	(Audited) June 30 2015
Within 1 year	\$ -	\$ -
After 1 year but within 5 years	1,144,875	1,144,875
More than 5 years	509,575	509,575
<b>Total principal and interest payment</b>	<b>\$ 1,654,450</b>	<b>\$ 1,654,450</b>

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements  
For the Three Months Ended September 30, 2015 and 2014  
(Unaudited - Expressed in Canadian Dollars)

### 10. Long-term loans (continued)

At September 30, 2015 and June 30, 2015, the carrying amount of the Loans was as follows:

As at	September 30 2015	(Audited) June 30 2015
Balance, beginning of the period	\$ 691,921	\$ 800,441
Accretion	35,267	149,161
Payments	-	(468,000)
Loss on modification of loans	-	210,319
Balance, end of the period	\$ 727,188	\$ 691,921
Consist of:		
Current portion	\$ -	\$ -
Non-current portion	727,188	691,921

### 11. Share capital

- (a) Authorized
- Unlimited number of common shares without par value
  - Unlimited number of convertible preference shares without par value
  - 100,000,000 Class "A" preference shares with a par value of \$1 each
- (b) Issued and outstanding

	Number of common shares	Amount
Balance, July 1, 2014	6,511,442	\$ 34,405,517
Converted from convertible preference shares	16,213	533,073
Shares issued under an arrangement (i)	650,192	325,096
Transaction costs	-	(180,605)
Balance, June 30, 2015	7,177,847	\$ 35,083,081
Shares issued upon exercise of stock options (note 12)	32,000	19,520
Transaction costs	-	(1,075)
Balance, September 30, 2015	7,209,847	\$ 35,101,526

- (i) During the year ended June 30, 2015, the Company issued 650,192 common shares at fair value of \$0.50 per share pursuant to an arrangement under which the then issued and outstanding convertible preference shares were exchanged for either \$0.50 cash or 1.11 common shares.

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

#### 12. 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 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 the Black-Scholes option pricing model. If the options do not have a vesting period, the option value is entirely recognized at the date of grant.

During the three months ended September 30, 2015, 32,000 options were exercised at \$0.29 per share for proceeds of \$9,280. At September 30, 2015, 192,000 options were outstanding. These options are exercisable until March 4, 2019 and the weighted average remaining contractual life of these outstanding options at September 30, 2015 was 3.43 years. Changes in the number of options outstanding are as follows:

	Number of options	Weighted average exercise price
Outstanding and exercisable, July 1, 2015 and 2014	224,000	\$ 0.29
Exercised	(32,000)	0.29
Outstanding and exercisable, September 30, 2015	192,000	\$ 0.29

#### 13. Administrative expenses

For the three-month periods ended September 30,	2015	2014
Filing and transfer agent	\$ 3,011	\$ 2,455
Insurance	9,227	8,975
Legal and audit	23,026	14,000
Office	10,783	15,632
Rent	8,961	8,772
Salaries	168,194	136,743
Travel	7,012	6,015
	\$ 230,214	\$ 192,592

#### 14. Finance costs

For the three-month periods ended September 30,	2015	2014
Interest accretion on long-term loans	\$ 35,267	\$ 40,798
Interest on long-term borrowings	15,268	18,082
	\$ 50,535	\$ 58,880

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

#### 15. Crop expenses

Crop expenses include all costs associated with planting, maintaining and harvesting the ginseng crops. Crop expenses are deferred in biological assets until the crops are harvested. The components of crop expenses for the three-month periods ended September 2015 and 2014 are as follows:

For the three-month periods ended September 30,	2015	2014
Depreciation	\$ 66,285	\$ 57,105
Direct labour	611,654	584,966
Fertilizers	286,291	281,255
Fuel and utilities	42,652	49,785
Land rental	86,685	69,456
Mulch	177,455	-
Office	2,302	1,744
Operating and maintenance	80,168	64,554
Pesticides	552,173	459,630
Seed	768,077	162,526
	\$ 2,673,742	\$ 1,731,021

#### 16. Basic and diluted earnings per share

For the three-month periods ended September 30,	2015	2014
Net income	\$ 343,219	\$ (432)
Weighted average number of shares outstanding	7,185,151	6,511,442
Earnings per share - basic	\$ 0.05	\$ -
Weighted average number of shares outstanding	7,185,151	6,511,442
Effect of common share equivalents	26,856	574,378
	7,212,007	7,085,820
Earnings per share – diluted	\$ 0.05	\$ -

#### 17. 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 3 (b)). There were no sales transactions with the Distributors during the three-month periods ended September 30, 2015 and 2014.

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 North America (note 3 (b)), the end-buyers of the ginseng are not made known to the Company.

## Imperial Ginseng Products Ltd.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

#### 18. Financial instruments

As at	September 30 2015	(Audited) June 30 2015
Loans and receivables	\$ 4,101,912	\$ 6,593,585
Available-for-sale	1	1
Other financial liabilities	3,727,536	3,571,309

At September 30, 2015 and June 30, 2015, the financial assets of the Company categorized as level 3 was the available-for-sale investment. Long-term borrowings (note 9) and long-term loans (note 10) were categorized as level 2. There were no transfers between level 1 and level 2 during the three months ended September 30, 2015.

#### 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 September 30, 2015 (June 30, 2015 - \$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 September 30, 2015 totaled \$3,963,586 (June 30, 2015 - \$6,498,888), 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 transactions shall be in Canadian dollars.

##### 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 September 30, 2015, the Company had a working capital surplus of \$9,792,000 (June 30, 2015 - \$12,114,000).

##### 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 8). As the Company did not have an amount outstanding on the revolving demand facility on September 30, 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 loans are not subject to interest rate risk as they are fixed interest rate loans.

## Imperial Ginseng Products Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended September 30, 2015 and 2014

(Unaudited - Expressed in Canadian Dollars)

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### 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, long-term loans 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 9 and 10), the Company is not subject to any financial covenant. There have been no changes to the Company's approach to capital management since June 30, 2015. The Company's capital includes the following:

<b>As at</b>	<b>September 30 2015</b>	<b>(Audited) June 30 2015</b>
Shareholders' equity	\$ 18,847,141	\$ 18,495,717
Long-term borrowings	1,439,442	1,566,807
Long-term loans	727,188	691,921
	<b>\$ 21,013,771</b>	<b>\$ 20,754,445</b>

### 21. Subsequent event

In November, 2015, the Company purchased a real property in Ontario consisting of 64 acres of farmable land for \$832,000 of which \$500,000 was financed via a mortgage.