IMPERIAL GINSENG PRODUCTS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Six Months Ended December 31, 2016 and 2015

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	December 31 2016	(Audited) June 30 2016
ASSETS			
Current assets			
Cash and cash equivalents		**$ 10,214,889**	$ 5,999,115
Trade and other receivables		**728,520**	97,806
Inventories	4	**2,018,345**	2,532,528
Prepaid expenses		**4,600**	279,085
Pre-planting costs	5	**63,925**	554,876
Biological assets	7	**1,051,000**	5,034,000
Total current assets		**14,081,279**	14,497,410
Biological assets	7	**8,222,000**	6,472,000
Property and equipment	6	**5,562,622**	5,102,109
Deposits		**17,860**	17,860
Available-for-sale investment		**100,001**	100,001
Deferred tax assets		**373,000**	426,000
Total Assets		**$ 28,356,762**	$ 26,615,380
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 415,314**	$ 1,375,568
Deposit for planting cost reimbursement	3 (c)	**265,437**	669,702
Current portion of long-term borrowings	9	**207,512**	211,091
Income taxes payable		**977,000**	-
Total current liabilities		**1,865,263**	2,256,361
Long-term borrowings	9	**1,553,478**	1,625,818
Long-term loans	10	**932,387**	844,144
Deferred tax liabilities		**1,840,000**	2,051,000
Total Liabilities		**6,191,128**	6,777,323
EQUITY			
Share capital	11	**35,101,085**	35,101,085
Contributed surplus		**771,102**	771,102
Deficit		**(13,706,553)**	(16,034,130)
Total Shareholders’ Equity		**22,165,634**	19,838,057
Total Liabilities and Shareholders’ Equity		**$ 28,356,762**	$ 26,615,380

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 and Comprehensive Income
(Expressed in Canadian Dollars)

	Note	Three-months period ended December 31		Six-months period ended December 31	
		2016	**2015**	**2016**	**2015**
Revenue	3 (b)	**$ 8,304,413**	$ 5,092,645	**$ 10,027,787**	$ 5,092,645
Cost of sales		**7,392,611**	4,661,650	**9,073,611**	4,661,650
Gross profits		**911,802**	430,995	**954,176**	430,995
Administrative expenses	13	**(221,907)**	(230,653)	**(445,405)**	(460,867)
Change in fair value of biological assets	7	**3,016,389**	2,376,021	**3,210,924**	3,002,279
Income from operations before other items		**3,706,284**	2,576,363	**3,719,695**	2,972,407
Other items					
Finance income		**7,782**	7,600	**18,003**	20,213
Finance costs	14	**(60,861)**	(53,557)	**(119,777)**	(104,092)
Other income and expenses		**6,026**	16,120	**95,656**	174,335
Loss from deteriorated inventories	4	**-**	-	**(567,000)**	-
Gain (loss) from disposition of property and equipment		**-**	21	**-**	(1,097)
Income before income taxes		**3,659,231**	2,546,547	**3,146,577**	3,061,766
Income tax expense		**(819,000)**	-	**(819,000)**	(172,000)
Income and comprehensive income		**$ 2,840,231**	$ 2,546,547	**$ 2,327,577**	$ 2,889,766
Earnings per share	16				
Basic		**$ 0.39**	$ 0.35	**$ 0.32**	$ 0.40
Diluted		**0.39**	0.35	**0.32**	0.40

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)	Contributed surplus	Deficit	Total shareholders' equity
Balance, July 1, 2016	$ 35,101,085	$ 771,102	$ (16,034,130)	$ 19,838,057
Changes in the period:				
Net income	-	-	2,327,577	2,327,577
Balance, December 31, 2016	**$ 35,101,085**	**$ 771,102**	**$ (13,706,553)**	**$ 22,165,634**

	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Balance, July 1, 2015	$ 35,083,081	$ 781,342	$ (17,368,706)	$ 18,495,717
Changes in the period:				
Proceeds from stock options exercised	9,280	-	-	9,280
Cost of exercised stock options	10,240	(10,240)	-	-
Transaction costs	(1,075)	-	-	(1,075)
Net income	-	-	2,889,766	2,889,766
Balance, December 31, 2015	**$ 35,101,526**	**$ 771,102**	**$ (14,478,940)**	**$ 21,393,688**

See accompanying notes to the consolidated financial statements.

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

For the six months ended December 31,	2016	2015
Cash provided by (used in) operating activities:		
Net income	**$ 2,327,577**	$ 2,889,766
Adjustments for items not involving cash:		
Depreciation	**45,001**	15,653
Finance income	**(18,003)**	(20,213)
Finance costs	**119,777**	104,092
Loss from disposition of property and equipment	**-**	1,097
Change in fair value of biological assets	**(3,210,924)**	(3,002,279)
Income tax expense	**819,000**	172,000
Changes in non-cash working capital items:		
Cost of crops harvested	**8,586,000**	9,283,000
Crop costs, net of deferred depreciation of $196,480 (December 31, 2015 - $135,328)	**(2,945,595)**	(3,679,393)
Trade and other receivables	**(620,298)**	(118,109)
Inventories	**510,483**	(5,049,138)
Prepaid expenses	**274,486**	58,227
Pre-planting costs	**490,951**	590,951
Accounts payable and accrued liabilities	**(970,466)**	(566,845)
Deposit for planting cost reimbursement	**(404,265)**	(338,141)
Net cash provide by operating activities	**5,003,724**	340,668
Cash used in investing activities:		
Acquisition of property and equipment	**(698,295)**	(1,136,558)
Net cash used in investing activities	**(698,295)**	(1,136,558)
Cash provided by (used in) financing activities:		
Finance income received	**7,588**	19,823
Finance costs paid	**(21,323)**	(19,359)
Repayment of long-term borrowings	**(75,920)**	(173,311)
Proceeds from exercised stock options	**-**	9,280
Transaction costs paid	**-**	(1,075)
Net cash used in financing activities	**(89,655)**	(164,642)
Increase in cash and cash equivalents	**4,215,774**	(960,532)
Cash and cash equivalents, beginning of period	**5,999,115**	6,498,888
Cash and cash equivalents, end of period	**$ 10,214,889**	**$** 5,538,356

See accompanying notes to the consolidated financial statements.

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 ("Common Shares") are listed on the TSX Venture Exchange ("TSXV") under the stock symbol "IGP".

The Company's registered address and records office are located at 2900 - 550 Burrard Street, Vancouver, British Columbia V6C 0A3. The head office and principal address of the Company is Suite 3030, 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, 2016.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 23, 2017.

(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, 2016.

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 six months ended December 31, 2016, the Company was charged $63,000 (December 31, 2015 - $63,000) in administrative fee. At December 31, 2016, no administrative fee was outstanding to Trilogy (June 30, 2016 - $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 six months ended December 31, 2016, the Company had sales transactions totaling $10,027,787 with the Distributors (December 31, 2015 - $5,092,645).

(c) Ginseng farming agreement

The Company and Ponderosa Ginseng Farms Corp. ("Ponderosa"), a private company having some directors in common with the Company, have a ginseng farming agreement (the "Farming Agreement") under which the Company planted and maintained a certain number of acres of ginseng in Ontario for the benefit of Ponderosa each year. Pursuant to the Farming Agreement, Ponderosa will reimburse the Company the actual 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. Subsequent to the completion of a farming year, the Company will calculate the Actual Costs and settle the account with Ponderosa accordingly.

In August 2016, Ponderosa notified the Company that it wished to terminate the Farming Agreement and the new planting scheduled for fiscal 2017, effective the date the notice was given. The Company agreed to waive the eighteen-month notice period clause in the Farming Agreement and was compensated with the seed Ponderosa had in inventory at that time as well as $29,400 of planting fee for the fiscal 2017 planting that was cancelled. The Company was also reimbursed in full for the land preparation expenses that had already been incurred. The Company will continue with the farming of the 60 acres that are currently under cultivation until they are gradually harvested out by the fall of 2019.

For the six months ended December 31, 2016, the Company incurred Actual Costs of $223,185 (December 31, 2015 - $319,463). Total planting fee income realized in the period was $62,878 (December 31, 2015 - $47,920). At December 31, 2016, the balance of Prepayment was $265,437 (June 30, 2016 - $669,702).

(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.

(Unaudited - Expressed in Canadian Dollars)

3. Related party balances and transactions (continued)

(d) Key management personnel compensation

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. No stock options were granted to key management personnel during the six-month periods ended December 31, 2016 and 2015. For the six months ended December 31, 2016, compensation to key management personnel consisted solely of short-term benefits of $379,953 (December 31, 2015 - $368,878).

4. Inventories

As at	December 31 2016	(Audited) June 30 2016
Ginseng root	$ 1,631,700	$ 1,681,000
Ginseng seed	301,338	680,000
Supplies	85,307	171,528
	$ 2,018,345	$ 2,532,528

In August 2016, it was discovered that a majority of the stratified seed inventory that had been intended to be used for the fiscal 2017 planting had rotted for unknown causes. Included in the consolidated statements of operations for the period ended December 31, 2016 was loss of seed of $567,000 due to the deterioration.

5. 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 six months ended December 31, 2016, $512,193 of the pre-planting costs was transferred to current year crop expenses (December 31, 2015 - $613,928). The table below summarizes the composition of pre-planting costs:

As at	December 31 2016	(Audited) June 30 2016
Land rental	$ 45,163	$ 157,387
Fertilizers and pesticides	18,762	397,489
	$ 63,925	$ 554,876

(Unaudited - Expressed in Canadian Dollars)

6. Property and equipment

	Land	Buildings	Leasehold improvements	Farming equipment	Office and laboratory equipment	Processing equipment	Shadehousing and irrigation	Total
Cost								
Balance,								
June 30, 2015	$ 1,262,177	$ 1,057,844	$ -	$ 1,690,289	$ 29,278	$ 599,439	$ 1,870,710	$ 6,509,737
Acquired	705,498	159,336	30,128	527,888	33,939	4,654	366,574	1,828,017
Disposals	-	-	-	(30,000)	(2,998)	(600)	-	(33,598)
Balance,								
June 30, 2016	1,967,675	1,217,180	30,128	2,188,177	60,219	603,493	2,237,284	8,304,156
Acquired	-	-	-	34,500	3,766	180	659,849	698,295
Balance,								
December 31, 2016	$ 1,967,675	$ 1,217,180	$ 30,128	$ 2,222,677	$ 63,985	$ 603,673	$ 2,897,133	$ 9,002,451
Accumulated depreciation								
Balance,								
June 30, 2015	$ -	$ 162,726	$ -	$ 1,077,846	$ 17,023	$ 250,093	$ 1,383,157	$ 2,890,845
Depreciation	-	57,936	1,883	156,543	6,025	29,117	76,189	327,693
Disposals	-	-	-	(15,000)	(1,424)	(65)	-	(16,489)
Balance,								
June 30, 2016	-	220,662	1,883	1,219,389	21,624	279,145	1,459,346	3,202,049
Depreciation	-	30,429	3,766	105,555	4,916	34,957	58,157	237,780
Balance,								
December 31, 2016	$ -	$ 251,091	$ 5,649	$ 1,324,944	$ 26,540	$ 314,102	$ 1,517,503	$ 3,439,829
Carrying amounts								
At June 30, 2016	$ 1,967,675	$ 996,518	$ 28,245	$ 968,788	$ 38,595	$ 324,348	$ 777,938	$ 5,102,109
At December 31, 2016	1,967,675	966,089	24,479	897,733	37,445	289,571	1,379,630	5,562,622

(Unaudited - Expressed in Canadian Dollars)

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	December 31 2016	(Audited) June 30 2016
Balance, beginning of the period	$ 11,506,000	$ 12,691,000
Crop expenses for the period (note 15)	3,142,076	5,676,947
Change in fair value resulting from growth and pricing	3,210,924	2,421,053
Change due to harvested crops transferred to inventories	(8,586,000)	(9,283,000)
Balance, end of the period	$ 9,273,000	$ 11,506,000
Consist of:		
Current portion	$ 1,051,000	$ 5,034,000
Non-current portion	8,222,000	6,472,000

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 December 31, 2016, 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	December 31 2016	(Audited) June 30 2016
Immature crops	$ 8,222,000	$ 5,701,000
Near maturity crops	1,051,000	771,000
Mature crops	-	5,034,000
	$ 9,273,000	$ 11,506,000

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 $1,000,000 at annual interest rate of Bank's 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 December 31, 2016, $nil was drawn on the revolving demand facility (June 30, 2016 - $nil) and the Company was in compliance with the financial covenants contained within the Credit Facility.

(Unaudited - Expressed in Canadian Dollars)

9. Long-term borrowings

As at	December 31 2016	(Audited) June 30 2016
Current portion of principal:		
Mortgages (a)	$ 107,520	$ 106,710
Revolving term facility (b)	72,285	71,415
Other collateral loans (c)	27,707	32,966
	207,512	211,091
Non-current portion of principal:		
Mortgages (a)	1,371,351	1,395,821
Revolving term facility (b)	147,503	183,864
Other collateral loans (c)	34,624	46,133
	1,553,478	1,625,818
	$ 1,760,990	$ 1,836,909

(a) Mortgages

(i) In January 2016, the Company acquired a mortgage in the amount of $500,000 from the Bank for a farm property in Tillsonburg, Ontario purchased in November 2015. The mortgage is amortized over 20 years, has a term of five years and bears an annual interest rate of 2.71%, compounded semi-annually with monthly blended principal and interest payment of $2,698 during the term.

(ii) 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.

(iii) 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:

As at	December 31 2016	(Audited) June 30 2016
Within 1 year	$ 158,345	$ 160,803
After 1 year but within 5 years	1,454,345	1,510,325
Total principal and interest payment	$ 1,612,690	$ 1,671,128

(Unaudited - Expressed in Canadian Dollars)

9. Long-term borrowings (continued)

(b) Revolving term facility

The Bank has made available to the Company a $500,000 revolving term facility for the purchase of equipment by way of a series of variable interest rate term loans at the Bank's prime rate plus 0.25% and fixed rate term loans which interest rate is to be determined at the time of borrowing. The loans are repayable in monthly blended payments of principal and interest for a maximum term of one year for variable interest rate loans and a maximum term of seven years for fixed rate term loans.

At December 31, 2016, the Company had several fixed rate term loans at annual interest rates between 2.28% and 2.53% maturing from 2019 to 2020. Minimum principal and interest payments over the term of the loans are as follows:

As at	December 31 2016	(Audited) June 30 2016
Within 1 year	$ 76,860	$ 76,860
After 1 year but within 5 years	151,488	189,918
Total principal and interest payment	$ 228,348	$ 266,778

(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 five 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	December 31 2016	(Audited) June 30 2016
Within 1 year	$ 29,474	$ 35,223
After 1 year but within 5 years	36,021	48,244
Total principal and interest payment	$ 65,495	$ 83,467

(Unaudited - Expressed in Canadian Dollars)

10. Long-term loans

In 2014, the Company settled a debt with to Trilogy, a portion of which was settled by entering into long-term loan agreements (the “Indebtedness”). Trilogy assigned the Indebtedness to certain parties, who are directors and officers of the Company (together the “Debt Holders”). The Indebtedness of $1,870,000 is to be repaid under the terms of loan agreements having a final 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.

In 2015, the Company made an advance payment of $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 next instalment of the Loans is due on January 1, 2019.

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

As at	December 31 2016	(Audited) June 30 2016
Within 1 year	$ -	$ -
After 1 year but within 5 years	1,654,450	1,654,450
Total principal and interest payment	$ 1,654,450	$ 1,654,450

The Loans are measured at amortized cost and accreted to their face value over the term at effective interest rate of 22%. At December 31, 2016 and June 30, 2016, the carrying amount of the Loans was as follows:

As at	December 31 2016	(Audited) June 30 2016
Balance, beginning of the period	$ 844,144	$ 691,921
Accretion	88,243	152,223
Balance, end of the period	$ 932,387	$ 844,144
Consist of:		
Current portion	$ -	$ -
Non-current portion	932,387	844,144

(Unaudited - Expressed in Canadian Dollars)

11. Share capital

(a) Authorized
- Unlimited number of common shares without par value
- Unlimited number of convertible preference shares without par value

(b) Issued and outstanding

	Number of common shares		Amount
Balance, July 1, 2015	7,177,847	$	35,083,081
Shares issued upon exercise of stock options (note 12)	32,000		19,520
Transaction costs	-		(1,516)
Balance, June 30, 2016 and December 31, 2016	7,209,847	$	35,101,085

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.

No options were exercised during the six months ended December 31, 2016 (December 31, 2015 - 32,000 options were exercised at $0.29 per share for proceeds of $9,280). No options were granted, cancelled or forfeited during the six-month periods ended December 31, 2016 and 2015. At December 31, 2016 and 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 December 31, 2016 was 2.17 years. Changes in the number of options outstanding are as follows:

	Number of options		Weighted average exercise price
Outstanding and exercisable, July 1, 2015	224,000	$	0.29
Exercised	(32,000)		0.29
Outstanding and exercisable, June 30, 2016 and December 31, 2016	192,000	$	0.29

(Unaudited - Expressed in Canadian Dollars)

13. Administrative expenses

For the six-month periods ended December 31,	2016	2015
Filing and transfer agent	$ 3,839	$ 3,909
Insurance	9,450	9,227
Investor relations	4,214	6,616
Legal and audit	29,758	47,156
Office	25,251	22,084
Rent	22,701	17,921
Salaries	343,786	345,999
Travel	6,406	7,955
	$ 445,405	$ 460,867

14. Finance costs

For the six-month periods ended December 31,	2016	2015
Interest accretion on long-term loans	$ 88,243	$ 72,331
Interest on long-term borrowings	31,534	30,003
Interest on revolving credit facility	-	1,758
	$ 119,777	$ 104,092

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 six-month periods ended December 31, 2016 and 2015 are as follows:

For the six-month periods ended December 31,	2016	2015
Depreciation	$ 196,480	$ 123,518
Direct labour	969,182	1,129,584
Fertilizers	212,845	383,014
Fuel and utilities	66,601	80,050
Land rental	236,414	179,357
Mulch	363,733	460,137
Office	7,696	6,725
Operating and maintenance	107,997	125,857
Pesticides	570,138	558,402
Seed	410,990	768,077
	$ 3,142,076	$ 3,814,721

(Unaudited - Expressed in Canadian Dollars)

16. Basic and diluted earnings per share

For the six-month periods ended December 31,		2016		2015
Net income	$	2,327,577	$	2,889,766
Weighted average number of shares outstanding		7,209,847		7,197,499
Earnings per share - basic	$	0.32	$	0.40
Weighted average number of shares outstanding		7,209,847		7,197,499
Effect of common share equivalents		112,403		53,765
		7,322,250		7,251,264
Earnings per share – diluted	$	0.32	$	0.40

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)). During the six-month period ended December 31, 2016, the Company had sales transactions totaling $10,027,787 with the Distributors (December 31, 2015 - $5,092,645).

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, the end-buyers of the ginseng are not made known to the Company.

18. Financial instruments

The following table lists the carrying value which approximates its fair value of each class of financial instruments as at December 31, 2016 and June 30, 2016:

As at		December 31 2016		(Audited) June 30 2016
Loans and receivables	$	10,961,268	$	6,114,782
Available-for-sale		100,001		100,001
Other financial liabilities		3,108,690		4,056,621

19. Financial risk management

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 December 31, 2016, the Company had a working capital surplus of $12,216,000 (June 30, 2016 - $12,241,000).

19. Financial risk management (continued)

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. At December 31, 2016, the Company had trade receivables of $657,936 (June 30, 2016 - $nil). Other receivables consist of input tax credit and security deposits, which credit risk is 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 December 31, 2016 totaled $10,214,889 (June 30, 2016 - $5,999,115), representing the maximum exposure to credit risk of these financial assets.

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 December 31, 2016, 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.

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.

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, 2016. The Company's capital includes the following:

As at	December 31 2016	(Audited) June 30 2016
Long-term loans	$ 932,387	$ 844,144
Long-term borrowings	1,760,990	1,836,909
Shareholders' equity	22,165,633	19,838,057
	$ 24,859,010	$ 22,519,110