IMPERIAL
GINSENG

IMPERIAL GINSENG PRODUCTS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Six Months Ended December 31, 2017 and 2016

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 2017	(Audited) June 30 2017
ASSETS			
Current			
Cash and cash equivalents		**$ 5,509,969**	$ 10,136,221
Trade and other receivables	3 (b) & (c)	**1,396,736**	138,670
Income tax receivable		**390,000**	-
Inventories	4	**2,577,473**	464,685
Prepaid expenses		**25,145**	299,074
Pre-planting costs	5	**37,422**	613,593
Biological assets	7	**9,899,000**	3,831,000
Total current assets		**19,835,745**	15,483,243
Biological assets	7	**7,982,000**	10,008,000
Property and equipment	6	**6,520,339**	5,952,586
Deposits		**5,110**	5,110
Available-for-sale investment		**100,001**	100,001
Deferred tax assets		**265,000**	250,000
Total Assets		**$ 34,708,195**	$ 31,798,940
LIABILITIES			
Current			
Accounts payable and accrued liabilities	3 (c)	**$ 1,108,933**	$ 1,428,569
Deposit for planting cost reimbursement	3 (c)	**161,868**	520,113
Current portion of long-term borrowings	9	**256,879**	239,923
Income tax payable		**-**	741,000
Total current liabilities		**1,527,680**	2,929,605
Long-term borrowings	9	**1,278,026**	1,273,726
Long-term loans	10	**1,137,511**	1,029,854
Deferred tax liabilities		**3,915,000**	2,613,000
Total liabilities		**7,858,217**	7,846,185
SHAREHOLDERS' EQUITY			
Share capital	11	**35,101,085**	35,101,085
Contributed surplus	11	**1,099,962**	771,102
Deficit		**(9,351,069)**	(11,919,432)
Total shareholders' equity		**26,849,978**	23,952,755
Total Liabilities and Shareholders' Equity		**$ 34,708,195**	$ 31,798,940

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)

		Three-months period ended December 31		Six-months period ended December 31	
	Note	**2017**	**2016**	**2017**	**2016**
Revenue	3 (b)	**$ 1,845,777**	$ 8,304,413	**$ 1,845,777**	$ 10,027,787
Cost of sales		**1,867,108**	7,392,611	**1,867,108**	9,073,611
Gross profits		**(21,331)**	911,802	**(21,331)**	954,176
Administrative expenses	12	**(263,616)**	(221,907)	**(588,158)**	(445,405)
Change in fair value of biological assets	7	**2,918,350**	3,016,389	**4,357,947**	3,210,924
Income from operations before other items		**2,633,403**	3,706,284	**3,748,458**	3,719,695
Other items					
Finance income		**17,873**	7,782	**43,839**	18,003
Finance costs	13	**(67,864)**	(60,861)	**(133,078)**	(119,777)
Other income and expenses		**65,942**	6,026	**87,110**	95,656
Loss from deteriorated inventories		**-**	-	**-**	(567,000)
Gain from disposition of property and equipment		**20,338**	-	**48,217**	-
Share-based payment	11(c)	**(328,860)**	-	**(328,860)**	-
Income before income taxes		**2,340,832**	3,659,231	**3,465,686**	3,146,577
Income tax expense		**(897,323)**	(819,000)	**(897,323)**	(819,000)
Income and comprehensive income		**$ 1,443,509**	$ 2,840,231	**$ 2,568,363**	$ 2,327,577
Earnings per share	15				
Basic		**$ 0.20**	$ 0.39	**$ 0.36**	$ 0.32
Diluted		**0.19**	0.39	**0.34**	0.32

See accompanying notes to the consolidated financial statements.

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

	Share capital	Contributed surplus	Deficit	Total shareholders' equity
Opening balance, July 1, 2017	$ 35,101,085	$ 771,102	$ (11,919,432)	$ 23,952,755
Changes in the period:				
Net income	-	-	2,568,363	2,568,363
Share-based payment	-	328,860	-	328,860
Balance, December 31, 2017	**$ 35,101,085**	**$ 1,099,962**	**$ (9,351,069)**	**$ 26,849,978**

	Share capital	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**

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,	2017	2016
Cash provided by (used in) operating activities:		
Net income	**$ 2,568,363**	$ 2,327,577
Adjustments for items not involving cash:		
Depreciation	**14,763**	45,001
Finance income	**(43,839)**	(18,003)
Finance costs	**133,078**	119,777
Gain from sale of property and equipment	**(48,217)**	-
Share-based payment	**328,860**	-
Change in fair value of biological assets	**(4,357,947)**	(3,210,924)
Income tax expense	**897,323**	819,000
Income taxes paid	**(741,323)**	-
Changes in non-cash working capital items:		
Cost of crops harvested	**3,770,000**	8,586,000
Crop costs, net of deferred depreciation of $232,544 (December 31, 2016 - $196,480)	**(3,221,509)**	(2,945,595)
Trade and other receivables	**(1,246,938)**	(620,298)
Inventories	**(2,103,776)**	510,483
Prepaid expenses	**273,929**	274,486
Pre-planting costs	**576,171**	490,951
Accounts payable and accrued liabilities	**(326,540)**	(970,466)
Deposit for planting cost reimbursement	**(352,156)**	(404,265)
Net cash provide by (used in) operating activities	**(3,879,758)**	5,003,724
Cash used in investing activities:		
Acquisition of property and equipment	**(886,522)**	(698,295)
Proceeds from disposition of property and equipment	**104,579**	-
Net cash used in investing activities	**(781,943)**	(698,295)
Cash provided by (used in) financing activities:		
Finance income received	**32,711**	7,588
Finance costs paid	**(18,517)**	(21,323)
Proceeds from long-term borrowings	**108,300**	-
Repayment of long-term borrowings	**(87,045)**	(75,920)
Net cash provided by (used in) financing activities	**35,449**	(89,655)
(Decrease) increase in cash and cash equivalents	**(4,626,252)**	4,215,774
Cash and cash equivalents, beginning of period	**10,136,221**	5,999,115
Cash and cash equivalents, end of period	**$ 5,509,969**	**$** 10,214,889

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 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 1200 - 200 Burrard Street, Vancouver, British Columbia V7X 1T2. 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, 2017.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 22, 2018.

(b) Basis of presentation and measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis with the exception of biological assets 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, 2017.

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, the Management Company provides accounting, office and administrative services to the Company for a monthly fee of $10,500. For the six months ended December 31, 2017, the Company was charged $63,000 (December 31, 2016 - $63,000) in administrative fee. At December 31, 2017, no administrative fee was outstanding to Trilogy (June 30, 2017 - $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. 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. During the six months ended December 31, 2017, the Company had sales transactions totaling $1,845,777 with the Distributors (December 31, 2016 - $10,027,787). Included in accounts receivable at December 31, 2017 was $1,254,938 outstanding from the Distributors.

(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 plants and maintains certain number of acres of ginseng in Ontario for the benefit of Ponderosa each year (the “Ponderosa Acres”). Pursuant to the Farming Agreement, Ponderosa will reimburse the Company the actual farming and root processing costs (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.

During the year ended June 30, 2017, Ponderosa notified the Company that it wished to terminate the planting of new acres effective in the fall of 2016. The Company will continue with the farming of the Ponderosa Acres until they are gradually harvested out by the fall of 2019, or 2020 if more crops are grown to 5-year-old. During the six months ended December 31, 2017, the Company harvested 11 Ponderosa Acres (December 31, 2016 – no acres harvested). At December 31, 2017, there remained 50 Ponderosa Acres under cultivation.

For the six months ended December 31, 2017, the Company incurred Actual Costs of $329,246 (December 31, 2016 - $223,185). Total planting fee income realized in the period was $49,386 (December 31, 2016 - $62,878). At December 31, 2017, the balance of Prepayment was $161,868 (June 30, 2017 - $520,113).

Pursuant to the Farming Agreement, the Company will undertake the selling of ginseng root harvested from the Ponderosa Acres and will pay to Ponderosa the full amount of proceeds from each completed sale within 30 days of receipt by the Company. During the period ended December 31, 2017, the Company made sales of $662,352 for Ponderosa (December 31, 2016 - $nil). Included in accounts payable at December 31, 2017 was $662,352 of the sales proceeds outstanding to Ponderosa (June 30, 2017 - $nil).

(Unaudited - Expressed in Canadian Dollars)

3. Related party balances and transactions (continued)

(c) Ginseng farming agreement (continued)

Also pursuant to the Farming Agreement, the Company is entitled to a yield bonus if the actual yield of the root harvested in a year exceeds a pre-determined base yield (the "Bonus Root"), calculated as 15% of the revenue from the sale of the Bonus Root. The yield bonus is payable on or before the earlier of 30 days after all the ginseng root is sold and June 30 of the year following the harvest. Included in accounts receivable was an estimate of $35,000 of yield bonus from the sale of Bonus Root during the six months ended December 31, 2017 (June 30, 2017 - $nil).

(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 six-month period ended December 31, 2017, the Company issued stock options to key management personnel entitling the holders to purchase 522,000 Common Shares. These stock options were granted in May 2017 but were not issued until December 2017 (Note 11 (c)). No stock options were granted to key management personnel during the six-month periods ended December 31, 2017 and 2016. For the six months ended December 31, 2017, key management personnel compensation consisted of short-term benefits of $603,727 and stock options of $328,860 (December 31, 2016 – short-term benefits of $379,953).

4. Inventories

As at	December 31 2017	(Audited) June 30 2017
Ginseng root	$ 2,115,525	$ -
Ginseng seed	355,839	303,171
Supplies	106,109	161,514
	$ 2,577,473	$ 464,685

5. Pre-planting costs

Pre-planting costs are expenses associated with preparing the land for planting in the next fiscal year. These costs will be transferred to crop expenses when the land is seeded. During the six months ended December 31, 2017, $591,225 of the pre-planting costs was transferred to crop expenses (December 31, 2016 - $512,193). The table below summarizes the composition of pre-planting costs:

As at	December 31 2017	(Audited) June 30 2017
Land rental	$ 15,713	$ 173,776
Fertilizers and pesticides	21,709	439,817
	$ 37,422	$ 613,593

(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, 2016	$ 1,967,675	$ 1,217,180	$ 30,128	$ 2,188,177	$ 60,219	$ 603,493	$ 2,237,284	$ 8,304,156
Acquired	-	-	-	203,848	7,339	279,407	804,648	1,295,242
Disposals	-	-	-	-	(1,282)	-	-	(1,282)
Balance, June 30, 2017	1,967,675	1,217,180	30,128	2,392,025	66,276	882,900	3,041,932	9,598,116
Acquired	-	145,545	-	253,770	-	-	487,207	886,522
Disposal	-	-	-	(89,225)	(2,342)	-	-	(91,567)
Balance, December 31, 2017	$ 1,967,675	$ 1,362,725	$ 30,128	$ 2,556,570	$ 63,934	$ 882,900	$ 3,529,139	$ 10,393,071
Accumulated depreciation								
Balance, June 30, 2016	$ -	$ 220,662	$ 1,883	$ 1,219,389	$ 21,624	$ 279,145	$ 1,459,346	$ 3,202,049
Depreciation	-	60,858	7,532	215,105	10,015	31,621	119,632	444,763
Disposals	-	-	-	-	(1,282)	-	-	(1,282)
Balance, June 30, 2017	-	281,520	9,415	1,434,494	30,357	310,766	1,578,978	3,645,530
Depreciation	-	33,253	3,766	118,763	5,389	23,054	78,182	262,407
Disposal	-	-	-	(32,863)	(2,342)	-	-	(35,205)
Balance, December 31, 2017	$ -	$ 314,773	$ 13,181	$ 1,520,394	$ 33,404	$ 333,820	$ 1,657,160	$ 3,872,732
Carrying amounts								
At June 30, 2017	$ 1,967,675	$ 935,660	$ 20,713	$ 957,531	$ 35,919	$ 572,134	$ 1,462,954	$ 5,952,586
At December 31, 2017	1,967,675	1,047,952	16,947	1,036,176	30,530	549,080	1,871,979	6,520,339

(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 2017	(Audited) June 30 2017
Balance, beginning of the period	$ 13,839,000	$ 11,506,000
Crop expenses for the period (Note 14)	3,454,053	5,079,926
Change in fair value resulting from growth and pricing	4,357,947	5,839,074
Change due to harvested crops transferred to inventories	(3,770,000)	(8,586,000)
Balance, end of the period	$ 17,881,000	$ 13,839,000
Consist of:		
Current portion	$ 9,899,000	$ 3,831,000
Non-current portion	7,982,000	10,008,000

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. The following table presents the fair value of each category of the crops:

As at	December 31 2017	(Audited) June 30 2017
Immature ginseng crops	$ 7,982,000	$ 5,413,000
Near maturity ginseng crops	-	4,595,000
Mature ginseng crops	9,899,000	3,831,000
	$ 17,881,000	$ 13,839,000

8. Credit facilities

The credit facilities made available to CIGO by a Canadian chartered bank (the "Bank") include a revolving term facility (Note 9 (b)) and a revolving demand facility of $1,000,000 at annual interest rate of Bank's prime rate 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, 2017, $nil was drawn on the revolving demand facility (June 30, 2017 - $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 2017		(Audited) June 30 2017
Current portion of principal:				
Mortgages (a)	$	120,001	$	119,082
Revolving term facility (b)		99,884		98,631
Other collateral loans (c)		36,994		22,210
		256,879		239,923
Non-current portion of principal:				
Mortgages (a)		1,032,982		1,060,660
Revolving term facility (b)		138,886		189,143
Other collateral loans (c)		106,158		23,923
		1,278,026		1,273,726
	$	1,534,905	$	1,513,649

(a) Mortgages

(i) In 2016, the Company acquired a mortgage of $500,000 for a farm property in Tillsonburg, Ontario. 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. At December 31, 2017, the principal balance was $411,630 (June 30, 2017 - $422,189).

(ii) In 2014, the Company acquired a mortgage of $825,000 for 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. At December 31, 2017, the principal balance was $484,805 (June 30, 2017 - $501,005).

(iii) In 2012, the Company acquired a mortgage of $825,000 for a 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. At December 31, 2017, the principal balance was $256,548 (June 30, 2017 - $256,548).

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 2017		(Audited) June 30 2017
Within 1 year	$	160,803	$	160,803
After 1 year but within 5 years		1,072,239		1,114,091
Total principal and interest payment	$	1,233,042	$	1,274,894

(Unaudited - Expressed in Canadian Dollars)

9. Long-term borrowings (continued)

(b) Revolving term facility

The Bank has made available to the Company a $1,000,000 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, 2017, the Company had several fixed rate term loans at annual interest rates between 2.28% and 2.82% maturing from 2019 to 2021. Minimum principal and interest payments over the term of the loans are as follows:

As at	December 31 2017	(Audited) June 30 2017
Within 1 year	$ 104,928	$ 104,928
After 1 year but within 5 years	142,399	194,863
Total principal and interest payment	$ 247,327	$ 299,791

(c) Other collateral loans

The Company financed certain equipment and vehicle purchases via collateral loans at interest rates ranging from 2.90% to 3.49% for terms of four 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	December 31 2017	(Audited) June 30 2017
Within 1 year	$ 40,762	$ 23,441
After 1 year but within 5 years	111,974	24,803
Total principal and interest payment	$ 152,736	$ 48,244

10. Long-term loans

In 2014, the Company settled a debt with 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.

(Unaudited - Expressed in Canadian Dollars)

10. Long-term loans (continued)

In 2015, the Company made an advanced 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 2017		(Audited) June 30 2017
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, 2017 and June 30, 2017, the carrying amount of the Loans was as follows:

As at		December 31 2017		(Audited) June 30 2017
Balance, beginning of the year	$	1,029,854	$	844,144
Accretion		107,657		185,710
Balance, end of the year	$	1,137,511	$	1,029,854
Consist of:				
Current portion	$	-	$	-
Non-current portion		1,137,511		1,029,854

11. Share capital

(a) Authorized

- Unlimited number of common shares without par value (“Common Shares”)
- Unlimited number of convertible preference shares without par value

(b) Issued and outstanding

At December 31, 2017 and June 30, 2017, the Company had 7,209,847 Common Shares issued and outstanding.

(Unaudited - Expressed in Canadian Dollars)

11. Share capital (continued)

(c) Stock options

The Company has an amended and restated stock option plan (the "Amended Plan") under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 720,000 Common Shares. The Amended Plan was adopted by the board of directors of the Company (the "Board") in May 2017 and approved by shareholders of the Company in December 2017. Under the Amended Plan, the stock options can be granted for a maximum term of 10 years and vest at the discretion of the Board. The exercise price of each option is determined by the Board, subject to the pricing policies of the TSX Venture Exchange.

In December 2017, upon the receipt of shareholder approval of the Amended Plan, the Company issued 522,000 stock options to officers and directors of the Company that were granted in May 2017. Each stock option entitles the holder to purchase 1 Common Share at an exercise price of $0.85 per Common Share on or before May 26, 2022. All these options vested immediately upon issuance. The Company used the Black-Scholes option pricing model with the following assumptions to value these stock options and recorded an estimated grant value of $328,860.

Stock price on date of grant	$ 0.85
Exercise price	$ 0.85
Risk free interest rate	1.53%
Expected life	5 years
Expected volatility	98.76%
Forfeiture rate	0%

During the six-month periods ended December 31, 2017 and 2016, no stock options were exercised, cancelled or forfeited. A continuity schedule of stock options outstanding and exercisable is as follows:

	Number of options	Weighted average exercise price
Outstanding and exercisable, July 1, 2017 and 2016	192,000	$ 0.29
Granted	522,000	0.85
Outstanding and exercisable, December 31, 2017	714,000	$ 0.70

The following table summarizes information on stock options outstanding and exercisable at December 31, 2017:

Number of options	Weighted-average exercise price ($)	Expiry date	Weighted-average remaining contractual life (years)
192,000	$ 0.29	March 4, 2019	1.17
522,000	0.85	May 26, 2022	4.40
714,000	$ 0.70		3.53

(Unaudited - Expressed in Canadian Dollars)

12. Administrative expenses

For the six-month periods ended December 31,	2017	2016
Filing and transfer agent	$ 5,872	$ 3,839
Insurance	9,450	9,450
Investor relations	5,344	4,214
Legal and audit	35,006	29,758
Office	29,892	25,251
Rent	22,605	22,701
Salaries	471,941	343,786
Travel	8,048	6,406
	$ 588,158	$ 445,405

13. Finance costs

For the six-month periods ended December 31,	2017	2016
Interest accretion on long-term payable	$ 107,657	$ 88,243
Interest on long-term borrowings	25,421	31,534
	$ 133,078	$ 119,777

14. 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, 2017 and 2016 are as follows:

For the six-month periods ended December 31,	2017	2016
Depreciation	$ 232,544	$ 196,480
Direct labour	1,181,451	969,182
Fertilizers	364,076	212,845
Fuel and utilities	67,141	66,601
Land rental	294,707	236,414
Mulch	423,970	363,733
Office	7,358	7,696
Operating and maintenance	102,854	107,997
Pesticides	585,922	570,138
Seed	194,030	410,990
	$ 3,454,053	$ 3,142,076

(Unaudited - Expressed in Canadian Dollars)

15. Basic and diluted earnings per share

For the six-month periods ended December 31,	2017	2016
Net income	$ 2,568,363	$ 2,327,577
Weighted average number of shares outstanding	7,209,847	7,209,847
Basic earnings per share	$ 0.36	$ 0.32
Weighted average number of shares outstanding	7,209,847	7,209,847
Effect of Common Share equivalents	317,667	112,403
	7,527,514	7,322,250
Diluted earnings per share	$ 0.34	$ 0.32

Included in the calculation of diluted earnings per share for the six-month period ended December 31, 2017 was 714,000 outstanding stock options (December 31, 2016 – 192,000 outstanding stock options) for which the weighted average exercise price was lower than the average share price in the reporting period.

16. 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 months ended December 31, 2017, the Company had sales transactions totaling $1,845,777 with the Distributors (December 31, 2016 - $10,027,787).

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.

17. Financial instruments

The following table lists the carrying value which approximates its fair value of each class of financial instruments as at December 31, 2017 and June 30, 2017:

As at	December 31 2017	(Audited) June 30 2017
Loans and receivables	$ 6,911,814	$ 10,280,000
Available-for-sale	100,001	100,001
Other financial liabilities	3,781,350	3,972,072

18. 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, 2017, the Company had a working capital surplus of $18,308,000 (June 30, 2017 - $12,554,000).

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, 2017, the Company had trade receivables of $1,254,938 (June 30, 2017 - $nil). Other receivables consist of accrued interest on term deposits, 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, 2017 totaled $5,509,969 (June 30, 2017 - $10,136,221), 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, 2017, 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 Distributors will buy all the Company's harvest in a given year in Canadian dollars.

(Unaudited - Expressed in Canadian Dollars)

19. 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, 2017. The Company's capital includes the following:

As at	December 31 2017	(Audited) June 30 2017
Long-term loans	$ 1,137,511	$ 1,029,854
Long-term borrowings	1,534,904	1,513,649
Shareholders' equity	26,849,978	23,952,754
	$ 29,522,393	$ 26,496,257