IMPERIAL GINSENG PRODUCTS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Nine Months Ended March 31, 2021 and 2020

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	March 31 2021	(Audited) June 30 2020
ASSETS			
Current			
Cash and cash equivalents		**$ 5,203,671**	$ 2,141,629
Trade and other receivables	4 (b)	**57,681**	97,538
Inventories		**284,644**	2,244,566
Prepaid expenses		**25,411**	2,400
Biological assets	5	**2,302,000**	2,862,000
Current assets before assets held for sale		**7,873,407**	7,348,133
Non-current assets classified as held for sale	9 (a)	**-**	1,092,889
Total current assets		**7,873,407**	8,441,022
Biological assets	5	**-**	5,310,000
Property and equipment	7	**4,832,327**	5,901,898
Right-of-use assets	8 (a)	**170,690**	789,152
Investments	6	**167,010**	167,010
Deferred tax assets		**773,000**	106,000
Total Assets		**$ 13,816,434**	$ 20,715,082
LIABILITIES			
Current			
Accounts payable and accrued liabilities		**$ 261,093**	$ 716,694
Deposit for planting cost reimbursement	4 (b)	**-**	55,694
Current portion of long-term borrowings	9	**152,183**	559,711
Current portion of long-term loans	10	**-**	461,350
Current portion of lease liabilities	8 (b)	**57,155**	621,474
Total current liabilities		**470,431**	2,414,923
Long-term borrowings	9	**261,722**	796,176
Lease liabilities	8 (b)	**29,601**	517,126
Deferred tax liabilities		**-**	571,000
Total liabilities		**761,754**	4,299,225
SHAREHOLDERS' EQUITY			
Share capital	11	**34,792,623**	34,792,623
Contributed surplus		**1,406,098**	1,344,158
Accumulated other comprehensive loss		**(66,767)**	(66,767)
Deficit		**(23,077,274)**	(19,654,157)
Total shareholders' equity		**13,054,680**	16,415,857
Total Liabilities and Shareholders' Equity		**$ 13,816,434**	$ 20,715,082

Going concern (Note 1)

On Behalf of the Board

(signed) "Stephen McCoach"
Director

(signed) "Maurice Levesque"
Director

The accompanying notes to the consolidated financial statements are an integral part of these statements.

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

	Note	Three-month ended March 31 2021	Three-month ended March 31 2020	Nine-month ended March 31 2021	Nine-month ended March 31 2020
Revenue		**$ 3,786,466**	$ 3,518,973	**$ 6,846,635**	$ 4,077,767
Cost of sales		**3,334,757**	3,158,357	**6,614,830**	3,619,540
Gross profit		**451,709**	360,616	**231,805**	458,227
Administrative expenses	12	**(219,961)**	(256,175)	**(641,501)**	(768,973)
Change in fair value of biological assets	5	**(500,972)**	(1,233,816)	**(734,022)**	(2,636,250)
Loss from operations before other items		**(269,224)**	(1,129,375)	**(1,143,718)**	(2,946,997)
Other items					
Finance income		**2,320**	3,446	**5,186**	26,941
Finance costs	13	**(5,916)**	(46,733)	**(106,405)**	(189,401)
Other income	4 (a) & (b)	**96,482**	66,576	**167,360**	99,972
Gain on disposition of assets held for sale	9 (a)	**-**	-	**127,388**	-
Loss on sale of biological assets	5	**(1,494)**	-	**(3,978,109)**	-
Reversal of impairment of right-of-use assets for lease cancellation	8	**-**	-	**329,121**	-
Share-based payment	11 (c)	**(61,940)**	-	**(61,940)**	-
Loss before income taxes		**(239,772)**	(1,106,086)	**(4,661,117)**	(3,009,485)
Income tax recovery		**48,000**	295,000	**1,238,000**	822,000
Net loss and total comprehensive loss		**$ (191,772)**	$ (811,086)	**$ (3,423,117)**	$ (2,187,485)
Loss per share, basic and diluted	14	**$ (0.03)**	$ (0.11)	**$ (0.47)**	$ (0.30)

The accompanying notes to the consolidated financial statements are an integral part of these statements.

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

	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
Opening balance, July 1, 2019	$ 34,792,623	$ 1,344,158	$ (19,871)	$ (12,072,502)	$ 24,044,408
Changes from July 1, 2019 to March 31, 2020:					
Net loss	-	-	-	(2,187,485)	(2,187,485)
Repurchase of preferred shares		-	-	(227,432)	(227,432)
Balance, Mar 31, 2020	**34,792,623**	**1,344,158**	**(19,871)**	**(14,487,419)**	**21,629,491**
Changes from April 1 to June 30, 2020:					
Net loss	-	-	-	(5,166,738)	(5,166,738)
Change in fair value of investments		-	(46,896)	-	(46,896)
Balance, Jun 30, 2020	**34,792,623**	**1,344,158**	**(66,767)**	**(19,654,157)**	**16,415,857**
Changes from July 1, 2020 to March 31, 2021:					
Net loss	-	-	-	(3,423,117)	(3,423,117)
Share-based payment	-	61,940	-	-	61,940
Balance, March 31, 2021	**$ 34,792,623**	**$ 1,406,098**	**$ (66,767)**	**$ (23,077,274)**	**$ 13,054,680**

The accompanying notes to the consolidated financial statements are an integral part of these statements.

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

For the nine months ended March 31,	Note	2021	2020
Cash provided by (used in) operating activities:			
Net loss		**$ (3,423,117)**	$ (2,187,485)
Adjustments for items not involving cash:			
Depreciation		**226,775**	31,899
Finance income		**(5,186)**	(26,940)
Finance costs		**106,405**	189,401
Decrease in fair value of biological assets		**734,022**	2,636,250
Gain on disposition of assets held for sale		**(127,388)**	-
Loss on sale of biological assets		**3,978,109**	-
Reversal of impairment of right-of-use assets		**(329,121)**	-
Share-based payment		**61,940**	-
Income tax recovery		**(1,238,000)**	(822,000)
Changes in non-cash working capital items:			
Cost of crops harvested		**3,953,000**	4,500,000
Crop costs, net of depreciation	5	**(2,103,410)**	(3,332,102)
Trade and other receivables		**75,347**	(520)
Inventories		**1,894,007**	(1,333,498)
Prepaid expenses		**(23,011)**	31,906
Pre-planting costs		**-**	212,054
Accounts payable and accrued liabilities		**(450,201)**	(677,263)
Deposit for planting cost reimbursement		**(84,085)**	(292,411)
Net cash provided by (used in) operating activities		**3,246,086**	(1,070,709)
Cash provided by (used in) investing activities:			
Acquisitions of property and equipment		**(16,194)**	(220,007)
Net proceeds from disposition of assets held for sale		**1,220,277**	-
Net proceeds from sale of biological assets		**490,261**	-
Acquisition of investments		**-**	10
Net cash provided by (used in) investing activities		**1,694,344**	(220,017)
Cash provided by (used in) financing activities:			
Finance income received		**5,186**	49,190
Finance costs paid		**(45,010)**	(44,731)
Repayment of long-term borrowings		**(941,982)**	(207,242)
Repayment of long-term loans	10	**(509,575)**	(551,650)
Principal payment of lease liabilities		**(368,437)**	(93,951)
Interest paid on lease liabilities		**(18,570)**	(27,244)
Repurchase of preferred shares		**-**	(327,432)
Net cash used in financing activities		**(1,878,388)**	(1,203,060)
Increase (decrease) in cash and cash equivalents		**3,062,042**	(2,493,786)
Cash and cash equivalents, beginning of the period		**2,141,629**	5,112,635
Cash and cash equivalents, end of the period		**$ 5,203,671**	$ 2,618,849

The accompanying notes to the consolidated financial statements are an integral part of these statements.

1. Nature of operations and going concern

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 China through a distributor. 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 555, 701 West Georgia Street, Vancouver, British Columbia, Canada, V7Y 1E4.

As disclosed in Note 1 to the Company's audited consolidated financial statements for the year ended June 30, 2020, the continuing downward pressure on ginseng prices as a result of political factors and COVID-19 cast significant doubt about future ginseng prices and hence, the ability of the Company to attain profitability. In June 2020, the Board of the Company, after taking into account the material uncertainties that raised significant doubt about the Company's ability to realize its assets and discharge its liabilities, decided that the Company will completely cease planting new crops going forward. In October 2020, the Board, in the ultimate best interest of the stakeholders, approved the abandonment of all the immature crops and that the Company will continue with the mature and near-maturity crops until they are gradually harvested out, which is expected to be completed by fiscal 2022. In November 2020, the Company found an unrelated party (the "Purchaser") to buy all the Company's immature crops, totaling 203 acres, for $500,000. As a condition of the sale, the Company agreed to keep, and allow the Purchaser to use, the existing infrastructure on the fields until the crops are harvested, at which time the infrastructure is to be returned to the Company. Upon the completion of the transaction in December 2020, all the land lease agreements with respect to the crops sold were assigned to the Purchaser, thereby releasing the Company from all the obligations and liabilities under those lease agreements (Note 8).

At March 31, 2021, the Company had a working capital of approximately $7.40 million, of which approximately two-thirds were cash on hand. The Company believes that, given its current cash position, it will meet all of its current liabilities and the cash requirements for the harvest in the spring and the final harvest in the fall of 2021.

These financial statements have been prepared on the assumption that the Company is a going concern. Management believes that it remains appropriate to prepare these financial statements on a going concern basis as there is reasonable expectation that the Company will continue in operations for the next 12 months from the date these financial statements are authorized to issue. These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, and the reported revenues and expenses, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations and that such adjustments could be material. The Company concluded that these financial statements appropriately reflect and disclose management's best estimate of the Company's future operations and financial results at this time.

The duration and impact of the COVID-19 pandemic on the ginseng industry, as well as the effectiveness of government and central bank responses, continues to remain unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

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) and IFRS interpretations issued by the International Accounting Standards Board (IASB).

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

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, and those in effect for the year ended June 30, 2021. These condensed interim consolidated financial statements do not contain all disclosures required by IFRS for annual financial statements. Accordingly, these financial statements should be read in conjunction with the audited annual consolidated financial statements of the Company for the year ended June 30, 2020. These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 27, 2021.

(b) Basis of consolidation, presentation and measurement

These condensed interim financial statements include the accounts of the Company's subsidiaries over which it has control, where control is defined as the power to govern the financial and operating policies. Control is achieved when the Company has power over its subsidiaries, has exposure or rights to variable returns from the subsidiaries and has the ability to use its power to affect the amount of the returns. The Company has two wholly owned subsidiaries, CIGO and Knightswood Holdings Ltd. ("Knightswood"). These consolidated financial statements do not include the accounts of Knightswood as the Company does not have control based on the definition of control under IFRS 10.

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company, and have been prepared on a historical cost basis with the exception of biological assets and investments which are measured at fair value.

3. Critical accounting estimates and judgments

The preparation of these condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and assumptions are based on past experience and factors considered reasonable under the circumstances. Though these estimates and assumptions are reviewed on an ongoing basis, due to their uncertainty, material adjustments could be required in future periods. In preparing these condensed interim consolidated financial statements, the Company applied the same critical accounting estimates and judgments disclosed in the Company's audited consolidated financial statements for the year ended June 30, 2020.

4. Related party balances and transactions

(a) Knightswood Holdings Ltd. and Business Management Agreement

In January 2020, the Company entered into a business management agreement with Elcyc Holdings Ltd. and Canterra Capital Corp. (collectively the "Operator") for the management of Knightswood Holdings Ltd. (the "Knightswood Agreement"). The Company acquired Knightswood in January 2020 (Note 6 (b)). Each Operator is owned and controlled by a director of the Company. Under the Knightswood Agreement, the Operator is solely responsible for managing the business operations and financial affairs, making decisions and setting out policies of Knightswood. In return, the Operator is entitled to all the cash surplus in Knightswood after paying a fixed annual fee of $50,000 to the Company for holding the shares of Knightswood (the "Fixed Fee"). The Fixed Fee is due in four equal instalments at the end of each calendar quarter and is to be paid by Knightswood directly to the Company. For the nine months ended March 31, 2021, the Company reported $37,500 in other income (March 31, 2020 - $12,500). No amount was outstanding from Knightswood at March 31, 2021 (June 30, 2020 - $nil).

(Unaudited – Expressed in Canadian Dollars)

4. Related party balances and transactions (continued)

(b) Ginseng farming agreement

The Company and Ponderosa Ginseng Farms Corp. ("Ponderosa"), a private company having a director 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 reimburses the Company the actual farming and root processing 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 2017, Ponderosa notified the Company to terminate planting new acres but continue with farming the existing Ponderosa Acres until they were gradually harvested out. As at March 31, 2021, all the Ponderosa Acres had been harvested. For the nine months ended March 31, 2021, the Company incurred Actual Costs of $101,859 (March 31, 2020 - $239,080). Total planting fee income realized in the period was $15,279 (March 31, 2020 - $48,862). Included in other receivables was $35,488 of Actual Costs in excess of Prepayment (June 30, 2020 – deposit of $55,694).

Pursuant to the Farming Agreement, the Company will undertake the selling of ginseng root harvested from the Ponderosa Acres and pay to Ponderosa the full amount of proceeds from each completed sale within 30 days of receipt by the Company. For the nine months ended March 31, 2021, the Company made sales totaling $628,810 for Ponderosa (March 31, 2020 - $672,411). No amounts were outstanding to Ponderosa at March 31, 2021 (June 30, 2020 - $nil).

(c) Key management personnel compensation

The table below summarizes the composition of key management personnel compensation for the nine-month periods ended March 31, 2021 and 2020:

For the nine months ended March 31,	2021	2020
Short-term benefits	$ 565,799	$ 539,032
Stock options (Note 11 (c))	61,940	-
	$ 627,739	$ 539,032

The Company's key management personnel include members of the Board, 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 nine-month period ended March 31, 2021, the Company granted stock options to key management personnel entitling the holders to acquire up to an aggregate of 326,000 Common Shares at a price of $0.26 per share. The options vested on the date of grant and will expire on June 30, 2023. Also during the same period, the Company and certain option holders, who were key management personnel of the Company, mutually agreed to cancel the stock options that were granted in 2017 and exercisable to acquire up to 182,000 Common Shares at $0.85 per share. No considerations were paid to the option holders for the cancellation of these stock options. No stock options were granted or cancelled during the same period in the prior year.

(Unaudited – Expressed in Canadian Dollars)

5. Biological assets

The Company's biological assets consist solely of ginseng crops. 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 ginseng crops, the Company applied the same key assumptions disclosed in its audited consolidated financial statements for the year ended June 30, 2020. The following table presents the fair value of each category of the crops:

As at		March 31 2021		(Audited) June 30 2020
Immature crops [1]	$	-	$	3,804,000
Near maturity crops		-		1,506,000
Mature crops		2,302,000		2,862,000
	$	2,302,000	$	8,172,000

Changes to the fair value of biological assets are summarized as follows:

As at		March 31 2021		(Audited) June 30 2020
Balance, beginning of the period	$	8,172,000	$	16,252,000
Crop expenses in the period		3,231,453		5,563,407
Change in fair value due to lowering price and yield expectations		(734,022)		(7,248,407)
Removal of fair value of crops sold [1]		(4,414,431)		-
Fair value of harvested crops transferred to inventories		(3,953,000)		(6,395,000)
Balance, end of the period	$	2,302,000	$	8,172,000
Consist of:				
Current portion	$	2,302,000	$	2,862,000
Non-current portion		-		5,310,000

[1] In December 2020, the fair value of immature crops was removed from biological assets upon the Company's decision to abandon these crops, which were eventually sold at a loss of $3.98 million (Note 1).

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 nine-month periods ended March 31, 2021 and 2020 are as follows:

(Unaudited – Expressed in Canadian Dollars)

5. Biological assets (continued)

For the nine months ended March 31,	2021	2020
Direct labour	$ 1,165,837	$ 1,491,627
Fertilizers	9,586	268,369
Fuel and utilities	79,027	91,802
Short-term leases	16,003	70,894
Mulch	58,500	343,731
Office and program fees	46,473	71,920
Operating and maintenance	214,014	180,331
Pesticides	513,970	740,436
Seed	-	72,992
Crop expenses before depreciation	2,103,410	3,332,102
Depreciation – property and equipment	959,955	431,277
Depreciation – right-of-use assets	168,088	335,871
	$ 3,231,453	$ 4,099,250

6. Investments

(a) Ponderosa Ginseng Farms Corp.

In 1994, the Company invested $395,000 in the preferred shares of Ponderosa and wrote down the investment to a nominal $1 in 2002 due to a prolonged economic downturn in the ginseng industry at that time. In 2005, Ponderosa underwent an equity restructuring and converted its preferred shares into common shares resulting in the Company owning a 1% of the voting rights in Ponderosa. In 2016, the Company acquired additional common shares of Ponderosa for $100,000, resulting in the Company holding a total of approximately 9.8% of the voting rights in Ponderosa.

The investment in Ponderosa is categorized as fair value through other comprehensive income. When estimating the fair value of the investment, the Company applies the same key assumptions and unobservable inputs, that is, expected prices and yields, market volatility and discount rate, used in determining the fair value of its own ginseng crops as Ponderosa is in the same ginseng industry as the Company. In addition, since Ponderosa is expected to be wound up in fiscal 2021, the Company considers the probability of possible outcomes when discounting the value of the projected cash flows upon Ponderosa's liquidation.

(b) Knightswood Holdings Ltd.

On January 6, 2020, the Company and Auxly Cannabis Group Inc. entered into a share purchase agreement under which the Company bought all the issued and outstanding shares of Knightswood Holdings Ltd. ("Knightswood") for $10. Knightswood is in the business of providing its subsidiaries a qualified investment, as defined in the *Income Tax Act* (Canada), for their debentures or debt securities.

The Company has engaged the Operator for the sole management and finances of Knightswood (Note 4 (a)). Under the agreement with the Operator, the Company will not commit its management or resources and is under no obligation to advance funds to or cover the expenses of Knightswood. On the other hand, the Company does not have any right to any variable financial returns from the activities of Knightswood other than the Fixed Fee. The Company also has no rights, power, ability or obligation to direct the activities of Knightswood or be involved in any of the daily affairs, decision making, management or activities of Knightswood. As such, the financial results and position of Knightswood are not consolidated with the financial statements of the Company pursuant to the definition of control under IFRS.

(Unaudited – Expressed in Canadian Dollars)

7. Property and equipment

	Land	Buildings	Leasehold improvements	Farming equipment	Office and laboratory equipment	Processing equipment	Shadehousing and irrigation	Total
Cost								
Balance, June 30, 2019	$ 1,967,675	$ 1,767,789	$ 30,128	$ 2,700,704	$ 58,131	$ 860,446	$ 4,333,987	$ 11,718,860
Acquired	-	176,018	-	5,289	1,900	18,752	67,071	269,030
Disposal	-	-	-	-	-	(1,135)	-	(1,135)
Reclassified to held for sale	(967,179)	(180,422)	-	-	-	-	-	(1,147,601)
Balance, June 30, 2020	1,000,496	1,763,385	30,128	2,705,993	60,031	878,063	4,401,058	10,839,154
Acquired	-	-	-	1,900	2,596	-	11,698	16,194
Disposal	-	-	-	(2,800)	-	-	-	(2,800)
Balance, March 31, 2021	$ 1,000,496	$ 1,763,385	$ 30,128	$ 2,705,093	$ 62,627	$ 878,063	$ 4,412,756	$ 10,852,548
Accumulated depreciation								
Balance, June 30, 2019	$ -	$ 421,231	$ 24,479	$ 1,776,821	$ 40,159	$ 362,576	$ 1,542,818	$ 4,168,084
Depreciation	-	93,554	5,649	222,539	9,400	176,491	317,386	825,019
Disposal	-	-	-	-	-	(1,135)	-	(1,135)
Reclassified to held for sale	-	(54,712)	-	-	-	-	-	(54,712)
Balance, June 30, 2020	-	460,073	30,128	1,999,360	49,559	537,932	1,860,204	4,937,256
Depreciation	-	62,145	-	84,426	6,570	121,787	810,837	1,085,765
Disposal	-	-	-	(2,800)	-	-	-	(2,800)
Balance, March 31, 2021	$ -	$ 522,218	$ 30,128	$ 2,080,986	$ 56,129	$ 659,719	$ 2,671,041	$ 6,020,221
Carrying amounts								
At June 30, 2020	$ 1,000,496	$ 1,303,312	$ -	$ 706,633	$ 10,472	$ 340,131	$ 2,540,854	$ 5,901,898
At March 31, 2021	1,000,496	1,241,167	-	624,107	6,498	218,344	1,741,715	4,832,327

(Unaudited – Expressed in Canadian Dollars)

8. Leases

The Company has an office lease and lease agreements for the land used for cultivation. Lease term for the land ranges from five to seven years with an option to extend for one additional year or terminate before the end of the term.

(a) Right-of-use assets

As at		March 31 2021		(Audited) June 30 2020
Balance, beginning of the period	$	789,152	$	1,520,504
Additions		-		140,490
Derecognition as a result of sale of crops [1]		(408,227)		-
Depreciation recognized in current crop expenses (Note 5)		(168,088)		(440,236)
Depreciation recognized in administrative expenses		(42,147)		(14,049)
Impairment [2]		-		(417,557)
	$	170,690	$	789,152

(b) Lease liabilities

As at		March 31 2021		(Audited) June 30 2020
Balance, beginning of the period	$	1,138,600	$	1,205,241
Additions		-		140,490
Removal as a result of lease assignments [1]		(354,286)		-
Cancellation of lease agreements [2]		(329,121)		-
Interest accretion (Note 13)		18,570		40,667
Payments		(387,007)		(247,798)
	$	86,756	$	1,138,600
Consist of:				
Current portion	$	57,155	$	621,474
Non-current portion		29,601		517,126

[1] In December 2020, upon the assignment of land lease agreements to the Purchaser of the crops (Note 1), the net book value of the corresponding right-of-use assets and the remaining lease liabilities were derecognized and removed, respectively.

[2] During the year ended June 30, 2020, an impairment of the net book value of the right-of-use assets for the land leased for future plantings was recognized when the Company decided to cease all new plantings going forward (Note 1). Subsequently, the landlords agreed to cancel these leases for no monetary considerations effective December 31, 2020. As such, the Company is discharged from the obligations and liabilities for the remaining term of these leases.

(Unaudited – Expressed in Canadian Dollars)

8. Leases (continued)

(c) Contractual undiscounted cash flows

As at		March 31 2021		(Audited) June 30 2020
Within 1 year	$	59,244	$	645,233
After 1 year but within 5 years		29,889		543,897
Total undiscounted lease payments	$	89,133	$	1,189,130

9. Long-term borrowings

As at		March 31 2021		(Audited) June 30 2020
Current portion of principal:				
Mortgages (a)	$	-	$	393,394
Revolving term facility (b)		119,456		134,073
Other collateral loans (c)		32,727		32,244
		152,183		559,711
Non-current portion of principal:				
Mortgages (a)		-		362,187
Revolving term facility (b)		212,851		360,511
Other collateral loans (c)		48,871		73,478
		261,722		796,176
	$	413,905	$	1,355,887

(a) Mortgages

As at June 30, 2020, the Company had mortgages with principal totaling $755,581 on two of its farm properties. In September 2020, the Company paid out the mortgage on one of the properties, which was classified as asset held for sale at June 30, 2020 and on which a gain of $127,388 was recorded upon its sale. In January 2021, the Company paid off the remaining principal balance of the other farm property when the mortgage on it matured.

(b) Revolving term facility

Through an arrangement with a Canadian chartered bank (the “Bank”), a revolving term facility is made available to the Company for the purchase of equipment by way of either variable interest rate term loans at the Bank’s prime rate plus 0.25% or fixed rate term loans for which the interest rate is to be determined at the time of borrowing. At March 31, 2021, the Company had several fixed rate term loans at annual interest rates between 2.82% and 4.25% maturing from 2021 to 2024. Minimum principal and interest payments over the term of the loans are as follows:

(Unaudited – Expressed in Canadian Dollars)

9. Long-term borrowings (continued)

(b) Revolving term facility (continued)

As at		March 31 2021		(Audited) June 30 2020
Within 1 year	$	131,074	$	152,125
After 1 year but within 5 years		221,267		385,178
Total principal and interest payment	$	352,341	$	537,303

(c) Other collateral loans

The Company financed certain equipment and vehicle purchases via collateral loans at interest rates ranging from 0% to 2.90% maturing from 2022 to 2025. Each loan is secured by the equipment against which it is borrowed. No financial covenants are imposed on the Company with respect to these loans. The carrying values of borrowings approximate their fair values at the reporting date. Minimum principal and interest payments over the term of the loans are as follows:

As at		March 31 2021		(Audited) June 30 2020
Within 1 year	$	33,584	$	33,584
After 1 year but within 5 years		49,080		74,269
Total principal and interest payment	$	82,664	$	107,853

10. Long-term loans

In 2014, the Company settled a debt with Trilogy Bancorp Ltd. ("Trilogy"), a portion of which was settled by entering into long-term loan agreements (the "Indebtedness"). At that time, Trilogy assigned the Indebtedness to certain parties, who are, or were directors and officers of the Company. Under the terms of the loan agreements, the Indebtedness of $1,870,000 (the "Loans") bore no interest until January 1, 2018 and the principal would be repaid in four equally annual instalments, with interest rate at 9% per annum, beginning on January 1 of each year starting 2018. Subsequent to the Company making the final principal instalment of $467,500 and interest of $42,075, the Loans were fully repaid on January 1, 2021.

The Loans were measured at amortized cost and accreted to their face value over the term at effective interest rate of 22%. At March 31, 2021 and June 30, 2020, the carrying amount of the Loans was as follows:

As at		March 31 2021		(Audited) June 30 2020
Balance, beginning of the period	$	461,350	$	877,597
Accretion (Note 13)		48,225		135,403
Payment during the period		(509,575)		(551,650)
Balance, end of the period	$	-	$	461,350

(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

At March 31, 2021 and June 30, 2020, the Company had 7,326,547 issued and outstanding Common Shares. There were no share transactions during the nine months ended March 31, 2021 and the year ended June 30, 2020.

(c) Stock options

The Company has an amended and restated stock option 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. In January 2021, the Company granted stock options to officers and directors of the Company entitling the holders to acquire up to an aggregate of 326,000 Common Shares at an exercise price of $0.26 per share. The options vested on the date of grant and will expire on June 30, 2023. Also in January 2021, the Company and certain option holders, who were key management personnel of the Company, mutually agreed to cancel the stock options that were granted in 2017 and exercisable to acquire up to 182,000 Common Shares at $0.85 per share. No options were granted, exercised or cancelled during the nine-month period ended March 31, 2020.

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 $61,940, which was charged to profit or loss and the corresponding amount is accumulated in contributed surplus.

Stock price on the date of grant	$ 0.35
Exercise price	$ 0.26
Risk-free interest rate	0.13%
Expected life	2.47 years
Expected volatility	80.76%
Forfeiture rate	0%

Below is a continuity schedule of stock options outstanding and exercisable:

		Number of options		Weighted average exercise price
Outstanding and exercisable, June 30, 2019	$	502,000	$	0.85
Forfeited		(320,000)		0.85
Outstanding and exercisable, June 30, 2020		182,000		0.85
Granted		326,000		0.26
Cancelled		(182,000)		(0.85)
Outstanding and exercisable, March 31, 2021	$	326,000	$	0.26

At March 31, 2021, the weighted-average remaining contractual life of the outstanding and exercisable stock options was 2.25 years. These stock options will expire on June 30, 2023.

(Unaudited – Expressed in Canadian Dollars)

11. Share capital (continued)

(d) Normal course issuer bid ("NCIB")

In September 2019, TSXV approved the renewal of the NCIB under which the Company was entitled to repurchase for cancellation up to 366,000 Common Shares over a twelve-month period commencing October 1, 2019 and ending September 30, 2020. No Common Shares were repurchased prior to the expiry of NCIB on September 30, 2020 and in the year ended June 30, 2020. The Company did not renew the NCIB upon its expiry on September 30, 2020.

12. Administrative expenses

For the nine months ended March 31,	2021	2020
Depreciation	$ 46,170	$ 8,106
Filing and transfer agent	9,454	12,290
Insurance	15,645	9,765
Office and travel	15,704	38,588
Professional fees	54,469	99,775
Salaries	500,059	566,952
Short-term leases	-	33,497
	$ 641,501	$ 768,973

13. Finance costs

For the nine months ended March 31,	2021	2020
Interest on long-term borrowings	$ 39,610	$ 44,731
Interest accretion on long-term loans (Note 10)	48,225	113,029
Interest accretion on lease liabilities (Note 8 (b))	18,570	31,641
	$ 106,405	$ 189,401

(Unaudited – Expressed in Canadian Dollars)

14. Basic and diluted loss per share

For the nine months ended March 31,		2021		2020
Net loss	$	(3,423,117)	$	(2,187,485)
Weighted average number of shares outstanding		7,326,547		7,326,547
Loss per share, basic and diluted	$	(0.47)	$	(0.30)

For the nine-month period ended March 31, 2021, potentially dilutive Common Shares relating to the outstanding stock options at period end, totaling 95,674, were not included in the computation of loss per share because their effect was anti-dilutive.

For the nine-month period ended March 31, 2020, the outstanding stock options at period end were not considered dilutive as their weighted average exercise price of $0.85 per Common Shares was above the average market price of $0.49 for the period.

15. Financial instruments

Financial instruments measured at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices from observable market transactions either directly or indirectly; and
- Level 3 - Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company classifies and measures its cash and cash equivalents, trade and other receivables, accounts payable and accrued liabilities at amortized cost and their fair values approximate their carrying amounts due to their immediate or short-term nature.

Their fair values of long-term borrowings and long-term loans are determined using a discounted cash flow approach, which approximates their carrying values as the discount rates on these liabilities are at rates similar to prevailing market rates. As such, long-term borrowings and long-term loans are classified within Level 2 of the fair value hierarchy where observable market interest rates of similar loans with similar risks are available.

Investment in Ponderosa is classified within Level 3 of the fair value hierarchy as observable inputs are not available for an unquoted private equity investment that is soon to be wound up. The Company determines the fair value of its investment in Ponderosa based on the best estimated liquidation value of the investment.

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. The Company has an agreement with a distributor under which the distributor 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 all the ginseng of the Company is sold to the distributor who has 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 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. This process assumes ginseng sales occur in a normal manner over the selling season, which, given the current economic and COVID-19 pandemic situations, may or may not happen. The Company also attempts to ensure that there is sufficient working capital for its ongoing operating expenditures through an arrangement with the Bank, which makes available to the Company a revolving term facility (Note 9 (b)) and a revolving demand facility of $500,000 at annual interest rate of Bank's prime rate plus 0.5% (the "Credit Facility"). The Credit Facility is renewed annually and collateralized by general security agreements and a charge over all ginseng inventories and crops, and one of the Company's properties. No financial covenants are imposed on the Company with respect to the Credit Facility. At March 31, 2021, $Nil was drawn on the revolving demand facility (June 30, 2020 - $Nil).

At March 31, 2021, the Company had a working capital surplus of approximately $7,403,000 (June 30, 2020 - $4,933,000), approximately two-thirds of which were cash on hand. At this time, liquidity risk is therefore believed to be minimal.

Credit risk

The Company's primary credit risk is its trade receivables. The carrying amount of trade receivables represents the Company's maximum exposure to credit risk. At March 31, 2021 and June 30, 2020, the Company did not have any trade receivables. Other receivables consist of input tax credit and security deposits, which credit risks are considered to be minimal.

The Company may also have credit risk relating to cash and cash equivalents, which it manages by dealing with Canadian chartered banks. To minimize its exposure to credit risk, the Company places all its cash and cash equivalents in accounts which can be drawn on demand. The Company's cash and cash equivalents carrying value as at March 31, 2021 totaled $5,203,671 (June 30, 2020 - $2,141,629), 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. As the Company did not have an amount outstanding on the revolving demand facility on March 31, 2021 and June 30, 2020, a change in the interest rate would not have any impact on the Company. The Company's long-term borrowings 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 pursuant to a distribution agreement, the distributor will buy all the Company's harvest in a given year in Canadian dollars (Note 16).