



IMPERIAL GINSENG PRODUCTS LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS
(Unaudited)

Six Months Ended December 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	December 31 2021	(Audited) June 30 2021
ASSETS			
Current			
Cash and cash equivalents		\$ 5,802,650	\$ 4,218,707
Receivables and prepaids		76,756	59,197
Inventories	6	3,821,943	1,289,106
Biological assets	7	432,000	1,856,000
Total current assets		10,133,349	7,423,010
Property and equipment	10	3,860,818	4,467,266
Right-of-use assets	11 (a)	42,147	127,844
Investments	8	10	167,010
Deferred tax assets		237,000	765,000
Total Assets		\$ 14,273,324	\$ 12,950,130
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 453,617	\$ 507,056
Lease liabilities	11 (b)	44,294	57,410
Post-employment benefit obligation	9	-	173,957
Total current liabilities		497,911	738,423
Post-employment benefit obligation	9	646,283	183,740
Lease liabilities		-	15,423
Total liabilities		1,144,194	937,586
SHAREHOLDERS' EQUITY			
Share capital	12 (b)	34,821,963	34,821,963
Contributed surplus		1,393,710	1,393,710
Accumulated other comprehensive loss		-	(66,767)
Deficit		(23,086,543)	(24,136,362)
Total shareholders' equity		13,129,130	12,012,544
Total Liabilities and Shareholders' Equity		\$ 14,273,324	\$ 12,950,130

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 Income (Loss) and Comprehensive Income (Loss)

(Expressed in Canadian Dollars)

		Three-month ended December 31		Six-month ended December 31	
	Note	2021	2020	2021	2020
Revenue		\$ -	\$ 2,036,365	\$ 903,053	\$ 3,060,169
Cost of sales		-	2,313,413	834,702	3,280,073
Gross profit (loss)		-	(277,048)	68,351	(219,904)
Administrative expenses	13	(438,727)	(203,552)	(791,581)	(421,541)
Change in fair value of biological assets	7	97,195	1,470,597	(426,966)	(233,050)
Income (loss) from operations before other items		(341,532)	989,997	(1,150,196)	(874,495)
Other items					
Finance income		3,973	1,366	6,871	2,865
Finance costs	14	(11,124)	(41,049)	(22,125)	(100,489)
Other income	5 (a)	17,415	50,791	33,215	70,879
Other expenses		(622)	-	(15,811)	-
Government program payments	1	-	-	2,744,138	-
Gain on disposition of property and equipment		13,044	-	39,304	127,388
Loss on abandonment of biological assets, net of recovery		-	(4,940)	-	(3,976,614)
Extinguishment of lease liabilities		-	329,121	-	329,121
Income (loss) before income taxes		(318,846)	1,325,286	1,635,396	(4,421,345)
Income tax (expense) recovery		(183,000)	(357,000)	(528,000)	1,190,000
Net income (loss) and total comprehensive income (loss)		\$ (501,846)	\$ 968,286	\$ 1,107,396	\$ (3,231,345)
Earnings (loss) per share	15				
Basic		\$ (0.07)	\$ 0.13	\$ 0.15	\$ (0.44)
Diluted		(0.07)	0.13	0.15	(0.44)

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, 2020	\$ 34,792,623	\$ 1,344,158	\$ (66,767)	\$ (19,654,157)	\$ 16,415,857
Net loss for the period	-	-	-	(3,231,345)	(3,231,345)
Balance, December 31, 2020	34,792,623	1,344,158	(66,767)	(22,885,502)	13,184,512
Changes from January 1, 2021 to June 30, 2021:					
Net loss	-	-	-	(1,250,860)	(1,250,860)
Stock-based payments	-	61,940	-	-	61,940
Stock options exercised	29,340	(12,388)	-	-	16,952
Balance, June 30, 2021	34,821,963	1,393,710	(66,767)	(24,136,362)	12,012,544
Net income for the period	-	-	-	1,107,396	1,107,396
Change in fair value of investment	-	-	9,190	-	9,190
Cumulative loss on equity investment transferred to deficit upon derecognition	-	-	57,577	(57,577)	-
Balance, December 31, 2021	\$ 34,821,963	\$ 1,393,710	\$ -	\$ (23,086,543)	\$ 13,129,130

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 six months ended December 31,	2021	2020
Cash provided by (used in) operating activities:		
Net income (loss)	\$ 1,107,396	\$ (3,231,345)
Adjustments for items not involving cash:		
Depreciation	56,741	129,362
Finance income	(6,871)	(2,865)
Finance costs	22,125	100,489
Decrease in fair value of biological assets	426,966	233,050
Gain on disposition of property and equipment	(39,304)	(127,388)
Loss on abandonment of biological assets, net of recovery	-	3,976,614
Extinguishment of lease liabilities	-	(329,121)
Income tax recovery / expense	528,000	(1,190,000)
Changes in non-cash working capital items:		
Cost of crops harvested	2,848,000	3,953,000
Crop costs, net of depreciation	7 (1,313,319)	(1,862,549)
Receivables and prepaids	(17,559)	86,443
Inventories	(2,466,643)	(1,354,023)
Accounts payable and accrued liabilities	(74,478)	(292,787)
Post-employment benefit obligation	288,586	-
Deposit for planting cost reimbursement	-	(74,501)
Net cash provided by operating activities	1,359,638	14,379
Cash provided by (used in) investing activities:		
Acquisitions of property and equipment	(11,212)	(16,194)
Proceeds from dispositions of property and equipment	82,080	-
Return of capital on investments	176,190	-
Proceeds from disposition of held-for-sale assets	-	1,220,277
Proceeds from sale of abandoned biological assets	-	491,979
Net cash provided by investing activities	247,058	1,696,062
Cash provided by (used in) financing activities:		
Finance income received	6,871	2,865
Principal payments of lease liabilities	(28,539)	(235,799)
Interest paid on lease liabilities	(1,085)	(17,676)
Repayment of long-term borrowings	-	(493,986)
Finance costs paid	-	(39,990)
Net cash used in financing activities	(22,753)	(784,586)
Increase in cash and cash equivalents	1,583,943	925,855
Cash and cash equivalents, beginning of the period	4,218,707	2,141,629
Cash and cash equivalents, end of the period	\$ 5,802,650	\$ 3,067,484

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

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

1. Nature of operations

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. 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 the Company's audited consolidated financial statements for the year ended June 30, 2021, until August 2021, the Company was planning to harvest all the remaining ginseng crops in the year ending June 30, 2022. However, a shortage of local farm labour and temporary foreign workers caused by the COVID-19 pandemic had limited the Company's ability to harvest all the remaining crops in one season. As a result, in September 2021, the Company decided that the best course of action is to carry some of the crops for one more year. After the Company has harvested all the remaining ginseng crops in the year ending June 30, 2023, it will commence liquidating the assets and winding up its ginseng operations.

During the six-month period ending December 31, 2021, the Company received \$2.74 million from Agristability, a risk management program delivered by the Ontario provincial government, as a result of the large decline in the Company's income due to the sharp decrease in ginseng prices in 2020. At December 31, 2021, the Company had working capital of \$9.64 million of which 60% was 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 final harvest in the year ending June 30, 2023.

These financial statements have been prepared on the assumption that the Company is a going concern. 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.

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).

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, 2022. 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, 2021.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 23, 2022.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

2. Basis of preparation (continued)

(b) Basis of consolidation, presentation and measurement

These condensed interim consolidated 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, Canadian Imperial Ginseng Ontario Ltd. ("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 have been prepared on a historical cost basis with the exception of biological assets and investments 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.

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, 2021.

4. Accounting standards adopted

In August 2020, the IASB issued Interest Rate Benchmark Reform - Phase 2, which amends IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 16 *Leases*, relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities. The amendments are effective for annual periods beginning on or after January 1, 2021. The adoption of these amended standards did not have a significant impact on the Company's consolidated financial statements.

5. Related party balances and transactions

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

(a) Knightswood Holdings Ltd. and Business Management Agreement

The Company has a business management agreement with Elcyc Holdings Ltd. and Canterra Capital Corp. (collectively the "Operator") for the management of Knightswood Holdings Ltd., a wholly owned subsidiary of the Company (the "Knightswood Agreement"). Each Operator is owned and controlled by a director of the Company. The Knightswood Agreement has a term of five years expiring January 6, 2025 but may be terminated earlier either by mutual agreement or providing a 60-day written notice to the other party. Upon termination, the Company will transfer all the shares of Knightswood to the Operator for \$10.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

5. Related party balances and transactions (continued)

(a) Knightswood Holdings Ltd. and Business Management Agreement (continued)

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 paid by Knightswood directly to the Company. For the six months ended December 31, 2021, the Company reported \$25,000 in other income (2021 - \$25,000). No amounts were outstanding from Knightswood at December 31, 2021 and June 30, 2021.

(b) 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, executive officers and the president of CIGO. Short-term benefits for key management personnel compensation consist of salaries, bonuses and medical benefits. Short-term benefits for the president of CIGO are included in crop expenses. Post-employment benefits are pre-determined lump-sum amounts payable at the end of the retention period. The Company does not provide any other long-term employee benefits. No stock options were granted during the six-month periods ended December 31, 2021 and 2020.

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

For the six months ended December 31,	2021	2020
Short-term benefits	\$ 467,718	\$ 363,329
Post-employment benefits	209,952	-
	\$ 677,670	\$ 363,329

6. Inventories

As at	December 31 2021	(Audited) June 30 2021
Ginseng	\$ 3,745,047	\$ 1,180,523
Chemicals	76,896	108,583
	\$ 3,821,943	\$ 1,289,106

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

7. Biological assets

At December 31, 2021, the Company's biological assets consisted solely of mature ginseng crops of \$432,000 (June 30, 2021 - \$1,856,000). Mature crops are measured at estimated fair value less expected costs to harvest and sell. Changes to the fair value of biological assets are summarized as follows:

As at	December 31 2021	(Audited) June 30 2021
Balance, beginning of the period	\$ 1,856,000	\$ 8,172,000
Crop expenses for the period	1,850,966	4,413,294
Change in fair value	(426,966)	(1,173,863)
Fair value of harvested crops transferred to inventories	(2,848,000)	(5,141,000)
Removal of fair value of crops sold	-	(4,414,431)
Balance, beginning all current, end of the period	\$ 432,000	\$ 1,856,000

Crop expenses include all costs associated with maintaining and harvesting the ginseng crops. Crop expenses are accumulated in biological assets until the crops are harvested. The components of crop expenses for the six-month periods ended December 31, 2021 and 2020 are as follows:

For the six months ended December 31,	2021	2020
Direct labour	\$ 847,595	\$ 1,032,081
Fertilizers	5,656	9,586
Fuel and utilities	65,728	59,474
Mulch	32,175	58,500
Office and program fees	4,669	7,522
Operating and maintenance	173,435	177,432
Pesticides	184,061	517,954
Crop costs before depreciation	1,313,319	1,862,549
Depreciation – property and equipment	480,048	639,864
Depreciation – right-of-use assets	57,599	139,291
	\$ 1,850,966	\$ 2,641,704

8. Investments

(a) Ponderosa Ginseng Farms Corp.

The Company has approximately 9.8% of the voting rights in Ponderosa. The investment in Ponderosa is categorized as fair value through other comprehensive income. In October 2021, the Company received a final liquidating distribution of \$176,190 from Ponderosa. Consequently, the Company removed the investment and transferred the balance of the fair value reserve to deficit on derecognition of the investment.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

8. Investments (continued)

(b) Knightswood Holdings Ltd.

In January 2020, the Company acquired all the issued and outstanding shares of Knightswood Holdings Ltd. ("Knightswood") from an unrelated party 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 5 (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.

9. Post-employment benefits

For the Company to complete the final harvest, the sale of ginseng and the subsequent wind up of its ginseng operations, it is crucial to retain the current management team and certain employees. In order to incentivize the key employees to stay with the Company, the Company entered into a retention agreement with these key employees. Under the retention agreement, employee will receive a pre-determined lump-sum amount (the "Retention Payment") at the end of the retention period, which is to be determined by the Company. The Retention Payment is fixed and will not change irrespective of the duration of the retention period. As the Retention Payment is designed and intended to incentivize the employee to continue employment with the Company through the retention period, it will not be paid on a pro-rated basis if the employee resigns during the retention period. It is expected that all the employees who entered into a retention agreement will continue their employment with the Company until the end of the retention period. The Retention Payment, which is approximately \$2.2 million, will be paid with cash on hand at that time.

Retention Payment is discounted at 2% and amortized over the expected retention period. Present value of the Retention Payment is reported as a post-employment benefit obligation in the consolidated statements of financial position, with the corresponding expenses in administrative expenses and finance costs in the consolidated statements of profit or loss. The table below summarizes the Company's post-employment benefit obligation as at December 31, 2021 and June 30, 2021.

As at	December 31 2021	(Audited) June 30 2021
Balance, beginning of the period	\$ 357,697	\$ -
Additions in the period:		
Benefits (Note 13)	267,546	346,938
Interest (Note 14)	21,040	10,759
Balance, end of the period	\$ 646,283	\$ 357,697
Consist of:		
Current portion	\$ -	\$ 357,697
Non-current portion	646,283	-

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

10. Property and equipment

	Land	Buildings	Farming equipment	Office and laboratory equipment	Processing equipment	Shadehousing and irrigation	Total
Cost							
Balance, June 30, 2020	\$ 1,000,496	\$ 1,763,385	\$ 2,705,993	\$ 60,031	\$ 878,063	\$ 4,401,058	\$ 10,809,026
Acquired	-	-	3,329	2,596	-	11,698	17,623
Disposal	-	-	(135,500)	-	-	(33,752)	(169,252)
Balance, June 30, 2021	1,000,496	1,763,385	2,573,822	62,627	878,063	4,379,004	10,657,397
Acquired	-	-	-	11,212	-	-	11,212
Disposal	-	-	(32,149)	-	-	(95,975)	(128,124)
Balance, December 31, 2021	\$ 1,000,496	\$ 1,763,385	\$ 2,541,673	\$ 73,839	\$ 878,063	\$ 4,283,029	\$ 10,540,485
Accumulated depreciation							
Balance, June 30, 2020	\$ -	\$ 460,073	\$ 1,999,360	\$ 49,559	\$ 537,932	\$ 1,860,204	\$ 4,907,128
Depreciation	-	82,870	112,784	8,749	158,547	1,080,728	1,443,678
Disposal	-	-	(128,586)	-	-	(32,088)	(160,674)
Balance, June 30, 2021	-	542,943	1,983,558	58,308	696,479	2,908,844	6,190,132
Depreciation	-	20,718	53,028	4,152	91,002	405,984	574,884
Disposal	-	-	(28,096)	-	-	(57,253)	(85,349)
Balance, December 31, 2021	\$ -	\$ 563,661	\$ 2,008,490	\$ 62,460	\$ 787,481	\$ 3,257,575	\$ 6,679,667
Carrying amounts							
At June 30, 2021	\$ 1,000,496	\$ 1,220,442	\$ 590,264	\$ 4,319	\$ 181,584	\$ 1,470,161	\$ 4,467,266
At December 31, 2021	1,000,496	1,199,724	533,183	11,379	90,582	1,025,454	3,860,818

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements
For the Six Months Ended December 31, 2021 and 2020
(Expressed in Canadian Dollars)

11. Leases

(a) Right-of-use assets

At June 30, 2021, right-of-use assets consisted of leases for an office and land for ginseng cultivation. The land leases were fully depreciated at December 31, 2021.

As at	December 31 2021	(Audited) June 30 2021
Balance, beginning of the period	\$ 127,844	\$ 789,152
Depreciation recognized in crop expenses	(57,599)	(196,885)
Depreciation recognized in administrative expenses	(28,098)	(56,196)
Derecognition as a result of sale of crops	-	(408,227)
	\$ 42,147	\$ 127,844

(b) Lease liabilities

At December 31, 2021 and June 30, 2021, lease liabilities consisted solely of an office lease.

As at	December 31 2021	(Audited) June 30 2021
Balance, beginning of the period	\$ 72,833	\$ 1,138,600
Interest accretion	1,085	19,324
Lease payments made	(29,624)	(401,684)
Removal as a result of lease assignments	-	(354,286)
Cancellation of lease agreements	-	(329,121)
	\$ 44,294	\$ 72,833
Consist of:		
Current portion	\$ 44,294	\$ 57,410
Non-current portion	-	15,423

(c) Contractual undiscounted cash flows

At December 31, 2021 and June 30, 2021, contractual undiscounted cash flows represented lease payments for an office.

As at	December 31 2021	(Audited) June 30 2021
Within 1 year	\$ 44,842	\$ 59,514
After 1 year but within 5 years	-	14,942
Total undiscounted lease payments	\$ 44,842	\$ 74,456

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

12. 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, June 30, 2020	7,326,547	\$ 34,792,623
Shares issued upon exercise of stock options (c)	65,200	29,340
Balance, December 31, 2021 and June 30, 2021	7,391,747	\$ 34,821,963

- (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. During the six-month periods ended December 31, 2021 and 2020, no options were granted, exercised, forfeited or cancelled. At December 31, 2021 and June 30, 2021, 260,800 options were outstanding and exercisable with a weighted average exercise price of \$0.26 per Common Share. At December 31, 2021, the weighted-average remaining contractual life of the outstanding and exercisable options was 1.5 years. These stock options will expire on June 30, 2023.

13. Administrative expenses

For the six months ended December 31,	2021	2020
Depreciation	\$ 31,932	\$ 30,780
Insurance	14,643	15,645
Office	17,918	11,997
Professional fees	35,997	36,808
Salaries ⁽¹⁾	691,091	326,311
	\$ 791,581	\$ 421,541

⁽¹⁾ Included in salaries for the six-month ended December 31, 2021 was post-employment benefits of \$267,546 (2020 - \$nil) (Note 9).

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

For the Six Months Ended December 31, 2021 and 2020

(Expressed in Canadian Dollars)

14. Finance costs

For the six months ended December 31,	2021	2020
Interest on post-employment benefits (Note 9)	\$ 21,040	\$ -
Interest accretion on lease liabilities	1,085	17,674
Interest accretion on long-term loans	-	48,225
Interest on long-term borrowings	-	34,590
	\$ 22,125	\$ 100,489

15. Basic and diluted earnings (loss) per share

For the six months ended December 31,	2021	2020
Net income (loss)	\$ 1,107,396	\$ (3,231,345)
Weighted average number of shares outstanding	7,391,747	7,326,547
Earnings (loss) per share, basic	\$ 0.15	\$ (0.44)
Weighted average number of shares outstanding	7,391,747	7,326,547
Effect of Common Share equivalents	178,506	-
	7,570,253	7,326,547
Earnings (loss) per share, diluted	\$ 0.15	\$ (0.44)

Included in the calculation of diluted earnings per share for the six-month period ended December 31, 2021 was 260,800 outstanding stock options as their weighted average exercise price was below the average share price in the reporting period.

For the six-month period ended December 31, 2020, potentially dilutive common shares relating to the outstanding stock options were not included in the computation of loss per share because their effect was anti-dilutive.

16. 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.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

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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 operating requirements on an ongoing basis. This process assumes ginseng sales occur in a normal manner over the selling season which may or may not happen. The Company also ensures that there is sufficient working capital for its ongoing operating expenditures through an arrangement with its bank, which makes available to the Company a revolving term facility 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 December 31, 2021, \$Nil was drawn on the revolving demand facility. At December 31, 2021, the Company had a working capital surplus of approximately \$9,635,000, of which approximately 60% was cash on hand and the remainder was ginseng in the form of dried root inventory and crops that will be harvested in the next fiscal year.

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 December 31, 2021, 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. At December 31, 2021, the Company's cash and cash equivalents carrying value was \$5,802,650, 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 December 31, 2021, a change in the interest rate would not have any impact on the Company.

Currency risk

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

18. Capital management

As the Company will be winding up its ginseng operations and liquidating the assets after the final harvest, the Company's main objective in managing its capital is to safeguard its ability to continue operations until the final harvest and the sale of all ginseng is complete. There have been no changes in the Company's approach to capital management since the year ended June 30, 2021. At December 31, 2021, the Company's capital consisted solely of shareholders' equity of \$13,129,130.

Imperial Ginseng Products Ltd.

Notes to Condensed Interim Consolidated Financial Statements

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19. 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 the 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.