



Imperial Ginseng Products Ltd.

Management's Discussion & Analysis

For the Six-Month Periods Ended
December 31, 2023 and 2022

IMPERIAL GINSENG PRODUCTS LTD.

Management's Discussion and Analysis

Six-Month Period ended December 31, 2023

This management's discussion and analysis ("MD&A") reviews the operating results, financial position and liquidity of Imperial Ginseng Products Ltd. ("Imperial" or the "Company"). Information contained herein is presented as at January 25, 2024 unless otherwise indicated. All amounts are stated in Canadian dollars unless otherwise indicated. This MD&A should be read in conjunction with the unaudited condensed interim financial statements for the six-month period ended December 31, 2023 and the audited consolidated financial statements and the notes thereto for the year ended June 30, 2023.

Additional information related to the Company is available for view on SEDAR+ at www.sedarplus.ca or the Company's website at www.imperialginseng.com.

This MD&A may contain forward-looking information that is based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. Forward-looking information speaks only as of the date it is provided, is not a guarantee of future performance and involves risks and uncertainties that are difficult to control or predict. Readers should refer to the "Cautionary Note Regarding Forward-Looking Information and Business Risks" in this MD&A.

About the Company

Imperial was incorporated under the laws of the province of British Columbia in 1989. The Company's common shares ("Common Shares") are listed on the TSX Venture Exchange (TSXV) under the symbol "IGP". Until the year ended June 30, 2023, the Company's principal business was cultivating and processing North American ginseng in Ontario and selling the dried ginseng, almost exclusively to wholesalers in China, through a distributor.

In 2020, the Company made a public announcement that it would wind up its subsidiary company's ginseng operation upon the final harvest in FY2023 as it would be in the best interest of the stakeholders that the Company exited the ginseng industry as a result of the hardship caused by economic and political factors, and a shortage of labour caused by the COVID-19 pandemic. At a special meeting of shareholders held on August 15, 2023, the Company received approval to wind up its affairs and distribute the remaining assets to shareholders.

In December 2023, the Company received TSXV's approval of a cash distribution to shareholders of the Company ("Shareholders"). On December 20, 2023, the Board declared a cash distribution of \$2.25 per Common Share to the holders of record on January 12, 2024, payable on January 26, 2024 (the "Distribution"). As disclosed in a press release disseminated on December 22, 2023, because the Distribution is greater than 25% of the share price of the Common Share on the declaration date, it will be subject to the "Due Bill" trading requirements of the TSXV. Accordingly, TSXV requires that the Common Share trades on a "Due Bill" basis from January 11, 2024 to January 26, 2024, inclusive (the "Due Bill Period"). This means that Shareholders who sell their shares during the Due Bill Period will also sell their entitlement to the Distribution.

Where subsection 84(2) of the *Income Tax Act* (Canada) (the "Act") applies, the Distribution reduced the Company's paid-up capital. As for the shareholders, the amount of the reduction of paid-up capital will reduce the adjusted cost base of a shareholder's shares by a like amount. If the amount so required to be deducted from the adjusted cost base of the shares to a particular shareholder exceeds their adjusted cost base of such shares for purposes of the Act, the excess will be deemed to be a capital gain realized by such shareholder from a disposition of the shares.

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Discussion of Operations and Future Plan

As the Company has ceased its core business, which was the farming and marketing of ginseng, as at June 30, 2023, there were no ginseng farming operational activities, only the selling of the remaining farm property and miscellaneous equipment. As discussed in the above, approximately \$17.22 million will be returned to the Shareholders upon the completion of Distribution on January 26, 2024. After the Distribution, the Company will have cash assets of approximately \$400,000 remaining.

With the completion of the farm operations, the Board decided that, rather than dissolving the Company, it will attempt to preserve some value in the Company as a publicly traded corporation by maintaining it until a viable business alternative is identified. The Board is currently in the process of considering alternative business propositions and opportunities in hopes of securing a new business line, a potential reverse takeover or acquisition candidates looking for a publicly listed company. Any new activities or business will, by their very nature, involve a high degree of risk. In addition, there is no assurance that the Company will be successful in identifying or arranging for any new business or acquisition candidates, either before, or after the May 1, 2024 deadline described below.

The TSXV has notified the Company that it does not currently meet the Continued Listing Requirements ("CLR") for a Tier 2 industrial issuer as it now has no significant operations. The TSXV has given the Company until May 1, 2024 to meet the CLR or it will transfer the Company to the NEX Board, where it can remain until it reactivates.

Results of Operation

Three-month periods ended December 31, 2023 and 2022

For the quarter ended December 31, 2023, the Company reports a net income of \$47,000, with basic and diluted earnings of \$0.01 per share. This compares to a net income of \$823,000 with basic and diluted earnings of \$0.11 per share for the same quarter of the prior year. The primary reason for the significant decrease in net income in the December quarter of the current year was due to the Company ceasing its only operation, which was cultivating and selling ginseng, in the prior year. Accordingly, starting this year, the Company no longer has revenue or expenses that relate to its ginseng operation. The following table compares the operating results for the three months ended December 31, 2023 and 2022.

For the three months ended December 31,	2023	2022	Change from prior year
Revenue	\$ -	\$ 735,000	\$ (735,000)
Cost of sales	-	588,000	(588,000)
Gross profit	-	147,000	(147,000)
Administrative expenses	202,000	759,000	(557,000)
Increase in fair value of biological assets	-	850,000	(850,000)
Finance income	236,000	84,000	152,000
Finance costs	-	11,000	(11,000)
Other income	13,000	14,000	(1,000)
Other expenses	-	32,000	(32,000)
Gain on disposition of property and equipment	-	704,000	(704,000)
Government program payments	-	72,000	(72,000)

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For the three months ended December 31,	2023	2022	Change from prior year
Income tax expense	-	247,000	(247,000)
Net income	47,000	823,000	(776,000)
Earnings per share			
Basic	\$ 0.01	\$ 0.11	
Diluted	0.01	0.11	

Administrative expenses

Administrative expenses in the quarter ending December 31, 2023 decreased to \$202,000 from \$759,000 in the same quarter of the prior year. The decrease was mainly due to a decrease in the accrual of post-employment benefits within salaries. The following table summarizes the composition of administrative expenses for the three-month periods ended December 31, 2023 and 2022.

For the three months ended December 31,	2023	2022	Change from prior year
Depreciation	\$ -	\$ 3,000	\$ (3,000)
Operating expenses	19,000	30,000	(11,000)
Professional fees	17,000	25,000	(8,000)
Salaries	166,000	701,000	(535,000)
	\$ 202,000	\$ 759,000	\$ 557,000

Finance income

Finance income consists of interest earned on bank balance and demand deposits. Since 2022, the Company had been investing the cash that was in excess of working capital requirements in cashable guaranteed investments. As a result of the Company having a larger cash balance due to liquidating the farm assets and rising interest rates over the past year, interest income earned in the December quarter of the current fiscal year was significantly higher than that in the prior year.

Finance costs

Finance costs are primarily interest accretion on post-employment benefits.

Other income

Included in other income in both the December quarter of the current year and the prior year was a management fee of \$13,000 from Knightswood.

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Six-month periods ended December 31, 2023 and 2022

For the six-month period ended December 31, 2023, the Company reports a net loss of \$69,000 or \$0.01 per share. This compares to a net income of \$3,000 for the same period of the prior year. As the Company has ceased its only operation, which was cultivating and selling ginseng, in the prior year, accordingly, starting this year, the Company no longer has revenue or expenses that relate to its ginseng operation.

The following table compares the operating results for the six months ended December 31, 2023 and 2022.

For the six months ended December 31,	2023	2022	Change from prior year
Revenue	\$ -	\$ 1,772,000	\$ (1,772,000)
Cost of sales	-	1,719,000	(1,719,000)
Gross profit	-	53,000	(53,000)
Administrative expenses	605,000	1,197,000	(592,000)
Change in fair value of biological assets	-	488,000	(488,000)
Finance income	448,000	140,000	308,000
Finance costs	5,000	22,000	(17,000)
Other income	25,000	34,000	(9,000)
Other expenses	-	205,000	(205,000)
Gain on disposition of property and equipment	140,000	825,000	(685,000)
Government program payments	-	72,000	(72,000)
Income tax expense	73,000	184,000	(111,000)
Net income (loss)	(69,000)	3,000	(72,000)
Earnings (loss) per share			
Basic	\$ (0.01)	\$ -	
Diluted	(0.01)	-	

Administrative expenses

Administrative expenses in the period ending December 31, 2023 decreased to \$605,000 from \$1,197,000 in the same period of the prior year. The decrease was mainly due to a decrease in the accrual of post-employment benefits within salaries. Professional fees increased to \$105,000 from \$44,000 due to legal expenses in relation to winding up the affairs of the Company. Operating expenses increased by \$29,000 mainly due to land title transfer tax with respect to the remaining farm property, expenses for holding a special shareholder meeting and travel to the farm. The following table summarizes the composition of administrative expenses for the six-month periods ended December 31, 2023 and 2022.

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For the six months ended December 31,	2023	2022	Change from prior year
Depreciation	\$ -	\$ 19,000	\$ (19,000)
Operating	92,000	63,000	29,000
Professional fees	105,000	44,000	61,000
Salaries	408,000	1,072,000	(664,000)
	\$ 605,000	\$ 1,197,000	\$ (592,000)

Finance income

Finance income consists of interest earned on bank balance and demand deposits. As a result of rising interest rates over the past year and the proceeds from the liquidation of substantially all the Company's assets in the prior year, interest income earned in the period of the current year was significantly more than that in the prior year. For the period ended December 31, 2023, the Company reported interest income of \$448,000. This compares to \$140,000 for the same period of the prior year.

Finance costs

Finance costs are primarily interest accretion on post-employment benefits.

Other income

Included in other income in the six-month periods ended December 31, 2023 and 2022 was a management fee of \$25,000 from Knightswood.

Other expenses

Other expenses were outlays not related to ginseng cultivation. For the period ended December 31, 2022, the Company reported \$205,000 of expenses, all of which was for cleaning up the farm site and labour for carrying out the windup activities. There were no other expenses in the same period of the current year.

Government program payments

In the past years, the Company received benefit payments from government programs that aim at providing financial aid to farms who were faced with disaster situation. As the Company has ceased farming, there will no longer be any benefit payments to the Company under these programs. During the six-month period ended December 31, 2022, the Company received government program payments of \$72,000.

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Summary of Quarterly Results

The following table summarizes the Company's unaudited consolidated quarterly operating results for each of the eight most recently completed quarters. These unaudited quarterly results should be read in conjunction with the consolidated financial statements and the discussions below.

		Total revenue from sale of ginseng	Net income (loss)	Earnings (loss) per share, basic	Earnings (loss) per share, diluted
December 31, 2023	Q2 FY2024	\$ -	\$ 47,000	\$ 0.01	\$ 0.01
September 30, 2023	Q1 FY2024	-	(116,000)	(0.02)	(0.02)
June 30, 2023	Q4 FY2023	-	3,127,000	0.41	0.41
March 31, 2023	Q3 FY2023	2,528,000	(213,000)	(0.03)	(0.03)
December 31, 2022	Q2 FY2023	735,000	823,000	0.11	0.11
September 30, 2022	Q1 FY2023	1,037,000	(820,000)	(0.11)	(0.11)
June 30, 2022	Q4 FY2022	708,000	1,612,000	0.21	0.22
March 31, 2022	Q3 FY2022	1,833,000	(402,000)	(0.05)	(0.05)

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance, liquidity or capital resources of the Company.

Liquidity and Capital Resources

The Company's approach to managing its liquidity is to ensure that it has sufficient resources to meet its liabilities when they come due. At December 31, 2023, the Company had a working capital surplus of approximately \$393,000. The Company believes that its current cash position provides sufficient liquidity to cover all its financial liabilities.

Transactions with Related Parties

Key management personnel compensation

The Company's key management personnel include members of the Board and executive officers of both the Company and its former subsidiary, Canadian Imperial Ginseng Ontario Ltd., until June 30, 2023. Compensation of key management personnel consists of short-term benefits which include salaries, bonuses and medical benefits. 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. For the six-month periods ended December 31, 2023 and 2022, compensation to key management personnel was as follows:

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For the six months ended December 31,	2023	2022
Executive officers		
Short-term benefits	\$ 272,000	\$ 611,000
Post-employment benefits	95,000	433,000
	367,000	1,044,000
Directors		
Short-term benefits	6,000	11,000
Post-employment benefits	-	5,000
	6,000	16,000
	\$ 374,000	\$ 1,060,000

Knightswood Holdings Ltd. ("Knightswood");
Elcyc Holdings Ltd. and Canterra Capital Corp. (collectively the "Operator")

Under a business management agreement between the Company and the Operator (the "Knightswood Agreement"), Knightswood, a wholly owned subsidiary of the Company, is solely managed by the Operator. Elcyc Holdings Ltd. is owned and controlled by Maurice Levesque, a director of the Company and Canterra Capital Corp. is owned and controlled by Stephen McCoach, CEO and director of the Company.

Under the Knightswood Agreement, the Company will not commit its management or resources and is under no obligation to advance funds to or cover the expenses of Knightswood. 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 will be paid by Knightswood directly to the Company. For the six months ended December 31, 2023, the Company reported \$25,000 in other income. No amount was outstanding from Knightswood at December 31, 2023.

Critical Accounting Estimates

Management of the Company is required to make critical accounting estimates and judgments in determining the carrying amount of the following and/or the nature of transaction when preparing the consolidated financial statements. Actual amounts or outcomes could differ materially from those estimates.

Going concern assessment

The assessment of whether the Company is to continue as a going concern involves management judgment in determining if the going concern assumption is still appropriate. At the end of this reporting period, the directors of the Company have decided that, rather than dissolving the Company, they will preserve the value of the Company as a publicly traded corporation by maintaining it until a viable business alternative is identified. The Board is currently in the process of considering alternative business propositions and opportunities in hopes of securing new business lines, a potential reverse takeover or acquisition candidates looking for a publicly listed company. Accordingly, the financial statements of the Company for this reporting period have been prepared on the assumption that the Company is a going concern as the Company will continue to operate for at least 12 months after the reporting period. Although management

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has considered all the available information it had about the future and concluded that the Company should be regarded as a going concern, unexpected future events may have significant impact on management's judgment.

Determination of control of subsidiaries

The Company relies on its interpretation of the definition of control under IFRS in determining whether consolidation of the financial statements of the Company and its subsidiaries is required. In determining whether the Company controls its subsidiary, management assesses whether the Company has (i) power over the subsidiary; (ii) exposure, or rights, to variable returns from its involvement with the subsidiary and (iii) the ability to use its power over the subsidiary to affect those returns.

Income tax

Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of assets and liabilities, as well as accumulated tax losses. The Company estimates the timing of the reversal of these temporary differences and applies an applicable tax rate. Since there could be changes in the expected operating results or enacted tax rates and legislation, it might result in material adjustments to deferred tax.

Financial Instrument and Risk Management

The Company's financial instruments include cash and cash equivalents, receivables, investments, and accounts payable and accrued liabilities.

Cash and cash equivalents are exposed to credit risk and the Company reduces the credit risk by placing all its cash with Canadian chartered banks in accounts that are drawn on demand.

The Company's receivables included accrued interest on demand deposits with Canadian chartered banks and input tax credits.

The Company is not exposed to liquidity risk as it had a working capital surplus of \$393,000 at December 31, 2023.

Proposed Transactions

There are no proposed transactions at the date of this report.

Outstanding Share Data

At December 31, 2023 and the date of this report, there were 7,652,547 common shares issued and outstanding.

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Cautionary Note Regarding Forward-Looking Information and Business Risks

This MD&A contains certain forward-looking statements and forward-looking information within the meaning of applicable securities laws. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements or information can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "projects", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases or words and phrases that state or indicate that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve risks, uncertainties and other factors beyond the Company's ability to predict or control which may cause actual results and performance to differ materially from those anticipated.

Although management believes that the assumptions made and the expectations represented in such forward-looking statements are reasonable, there is no assurance that such forward-looking statement or information herein will prove to be correct. Forward-looking information includes, without limitation, statements of, or information about the following:

- *Generating the highest possible return to shareholders from the wind up of the ginseng operation*
- *Identifying viable alternative business opportunities.*

Although management has attempted to identify factors that may cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actual results, performances, achievements or events to not be as anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. The Company cannot guarantee future results, performance or achievements. There can be no assurance that any forward-looking statement will materialize. As actual results and future events could vary materially from those anticipated in such statements and information, readers should not place undue reliance on forward-looking statements or information.

Readers are further cautioned that the preparation of financial statements in accordance with IFRS requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may impact the financial performance of the Company when further information becomes available.

The forward-looking information contained in this MD&A is made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.