IMPERIAL GINSENG

PRODUCTS LTD.

2005 ANNUAL REPORT

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ABOUT THE COMPANY

In strategic alliance with its partners in Hong Kong, China and South East Asia, Imperial Ginseng Products Ltd. grows, manufactures and markets a full line of ginseng and ginseng value-added products worldwide.

OUR VISION

To be the world's premier vertically integrated ginseng organization and to generate sustainable growth and profitability.

STRATEGIC OBJECTIVES

- Maintain the highest level of integrity and professionalism in all business dealings
- Maximize long-term shareholder value through growth, operating efficiencies and profits
- Lead the industry in horticultural practices
- Create synergy between operating divisions
- Be the lowest cost producer of American ginseng in North America
- Enhance personal and professional development for Imperial's management and employees

FINANCIAL & OPERATING HIGHLIGHTS

YEARS ENDED JUNE 30		2005	2004
Operating Results	Revenue	$ 6,621,422	$ 1,501,422
	Gross profit	$ 304,014	$ 533,502
	Net income (loss)	$ (1,243,068)	$ 3,974,803
Per Share	Net income (loss) - basic	$ (0.07)	$ 0.25
	Net income (loss) - diluted	$ (0.07)	$ 0.08
Assets	Total assets	$ 9,203,550	$10,718,702
Liabilities	Total liabilities	$ 557,678	$ 829,762
Equity	Shareholders' equity	$ 8,645,872	$ 9,888,940
Ginseng Crop	Acres planted	179	151
	Acres harvested	176	157
	Acres under cultivation	549	546

FISCAL 2005 LETTER TO SHAREHOLDERS

James S. Chang
President

Imperial Ginseng Products Ltd. (the "Company") had to overcome significant challenges from adverse factors it could not control in fiscal year 2005, which ended on June 30, 2005. As discussed in my letter to shareholders in 2004, world ginseng root prices had been under continuous downward pressure since the end of the selling season in fiscal 2004. Subsequent to my letter last year and exacerbating the problem, ginseng root prices, expressed in Canadian dollars, were further affected by the stronger Canadian dollar. The average Canadian dollar exchange rate for the three months ended on January 31, 2005, expressed in Hong Kong dollars, increased approximately 8% from the same period in the prior year. A higher Canadian dollar hurts exports, and since the Company exported over 90% of its ginseng to Asia, the strong Canadian dollar created a major challenge to the Company's marketing effort in fiscal 2005. Finally, the Company's yield per acre hit a six-year record low at its Ontario operation due to two consecutive years of poor weather conditions and the severe frost in 2001 and 2002.

In spite of the market and operational challenges, the Company successfully sold over 377,000 pounds of ginseng and generated sufficient cash flow to meet its fiscal 2005 operating and fiscal 2006 seeding requirements. The Company reported a net loss of $1.2 million, or $0.07 per share for the year ended on June 30, 2005, compared to a net income of $4.0 million or $0.25 per share in the prior year.

Fiscal 2005 Operations Overview

In fiscal 2005 the Company harvested 176 acres of ginseng from its farms in Ontario and produced a total of approximately 337,500 pounds of ginseng. In fiscal 2004, the Company harvested the remaining 128 acres of ginseng from its farms in British Columbia and 29 acres from its farms in Ontario and produced a total of approximately 399,000 pounds of ginseng. Similar to many ginseng growers in Ontario, the Company harvested all gardens previously affected by the frost. Consequently, overall yield realized by the Company in fiscal 2005 of approximately 2,000 pounds per acre was 25% lower than the average yield achieved by the Company in fiscal 2004.

The Company also seeded approximately 179 acres of ginseng in Ontario in fiscal 2005. In fiscal 2004, the Company seeded 151 acres. The seeding in fiscal 2005 brought our total ginseng acres under cultivation in Ontario to approximately 549 acres.

The Company realized an average selling price of approximately $15.25 per pound, compared to an average of $21.40 per pound a year ago. Although the Company produced only the premium Ontario root in 2005, the average price realized by the Company still represented an approximate 29% decrease from the average price realized in the prior year. Despite a slow market at the beginning of the selling season and an increasing number of Ontario growers consigning their ginseng in fiscal 2005, the Company continued to maintain the "payment prior to shipment" practice. The Company granted no payment terms to ginseng buyers nor did the Company ship any root on consignment.

In fiscal 2005, sales revenue from our value-added products division, Imperial Ginseng Distributors Ltd. increased to $865,000, compared to $395,000 in the prior year. This significant increase in revenues was mainly due to increased graded root sales in the Company's Kamloops store, which shows that the demand for premium ginseng root, particularly the graded root, remained strong. Net income for the segment also increased to $42,000 from the $49,000 net loss reported in fiscal 2004.

Financial Overview

For the year ended June 30, 2005, the Company reported revenues of $6.6 million and a net loss of $1.2 million, or $0.07 per share, compared to revenues of $1.5 million and a net income of $4.0 million or $0.25 per share in fiscal 2004. The Company sold approximately 377,000 pounds of root at an average price of approximately $15.25 per pound, compared to a total of 360,000 pounds at an average selling price of $21.40 per pound in the prior year.

The Company's gross margin decreased 43% in fiscal 2005 to $0.3 million from $0.5 million in fiscal 2004. The decline in the gross profit margin was due to lower prices realized by the Company as well as higher unit cost associated with abnormally low yield realized by the Company for the fall 2004 harvest.

The Company's general and administrative expense increased to $1.6 million from $1.4 million in fiscal 2005. The increase in general and administrative expense is mainly due to the reclassification of the asset management expense. Subsequent to the issuance and listing of the new Convertible Preference Shares, and commencing in July 2004, the Company no longer charges the asset management fees to equity. This accounting change resulted in a net increase of $0.2 million in general and administrative expense.

The Company continues to strive for cost savings despite more acres seeded and harvested, higher overall costs on fuel, supplies, and labour costs. Nevertheless, due to the significantly higher acres harvested and seeded in 2005, the Company's cash crop expenditures increased to $3.2 million for the year ended June 30, 2005 from $2.7 million in the prior year.

Subsequent Event

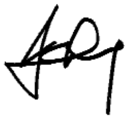
Due to the unusually hot and dry weather throughout the summer of 2005, the green seed crop production in Ontario is expected to be significantly below its normal level. A poor green seed crop in the fall of 2005 is expected to affect the number of acres Ontario growers can seed in the fall of 2006. The Company has taken steps to increase its seeds production as well as to attempt to secure additional seed supply. However, management does not believe it is prudent to spend a significant amount of cash to secure seeds in order to maintain the budget seeding plan. Ontario ginseng can be harvested as three-year-old and four-year-old root. Therefore, in the event that the Company cannot secure additional seeds in the summer of 2006, the Company will cut back its 2006 planting. The Company intends to address any acreage shortfall by planting more acres in 2007. Management does not expect its overall acres under cultivation for the year ending June 30, 2008 to significantly deviate from its long range operating plan, nor does it expect that the cash flow from operations will be adversely affected in fiscal 2006.

Summary and Looking Forward

The Company encountered difficulties at the beginning of the selling season in fiscal 2005 with respect to marketing its root, due to a lack of confidence in the market by many traditional ginseng buyers. The Company overcame the challenge and completely sold out its 2003 inventory and the fall 2004 production. Although it had been expected, management was disappointed with the unusually low yield realized from the Ontario operation in fiscal 2005. Had the Company been able to maintain its 2004 average yield in Ontario of approximately 2,570 pound per acre in fiscal 2005, the Company would have reported a net income of approximately $500,000 in fiscal 2005. In spite of this, the Company has sufficient cash to meet its fiscal 2006 operating requirements. Management does not expect the low 2005 yield to be recurring and consequently, we are optimistic about the profitability in the coming years.

Once again, on behalf of the Board of Directors, I would like to extend our thanks to all our stakeholders for their continued support and our management and staff for their excellent team work in the past year.

Sincerely,



James S. Chang, MA, MBA, CPA
President

FINANCIAL REVIEW

Management Discussion and Analysis
For the Year Ending June 30, 2005

INTRODUCTION

The following discussion and analysis, prepared as of August 19, 2005, reviews the operating results, financial position and liquidity, risks and industry trends affecting the financial results of Imperial Ginseng Products Ltd. ("Imperial" or the "Company"). This discussion and analysis should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2005 and related notes thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited consolidated financial statements for the years ended June 30, 2004 and 2003, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

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

DESCRIPTION OF BUSINESS

Imperial Ginseng Products Ltd., one of the world's largest American ginseng growers, is incorporated under the Business Corporations Act (British Columbia). The Company cultivates and processes ginseng in Ontario, and markets North American ginseng and consumer products in North America and Asia.

The Company's common shares trade on the TSX Venture Exchange under the symbol "IGP", and its Convertible Preference Shares trade on the TSX Venture Exchange under the symbol "IGP.PR.A".

ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS, AND CASH FLOWS

For the year ended June 30, 2005, the Company reported revenues of $6.6 million and a net loss $1.2 million or $0.07 per share. This compares to revenues of $1.5 million and a net income of $4.0 million or $0.25 per share in the prior year.

During the year ended June 30, 2005, the Company sold all of the fall 2004 harvest as well as approximately 40,000 pounds root inventory from the prior year. The Company received cash payment of approximately $5.3 million for root sold during this period and collected approximately $0.4 million accounts receivable subsequent to June 30, 2005 from amounts held in trust by the Company's ginseng marketing company.

The increase in revenue from the prior year can be attributed to an increase in root harvested and sold from the Ontario operation. During fiscal 2004, the Company harvested the remaining acres at its British Columbia operation, transferred and sold its equipment, and wound down the operation. Revenue and cash flows from root harvested during fiscal 2004 from the British Columbia operation were reported as discontinued operations. On the other hand, revenues for the year ended June 30, 2005 were entirely from sales from the continuing Ontario operation.

Despite higher sales revenues, gross profit for the year ended June 30, 2005 was lower than in the prior year due to lower yield achieved by the Company in fiscal 2005, as well as significant lower root prices realized by the Company as a result of a slow market and a significantly higher Canadian dollar exchange rate.

Interest expense for the year ended June 30, 2005 was $77,658 less than in the prior year due to decreased utilization of the Company's bank line of credit in the current year as well as the full settlement of the remaining term debt obligations during fiscal 2004.

Legal and audit for the year ended June 30, 2005 was $61,794 less than in the prior year because the Company incurred significant legal expenses to the restructuring and listing of the Company's Preference Shares in the prior year.

Other expenses for the year ended June 30, 2005 were $13,188 greater than in the prior year due to increased transfer agent fees associated with the new listing of Preference Shares as well as new business development expenses.

Salaries for the year ended June 30, 2005 were $239,829 greater than in the prior year due to the allocation of the Company's asset management fees. Asset management fees were previously recorded as Convertible Preference Shares issue cost prior to July 1, 2004.

During the year ended June 30, 2004, bonds were settled for amounts less than face value resulting in a gain being recorded for these transactions. In addition, amounts previously accrued as interest payable were reversed.

For the year ended June 30, 2005, cash increased to $982,866 from $252,892 on June 30, 2004 due to increased revenue from root sales. Deferred ginseng crop costs decreased $996,057 from June 30, 2004 due to the allocation of $4,500,000 from crop costs to inventory sold, net of crop cost expenditures of $3,503,943 during the year for planting, harvest, and maintenance activities.

During the year ended June 30, 2005, the Company planted 179 acres of ginseng and harvested 176 acres of ginseng. Cash expenditures relating to these activities totaled $3,195,576. Compared to the prior year, cash expenditures for crop activities totaled $2,717,991 and 151 acres were planted and 29 acres were harvested.

The Company's asset retirement obligations are a result of land lease agreements that require the Company to return the land it utilizes under its land lease agreements to the pre-planting state upon harvest of the ginseng grown on the land. Management has determined that under its land lease agreements, there are no material asset retirement obligations and therefore the adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

Share capital decreased by $120,915 from June 30, 2004 mainly due to changes in unpaid royalty amounts. Unpaid royalty amount was previously estimated based on projected root prices which were higher than prices realized by the Company. An adjustment to the unpaid royalty amount to reflect the lower root prices was made in fiscal 2005 to reflect the current estimate of the unpaid amount. For the year ended June 30, 2005, certain holders of the Company's Convertible Preference Shares exercised their rights to convert to common shares and as a result, the Company issued a total of 2,856,649 common shares and returned to treasury 3,600,085 Convertible Preference Shares. The Company also issued 4,945,455 common shares to a company with directors in common for services rendered.

All remaining term debt of the Company was eliminated by June 30, 2004.

LIQUIDITY AND CAPITAL RESOURCES

For the year ended June 30, 2005, the Company's current ratio increased to 10.89:1 from approximately 8.42:1 on June 30, 2004. Debt to equity ratio also deceased to 0.06:1 from 0.08:1 on June 30, 2004.

In addition to cash generated from operations, Canadian Imperial Ginseng Ontario, a subsidiary of the Company, has available with a Canadian chartered bank a $1,750,000 line of credit, subject to certain margin calculations, which bears interest at prime plus 1.25% per annum and is secured by a charge over all inventory and crops, certain leasehold improvements and an assignment of life insurance on the Company's president. On June 30, 2005, zero amount was drawn on this facility.

Management believes that the Company will not have any working capital deficiencies, nor will the Company be unable to maintain the current level of ginseng operations in fiscal 2006.

TRANSACTIONS WITH RELATED PARTIES

Management Companies:

During 1999, the Company engaged Qwest Bancorp Ltd. ("Qwest"), a company with directors in common, to structure, package, market and administer the conversion of term debt obligations to, and the new sales of, convertible Class "A" Preferred Shares. Qwest was compensated for such services by a one-time service charge of 6% of the face value of Convertible Bonds or Preferred Shares issued either by way of term debt converted to Preferred Shares or through the issue of Preferred Shares by way of private placements and an annual asset management service charge of 2.5% of the face value of Convertible Bonds or Preferred Shares issued and outstanding. This annual asset management fee was re-negotiated and reduced to 2% commencing October 1, 2003, and further re-negotiated and reduced to 1.7% commencing July 1, 2004.

This fee compensated Qwest for services provided to the Company to restructure its term debt obligations, the restructuring of which resulted in the issuance of Class "A" Preference Shares of the Company. Qwest also provided the subsequent maintenance of the shareholder registry, and share transfer and communication services for the Class "A" Preference Shares.

For the year ended June 30, 2005, the Company was charged $544,000 and $507,799 in shares and in cash respectively, for these services. For the year ended June 30, 2004, the Company accrued $351,357 which in part was included in a total settlement amount of $823,897 with the assignment, at cost, of the Company's net equity in land and building owned pursuant to an interest in a joint venture ginseng processing facility.

The Company also contracts out its administrative and office support services to Heritage Bancorp Ltd., a management company with directors in common. For the year ended June 30, 2005 the Company paid the Heritage Bancorp $126,000 (2004-$271,000) for services rendered.

During 2004, the Company entered into a Corporate Finance and Listing Services Agreement with Qwest to exchange its Class "A" Preference Shares and accrued dividends to new Convertible Preference Shares and list these new Convertible Preference Shares on the TSX Venture Exchange. In exchange for the successful issuance and listing of the new Convertible Preference Shares, Qwest was compensated with a one time fee equals to 2% of the total Class "A" Preference Shares outstanding plus accrued dividends. This fee was net of all applicable legal, accounting, and taxation fees paid by the Company and was paid in 4,945,455 common shares of the Company. The shares were paid on February 2, 2005 and are subject to a one-year hold period.

Marketing Agreements:

The Company has ginseng marketing agreements with Golden Phoenix Ventures Inc. and Golden Sunshine International Ltd., companies controlled by a director of the Company (the "Marketing Companies"). Pursuant to these agreements, the Marketing Companies market the Company's ginseng crops on a best effort basis in return for a fee. The Marketing Companies render all marketing, selling and certain shipping services and pay all marketing, promotion and selling expenses related to the marketing and sale of the Company's ginseng root. For the year ended June 30, 2005, the Company paid $171,766 (2004-$234,145) for these services.

FINANCIAL INSTRUMENTS

Financial instruments of the Company are comprised of cash, bank indebtedness, accounts receivable, investment, accounts payable and accrued liabilities and obligations under capital leases. On June 30, 2005 and 2004 the estimated fair values of financial instruments were considered by management to be not materially different from their carrying value due to their short term to maturity or capacity for prompt liquidation.

Management does not believe that, on June 30, 2005 and 2004, the Company had significant concentrations of credit risk. The Company's sales are primarily completed subsequent to the fall harvest of ginseng. Depending on the timing of transactions, accounts receivable at any time may represent amounts due from a few customers who may not be resident in Canada. The Company has a policy of minimizing risk by assessing the credit worthiness of ultimate customers and requiring advance cash payments to be lodged prior to the delivery of major sales.

OUTSTANDING SHARE DATA

June 30,	2005	2004
Common Shares (a)	$ 26,696,384	$ 22,994,778
Class "A" Preference Shares	61,893	61,893
Class "A" Preference Shares (b) - Unpaid dividends and royalty	577,520	698,434
Convertible Preference Shares (c)	25,005,555	28,707,161
	$ 52,341,351	$ 52,462,266

a) Common Shares:

	Number of Shares	Amount
Balance, June 30, 2003	12,410,822	$ 22,641,042
Exercise of employee stock option	175,000	10,500
Preference share conversions	337,349	343,236
Balance, June 30, 2004	12,923,171	$ 22,994,778
Share for services 3(b)	4,945,455	544,000
Preference share conversions	2,856,649	3,701,606
Share issue costs 3(b)	-	(544,000)
Balance, June 30, 2005	**20,725,275**	**$ 26,696,384**

On August 23, 2004, the Company filed a Form 15 with the U.S. Securities and Exchange Commission (the "SEC") to deregister its common stock in the United States and suspend its reporting obligations under the Securities Exchange Act of 1934. The Company's common stock will continue to trade in Canada on the TSX Venture Exchange.

b) Class “A” Preference Shares - Unpaid dividends and royalties:

	Amount
Balance, June 30, 2003	$ 10,214,360
Unpaid cumulative dividends on preference shares	1,805,380
Unpaid royalties on Royalty Participation Units	(1,024,616)
Unpaid dividends converted to Convertible Preference Shares	(10,296,689)
Balance, June 30, 2004	$ 698,435
Unpaid cumulative dividends on preference shares	8,570
Unpaid royalties on Royalty Participation Units	(129,485)
Balance, June 30, 2005	**$ 577,520**

c) Convertible Preference Shares:

	Number of Shares	Amount
Balance, June 30, 2003	-	$ -
Preference shares converted to Convertible Preference Shares (note 13(b))	22,059,531	23,504,514
Unpaid dividends converted to Convertible Preference Shares	10,296,689	10,296,689
Unpaid interest converted to Convertible Preference Shares	18,347	18,347
Preference share issue costs	-	(107,512)
Issue costs transferred to Convertible Preference Shares	-	(4,763,941)
Preference shares converted to common shares	(269,454)	(240,936)
Balance, June 30, 2004	32,105,113	$ 28,707,161
Preference shares converted to common shares	(3,600,085)	(3,701,606)
Balance, June 30, 2005	28,505,028	$ 25,005,555

Convertible Securities on June 30, 2005:

	Number of Shares	Conversion Rate/Price	Number of Common Shares Issuable
Class "A" Preferred Shares	71,422	$2.80 - $3.03	15,028
Convertible Preference Shares, Series "A"	28,505,028	$1.50	19,003,352

Stock Options Outstanding June 30, 2005:

Number Outstanding	Exercise Price Per Share	Expiry Date	Remaining Contractual Life
1,160,000	$0.06	May 22, 2008	2.9
1,047,000	$0.30	May 26, 2009	3.9

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the annual audited consolidated financial statements. The annual audited consolidated financial statements are prepared in accordance with Canadian general accounting principals and are measured and reported in Canadian dollars.

	Year ended June 30, 2005	Year ended June 30, 2004	Year ended June 30, 2003
Total revenues	**$ 6,621,422**	$ 1,501,422	$ 3,257,282
Net loss from continuing operations	**(1,243,068)**	(416,640)	(85,507)
Discontinued operations	**-**	4,391,443	498,649
Net income (loss)	**(1,243,068)**	3,974,803	413,142
Net income (loss) per share - basic	**(0.07)**	0.25	(0.21)
Net income (loss) per share - diluted	**(0.07)**	0.08	(0.21)
Total assets	**9,203,550**	10,718,702	9,016,001
Total long-term liabilities	**48,548**	77,145	1,061,315
Cash dividends	**Nil**	Nil	Nil

Total revenues include the sale of root harvested from the Ontario operation as well as revenues of approximately $0.8 million, $0.4 million and $0.4 million for years 2005, 2004 and 2003, respectively, from the value-added products.

During 2003, the Ontario operation harvested 52.4 acres and produced 134,600 pounds of ginseng. Virtually all this root was sold together with 20,000 pounds of 2002 root inventory at an average selling price of approximately $18.25 per pound.

During 2004, the Ontario operation harvested 29 acres of ginseng and produced 75,000 pounds of ginseng. Approximately 35,000 pounds were sold at selling prices averaging $30.00 per pound. The balance of root, of approximately 40,000 pounds, was held for sale in fiscal 2005.

In fiscal 2004, fewer acres were harvested in Ontario due to management's decision to complete the final wind down of its British Columbia operation. As sufficient acres were available for harvest from the British Columbia operation to satisfy cash flow requirements, Ontario acres were held for harvest in fiscal 2005. Revenues from the British Columbia operations were classified as discontinued operations.

During 2005, the Ontario operation harvested 176 acres and produced 337,500 pounds of ginseng. Virtually all this root was sold together with approximately 40,000 pounds of 2004 root inventory at an average selling price of approximately $15.25 per pound. The increase in acres harvested, the root carried over from the prior year, and the increased volume of root sold accounts for the increase in revenue from 2004 to 2005.

Net loss from continuing operations varies mainly due to the above variances in revenues as well as in 2004 and 2003, the Company recorded a gain on settlement of term debt of $429,828 and $538,917, respectively.

As previously noted, amounts reported for discontinued operations resulted from transactions relating to the British Columbia operation. During 2004, the Company determined that it would harvest the remaining 128 acres, transfer or sell its equipment, and wind down the operation.

During 2003, the British Columbia operation harvested 79.2 acres and produced 201,000 pounds of ginseng. The root was sold at an average price of $12.60 per pound. The Company wrote down crop costs by an additional $400,000.

During 2004, the British Columbia operation harvested the remaining 128 acres and produced 323,700 pounds of ginseng. All root was sold with an average selling price of $21.00 per pound. Previous write-downs to crop costs had reduced the carrying value such that these increased prices resulted in a high margin from acres harvested.

During the course of the wind down of the British Columbia operation, the Company has systematically increased acres seeded at its Ontario operation. Acres under cultivation totaled 546 on June 30, 2004 for the Ontario operation. As reported, the Company seeded approximately 179 acres and harvested 176 acres during the fall of 2004. The Company had approximately 549 acres under cultivation on June 30, 2005.

CONTRACTUAL OBLIGATIONS

The following table summarizes the Company's obligations to make future payments on building and land leases as at June 30, 2005, as well as expected timing on the payments.

	Building	Land	Total
2006	$ 42,280	$ 392,270	$ 434,550
2007	-	368,565	368,565
2008	-	328,725	328,725
2009	-	246,600	246,600
2010	-	154,000	154,000
Thereafter	-	112,000	112,000
Total future minimum lease payments	$ 42,280	$1,602,160	$1,644,440

CAPITAL RESOURCES

Capital Expenditures:

Capital expenditures in the year were $139,898 and related primarily to purchases of farm and irrigation equipment.

SUMMARY OF QUARTERLY RESULTS

The following tables set forth unaudited interim financial data for each of the eight quarters from September 30, 2003 to June 30, 2005. This information has been derived from the unaudited interim consolidated financial statements that, in the opinion of the Company's management, have been prepared on a basis consistent with the audited annual consolidated financial statements.

	Three months ended June 30, 2005	Three months ended March 31, 2005	Three months ended December 31, 2004	Three months ended September 30, 2004
Total revenues	**$500,782**	$2,491,947	$2,431,434	$1,197,259
Net income (loss) from continuing operations	**(659,309)**	(582,985)	161,497	(121,341)
Net income (loss) per share from continuing operations - basic	**(0.03)**	(0.04)	0.01	(0.01)
Write-down of damaged assets	**(40,930)**	-	-	-
Net income (loss)	**(700,239)**	(582,985)	161,497	(121,341)
Net income (loss) per share -basic	**(0.03)**	(0.04)	0.01	(0.01)
Net income (loss) per share -diluted	**(0.03)**	(0.04)	0.01	(0.01)

	Three months ended June 30, 2004	Three months ended March 31, 2004	Three months ended December 31, 2003	Three months ended September 30, 2003
Total revenues	**$ 153,857**	$1,075,904	$ 117,083	$ 154,578
Net income (loss) from continuing operations	**(324,035)**	32,775	(266,900)	141,520
Net income (loss) per share from continuing operations - basic	**(0.03)**	0.06	(0.08)	(0.05)
Net income (loss) per share from continuing operations - diluted	**(0.03)**	0.03	(0.08)	(0.05)
Discontinued operations	**338,340**	1,751,705	2,301,093	305
Net income per share from discontinued operations - basic	**0.03**	0.14	0.18	-
Net income per share from discontinued operations - diluted	**0.01**	0.07	0.08	-
Net income	**14,305**	1,784,480	2,034,193	141,825
Net income (loss) per share - basic	**-**	0.20	0.10	(0.05)
Net income (loss) per share - diluted	**-**	0.09	0.04	(0.05)

Ginseng is normally harvested during the months of September and October and the processed root is generally available for sale starting from November. Sales would probably be the highest during the months of November, December and January, but the buying patterns change every year. In addition, the quality and quantity of root available for sale may impact the selling patterns with regard to timing of the sales and price of the root.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with the Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the recognized amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventory:

Inventory consists of ginseng root and products available for sale and is valued at the lower of cost (determined on a weighted average basis) and net realizable value.

Ginseng crop costs:

Ginseng crop costs are recorded at the lower of cost (determined using the full absorption cost method, including direct costs incurred for the acquisition, planting and maintenance of the ginseng crops) and net realizable value. Direct costs include stratified seeds, labour, supplies, and direct overhead. Ginseng crop costs are charged to cost of sales based on a proportionate allocation of costs incurred during the period from planting to harvest for the related acres harvested. Management reviews the underlying value of deferred costs on an ongoing basis by reference to estimated future cash flows with any excess charged to income as determinable. Costs accumulated on the acres expected to be harvested during the next fiscal year have been classified as a current asset.

Property and equipment:

Property, plant, and equipment are stated at cost less accumulated depreciation and are depreciated on a straight line basis commencing when the assets are put into use over the estimated useful life of the assets. Management reviews the net recoverable value of property, plant, and equipment on an ongoing basis by reference to estimated undiscounted future cash flows with any excess charged to income as determinable.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Stock-Based Compensation:

The Company has a stock-based compensation plan, which is disclosed in Note 13. Any consideration paid by employees and directors on exercise of share options or purchase of shares is credited to share capital. If shares or share options are repurchased from employees and directors, the excess of the consideration paid over the carrying amount of the shares or share options cancelled is charged to deficit.

On July 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3870 - "Stock Based Compensation and Other Stock Based Payments". Section 3870 establishes standards for the recognition, measurement and disclosure of stock based compensation and other stock based payments made in exchange for goods and services. The effect of adopting the new recommendations for the fair value of stock options granted since January 1, 2002 have been reflected as at July 1, 2004 as an adjustment of $287,988 to both operating deficit on the statement of deficit and to contributed surplus. Previously, compensation expense relating to the fair value of stock options, was disclosed on a pro-forma basis, as allowed, in a note to the financial statements.

There was no compensation expense related to stock options for the year ended June 30, 2005.

Asset Retirement Obligations:

Effective July 1, 2004, the Company adopted the provisions of CICA Handbook Section 3110 - "Asset Retirement Obligations", which requires the Company to record the fair value of an asset retirement obligation as a liability in the period which it incurs a legal obligation associated with the retirement of long-lived tangible assets that result from the acquisition, construction and development of the assets. Management has determined that under its land lease agreements, there are no material asset retirement obligations and therefore the adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

RISK AND UNCERTAINTIES

There are certain risks inherent in the Company's operations. Major risks are:

Farm Risk:

The Company could experience total or partial crop failure or loss due to disease, fire, adverse weather or human error. The Company's results depend significantly on the yield attained from its ginseng crops as well as the quality of ginseng produced. With the wind up of the British Columbia operation, the ginseng farms are now located solely in one growing region in Southern Ontario. To minimize the exposure to these risks we have a team of highly trained agricultural professionals and a crop management system, which includes regular testing and stringent quality control procedures.

Market Risk:

Ginseng is an agricultural commodity and hence its price is determined by the demand for, and the supply of ginseng. In addition, as ginseng is mainly consumed in China and over 80% of the total world production of North American Ginseng has been exported to China in the past, the price of ginseng is heavily dependent upon the Chinese economy and the consumer demand. Any changes in the exchange rate of the Chinese currency, consumer demand, tariff structure, and distribution system will affect the demand for, and ultimately the price of, ginseng.

Credit Risk:

The Company sells the majority of its root strictly on payment prior to delivery basis and hence the Company has virtually no credit risk.

Foreign Exchange Risk:

The Company's market is mainly in Hong Kong and China, and an appreciation of the Canadian dollar will increase the price of and reduce the demand for ginseng. The average ginseng root price realized by the Company is highly sensitive to the value of the Canadian dollar compared to the Hong Kong dollar. Like other exporters, the value of the Canadian dollar compared to the United States dollar and other currencies can significantly affect the competitiveness of the Canadian goods in the international market.

FUTURE OUTLOOK

Ginseng is a commodity and, like all other commodities, is subject to price fluctuations affected by the demand for and the supply of ginseng. The world ginseng root prices had been under continuous downward pressure since the end of the selling season in fiscal 2004. Exacerbating the problem, ginseng root prices expressed in Canadian dollars were further affected by the stronger Canadian dollar. A higher Canadian dollar hurts exports, and since the Company exports over 90% of its ginseng to Asia, a strong Canadian dollar will continue to be a major challenge to the Company's marketing effort. The Company intends to take all necessary actions to mitigate the impact of the rising Canadian dollar. However, the value of the Canadian dollar is expected to be a major concern of the Company.

The Company continues to focus on operating efficiency and cost saving initiatives. Furthermore, since the per acre yield of ginseng is one of the most important critical success factors, the Company will endeavour to implement effective actions to improve the overall yield at our farm operations in the coming years.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Imperial Ginseng Products Ltd. is responsible for the preparation and integrity of the financial statements of the Company. The financial statements have been prepared in accordance with generally accepted accounting principles using management's estimates and judgments when necessary. The financial information contained elsewhere in this Annual Report is consistent with that in the consolidated balance sheets, consolidated statements of operations, deficit, cash flows and crop costs.

Imperial Ginseng Products Ltd. maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that financial records are adequate and can be relied upon to produce financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance is based on the recognition that the cost of maintaining our system of internal accounting controls should not exceed the benefits to be derived from the system. The system is supported by written policies and guidelines, and is continuously reviewed.

BDO Dunwoody LLP, independent auditors, is retained to audit the financial statements of Imperial Ginseng Products Ltd. The audit is conducted in accordance with Canadian generally accepted auditing standards and provides an independent assessment that helps assure fair representation of the Company's financial statements. The auditors' opinion on the financial statements is published separately in this Annual Report.

The Board of Directors, through its Audit Committee, exercises an oversight role in the Company's financial affairs and statements. The Committee meets with management and the independent auditors as required. These meetings include discussions of internal accounting control and the quality of management and financial reporting. The Finance department of the Company and the independent auditors have full and free access to the Audit Committee.

AUDITORS' REPORT

To the Shareholders of
Imperial Ginseng Products Ltd.

We have audited the consolidated balance sheets of Imperial Ginseng Products Ltd. as at June 30, 2005 and 2004 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants
Vancouver, British Columbia
August 19, 2005

Imperial Ginseng Products Ltd.
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

June 30,	2005	2004
ASSETS		
Current Assets:		
Cash and cash equivalents (note 2(s))	**$ 982,866**	$ 252,892
Accounts receivable	**384,423**	512,807
Inventory (note 4)	**97,930**	1,010,126
Ginseng crop costs (schedule)	**4,000,000**	4,500,000
Prepaid expenses	**78,931**	61,735
	5,544,150	6,337,560
Ginseng crop costs (schedule)	**2,717,189**	3,213,246
Property and equipment (note 5)	**942,210**	1,167,496
Investment (note 6)	**1**	1
Assets of discontinued operations (note 17)	**-**	399
	$ 9,203,550	$10,718,702
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities (notes 3 (a) and 9)	**$ 480,532**	$ 731,030
Current portion of obligations under capital leases (note 10)	**28,598**	21,587
	509,130	752,617
Obligations under capital leases (note 10)	**48,548**	77,145
	557,678	829,762
Shareholders' Equity:		
Share capital (note 13)	**52,341,351**	52,462,266
Contributed surplus (note 2 (m))	**661,736**	373,748
Deficit	**(44,357,215)**	(42,947,074)
	8,645,872	9,888,940
	$ 9,203,550	$10,718,702

See accompanying notes to consolidated financial statements.
Commitments (note 15)

On Behalf of the Board

Hugh Cartwright,
Director

James Chang,
Director

Imperial Ginseng Products Ltd.
Consolidated Statement of Operations
(Expressed in Canadian Dollars)

June 30,	2005	2004
REVENUE	**$ 6,621,422**	$ 1,501,422
Cost of sales	**6,317,408**	967,920
Gross profit	**304,014**	533,502
EXPENSES:		
Amortization and depreciation	**3,077**	3,450
Interest on bank indebtedness	**6,020**	30,068
Interest on term debt and capital leases	**28,857**	82,467
Legal and audit	**46,486**	108,280
Marketing (note 3(c))	**213,748**	272,535
Office supplies and services	**79,384**	42,718
Other	**59,935**	46,737
Rent	**179,191**	83,044
Salaries	**931,595**	691,766
Travel	**24,208**	34,974
	1,572,501	1,396,039
Interest and other income	**66,349**	8,469
Net loss before undernoted	**(1,202,138)**	(854,068)
Write-down of damaged assets (note 16)	**(40,930)**	-
Gain on sale of property and equipment	**-**	7,000
Gain on settlement of term debt (note 11)	**-**	429,828
	(40,930)	436,828
Net loss before taxes	**(1,243,068)**	(417,240)
Income tax recovery (note 14)	-	(600)
Net loss from continuing operations	**(1,243,068)**	(416,640)
Discontinued operations (note 17)		
Earnings from operations	**-**	4,281,974
Gain on sale of property and equipment and term debt	**-**	109,469
	-	4,391,443
Net income (loss)	**$ (1,243,068)**	$ 3,974,803
Basic earnings (loss) per share (note 2(l))		
Continuing operations	**$ (0.07)**	$ (0.10)
Discontinued operations	**-**	0.35
	$ (0.07)	$ 0.25
Diluted earnings (loss) per share (note 2(l))		
Continuing operations	**$ (0.07)**	$ (0.03)
Discontinued operations	**-**	0.11
	$ (0.07)	$ 0.08

See accompanying notes to consolidated financial statements.

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

June 30,	2005	2004
Deficit, beginning of the year, as previously reported	**$ (42,947,074)**	$ (46,997,031)
Net income (loss)	**(1,243,068)**	3,974,803
Change in accounting policy for stock based compensation (note 2(m))	**(287,988)**	-
Adjustment of gain on sale of property and equipment to related party (note 5)	**-**	207,001
Adjustment of gain on settlement of accounts payable with related party (note 5)	**-**	648,917
Class "A" Preference share dividends (note 13(b) and (e))	**(8,570)**	(1,805,380)
Royalty amount (note 13(c) and (e))	**129,485**	1,024,616
Deficit, end of the year	**$ (44,357,215)**	$ (42,947,074)

See accompanying notes to consolidated financial statements.

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

June 30,	2005	2004
Cash flows from operations:		
Net loss from continuing operations	**$ (1,243,068)**	$ (416,640)
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Depreciation and amortization	**56,787**	45,266
Write-down of damaged assets	**40,930**	-
Cost of ginseng crops sold	**5,266,263**	682,038
Gain on disposal of property and equipment	**-**	(7,000)
Gain on settlement of term debt	**-**	(429,828)
Write down of inventory	**-**	113,225
Compensation expense on directors' options	**-**	107,046
Changes in non-cash working capital:		
Ginseng crop costs, net of deferred depreciation and amortization of $308,367 (2004 - $293,267)	**(4,002,768)**	(2,717,991)
Decrease (Increase) in accounts receivable	**128,385**	(481,415)
(Increase) decrease in inventory	**912,196**	(105,124)
Increase in prepaid expenses	**(17,196)**	(45,400)
Increase (decrease) in accounts payable	**(250,500)**	(76,015)
Royalty amount payable	**-**	(999)
Cash provided by (used in) operating activities	**891,029**	(3,332,837)
Cash flows from discontinued operations:		
Net cash provided by discontinued operations (note 17)	**399**	5,297,236
Cash flows from financing activities:		
Repayment of short-term bank borrowings	**-**	(310,000)
Reduction of capital lease obligations	**(21,586)**	(68,543)
Reduction of term debt	**-**	(792,550)
Issuance of common shares	**-**	10,500
Payment of preference share issue costs	**-**	(179,802)
Cash used in financing activities	**(21,586)**	(1,340,395)
Cash flows from investing activities:		
Purchase of property and equipment, net of disposal proceeds	**(139,868)**	(387,494)
Net increase in cash	**729,974**	236,510
Cash and cash equivalents at beginning of year	**252,892**	16,382
Cash and cash equivalents at end of year	**$ 982,866**	$ 252,892

See accompanying notes to consolidated financial statements.

Imperial Ginseng Products Ltd.
Consolidated Statement of Cash Flows (Con't.)
(Expressed in Canadian Dollars)

June 30,	2005	2004
Non-cash investing and financing activities not included in cash flows:		
Class "A" Preference Shares converted to common shares	**$ -**	$ 102,300
Convertible Preference Shares converted to common shares (note 13(a))	**3,193,806**	343,236
Class "A" Preference Shares converted to Convertible Preference Shares, Series "A"	**-**	21,502,220
Interest accrued on term debt converted to common and preference shares	**-**	18,347
Dividends and royalty accrued on Class "A" Preference Shares	**120,915**	1,805,380
Dividends accrued on Class "A" Preference Shares converted to Convertible Preference Shares, Series "A"	**-**	10,296,689
Preference share issue costs accrued	**-**	154,511
Property and equipment purchase financed with capital lease	**-**	37,248
Supplemental cash flow information:		
Interest paid	**$ 34,878**	$ 247,103

See accompanying notes to consolidated financial statements.

Imperial Ginseng Products Ltd.
Consolidated Schedules of Ginseng Crop Costs
(Expressed in Canadian Dollars)

June 30,	2005	2004
Capital tax	$ **26,256**	$ 20,421
Depreciation	**308,367**	293,267
Direct labour	**1,514,169**	1,207,854
Equipment rental	**63,028**	53,115
Fertilizers	**593,210**	635,800
Fuel	**68,083**	52,474
Hardware, supplies and small tools	**42,146**	37,931
Insurance	**6,038**	9,178
Land rental and improvements	**357,263**	314,051
Mulch	**287,104**	210,963
Office supplies and services	**47,690**	56,795
Other	**27,410**	27,255
Rent	**10,080**	14,000
Repairs and maintenance	**102,675**	57,701
Seeds	**27,000**	-
Telephone and utilities	**13,035**	12,114
Travel and automobile	**10,389**	8,339
	3,503,943	3,011,258
Balance, beginning of the year	**7,713,246**	6,250,297
	11,217,189	9,261,555
Less: Charged to cost of sales	**(4,500,000)**	(667,948)
Charged to inventory	**-**	(880,361)
Net crop costs, end of the year	$ **6,717,189**	$ 7,713,246
Comprised of:		
Current portion expected to be harvested and marketed within one year	$ **4,000,000**	$ 4,500,000
Balance expected to be harvested after one year	**2,717,189**	3,213,246
	$ **6,717,189**	$ 7,713,246

See accompanying notes to consolidated financial statements.

1. OPERATIONS:

Imperial Ginseng Products Ltd. (the "Company") is incorporated under the Business Corporations Act (British Columbia). The Company cultivates and processes ginseng in Ontario, and markets North American ginseng products throughout North America and Asia. The revenue of the Company is almost entirely derived from ginseng root and value-added product sales. Future profitable operations are dependent upon ginseng prices strengthening over current levels, the timing of which is uncertain.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:

These consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada.

These consolidated financial statements include the accounts of the Company and its direct and indirect subsidiaries (all of which are wholly-owned): Canadian Imperial Ginseng Farms Ltd., Canadian Imperial Ginseng Ontario Ltd. ("CIG Ontario"), Columbia Ginseng Capital Corp., Imperial Ginseng Distributors Ltd., and Columbia Ginseng Financial Corp.

(b) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the recognized amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The assets which required management to make significant estimates and assumptions in determining carrying values include ginseng crop costs and all other non-current assets.

(c) Foreign currency translation:

Transactions recorded in foreign currencies have been translated into Canadian dollars as follows: monetary items at the rate prevailing at the balance sheet date; non monetary items, revenue and expenses at the rates of exchange prevailing on the dates of the transactions. Gains or losses arising on translation are included in the consolidated statements of operations. The majority of the Company's sales are denominated in Canadian Dollars.

(d) Inventory:

Inventory consists of ginseng root and products available for sale and is valued at the lower of cost (determined on a weighted average basis) and net realizable value.

(e) Ginseng crop costs:

Ginseng crop costs are recorded at the lower of cost (determined using the full absorption cost method, including direct costs incurred for the acquisition, planting and maintenance of the ginseng crops) and net realizable value. Direct costs include stratified seed, labour, supplies, and direct overhead. Ginseng crop costs are charged to cost of sales based on a proportionate allocation of costs incurred during the period from planting to harvest for the related acres harvested. Management reviews the underlying value of deferred costs on an ongoing basis by reference to estimated future cash flows with any excess charged to income as determinable. Costs accumulated on the acres expected to be harvested during the next fiscal year have been classified as a current asset.

(f) Property and equipment:

Property, plant, and equipment are stated at cost less accumulated depreciation and are depreciated on a straight line basis commencing when the assets are put into use over the following periods:

Buildings	10 - 20 years
Building under capital lease	20 years
Farming equipment	5 - 7 years
Office equipment	5 years
Laboratory equipment	5 - 7 years
Processing equipment	Unit of production
Shadehousing	10 years
Irrigation	7 - 10 years

Management reviews the net recoverable value of property, plant, and equipment on an ongoing basis by reference to estimated undiscounted future cash flows with any excess charged to income as determinable.

(Expressed in Canadian Dollars)

(g) Investments

Long-term investments, other than investments in subsidiaries or significantly controlled enterprises, are carried at cost. Management reviews the carrying value of investments and if there is an other than temporary decline in value, these investments are written down to provide for the loss.

(h) Revenue recognition:

Sales revenue is recognized when all risks and benefits of ownership of ginseng products and crops have been transferred to customers under executed sales agreements.

(i) Foreign revenues:

The Company's sales revenue included $3,909,122 (2004 - $3,751,625) of sales that were made to entities located outside of Canada.

(j) Allowance for doubtful accounts:

The Company establishes an allowance for doubtful accounts through review of open accounts, and historical collection and allowance amounts. The allowance for doubtful accounts is intended to reduce trade accounts receivable to the amount that reasonably approximates their fair value due to their short-term nature. The amount ultimately realized from trade accounts receivable may differ from the amount estimated in the financial statements based on collection experience and actual returns and allowances.

(k) Income taxes:

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to (i) differences between the financial statement carrying amounts of existing assets, liabilities and their respective tax bases and (ii) operating loss and tax credit carry forwards. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled and the losses and tax credits utilized. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(l) Net income (loss) per share:

Net income (loss) per share is calculated using the treasury stock method. Under this method, all options whose average price is less than or equal to the average share price for the year are assumed to be exercised and all convertible securities are converted at the average share price during the period.

The following table summarizes the calculation of basic and diluted earnings per share for the years ended June 30:

	2005	2004
Net income (loss)	**$ (1,243,068)**	$ 3,974,803
Preference share dividends and royalty amount	**120,915**	(780,764)
	$ (1,122,153)	$ 3,194,039
Weighted average number of shares outstanding	**16,736,610**	12,562,151
Net income (loss) per share - basic	**$ (0.07)**	$ 0.25
Weighted average number of shares outstanding	**16,736,610**	12,562,151
Effect of common share equivalents	**-**	28,017,120
	16,736,610	40,579,271
Net income (loss) per share - diluted	$ (0.07)	$ 0.08

(m) Stock-based compensation:

The Company has a stock-based compensation plan, which is disclosed in Note 13. The Company has adopted the recommendations of Canadian Institute of Chartered Accountants ("CICA") with respect to stock-based compensation and other stock based payments effectively July 1, 2002. This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards made to non-employees be measured and recognized using a fair value based method. The standard encouraged the use of a fair value based method for all awards granted to employees, but only required application of specified accounting methods to direct awards of stock, stock appreciation rights and awards that call for settlement in cash or other assets. Prior to July 1, 2004, the Company applied the intrinsic value based method of accounting for stock options granted to employees and directors and disclosed the pro forma impact of the fair value based method in Note 13(f).

Effective July 1, 2004, the Company has adopted the new recommendations of CICA Handbook Section 3870 which requires the use of the fair value based method in accounting for stock based compensation. This change in accounting policy has been applied on a cumulative retroactive basis without restatement of individual prior periods. The effect of adopting the new recommendations for the fair value of stock options granted since July 1, 2002 has been reflected as at July 1, 2004 as an adjustment of $287,988 to both opening deficit on the statement of deficit and to contributed surplus.

As the stock options vest on the date of the grant, the fair market value of such stock-based compensation has been recognized on the statement of operations on the date of the grant.

(n) Comparative figures:

Certain comparative figures have been restated to conform to the presentation adopted in the current year.

(o) Impairment of long-lived assets:

The Company monitors the recoverability of long-lived assets, including property and equipment and intangible assets, based upon estimates using factors such as future asset utilization, business climate and future non-discounted cash flows expected to result from the use of the related assets or to be realized on sale. The Company's policy is to write down assets to their fair value in the year when it is determined likely that the carrying amount of the asset will not be recovered.

(p) Advertising costs:

The Company expenses all advertising costs as incurred and includes this expense as a component of marketing expenses.

(q) Shipping and handling costs:

The Company expenses all shipping and handling costs as incurred and includes this expense as a component of cost of sales.

(r) Asset Retirement Obligations

Effective July 1, 2004, the Company adopted the provisions of CICA Handbook Section 3110 - "Asset Retirement Obligations" which requires the Company to record the fair value of an asset retirement obligation as a liability in the period which it incurs a legal obligation associated with the retirement of long-lived tangible assets that result from the acquisition, construction and development of the assets. Management has determined that under its land lease agreements, there are no material asset retirement obligations and therefore the adoption of this standard did not have a significant impact on the Company's consolidated financial statements.

(s) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with a term to maturity of three months or less at the date of purchase.

3. Related party balances and transactions:

(a) Accounts payable

Included in accounts payable is $56,523 (2004 - $168,326) due to management companies with directors in common (the "Management Companies"). The amount is due on demand, unsecured and non interest bearing.

(b) Management Company transactions

During 1999, the Company engaged a management company with directors in common, to structure, package, market and administer the conversion of term debt obligations to, and the new sales of, convertible Class "A" Preferred Shares (note 13(b)). The management company was compensated for such services by a one-time service charge of 6% of the face value of Convertible Bonds or Preferred Shares issued either by way of term debt converted to Preferred Shares or through the issue of Preferred Shares by way of private placements and an annual asset management service charge of 2.5% of the face value of Convertible Bonds or Preferred Shares issued and outstanding. This annual asset management fee was re-negotiated and reduced to 2% commencing October 1, 2003, and further re-negotiated and reduced to 1.7% commencing July 1, 2004.

(Expressed in Canadian Dollars)

Prior to July 1, 2004, fees paid for asset management were charged to Convertible Preference Shares issue costs. Subsequent to the conversion and listing of the new Convertible Preference Shares, and after July 1, 2004, fees for asset management services were allocated to the general and administrative costs, as follows:

	2005
Salaries	**$ 380,850**
Rent	**86,326**
Office supplies and services	**40,623**
	$ 507,799

The Company was charged for services by Management Companies as follows:

	2005	2004
Salaries	**$ 94,500**	$ 203,000
Rent	**21,420**	22,000
Office supplies and services	**10,080**	46,000
Asset management services	**507,799**	459,225
	$ 633,799	$ 730,225

During 2004, the Company settled its debt of $823,897 owing to one of the Management Companies with the assignment, at cost, of its net equity in land and building owned pursuant to an undivided interest in a joint venture ginseng processing facility located in Kamloops, B.C. (notes 5 and 7).

During 2004, the Company entered into a Corporate Finance and Listing Services Agreement with one of the Management Companies to alter its capital structure to exchange its Class "A" Preference Shares and accrued dividends into new Convertible Preference Shares and list these new Convertible Preference Shares on the TSX Venture Exchange.

In exchange for the successful issuance and listing of the new Convertible Preference Shares, the Management Company was compensated with a one time fee equal to 2% of the total Class "A" Preference Shares outstanding plus accrued dividends. This fee was net of all applicable legal, accounting, and taxation fees paid by the Company and was payable in common shares, valued at $0.11 per share, of the Company. The value of this fee was approximately $544,000. In February, 2005, the Management Company was paid 4,945,455 Common Shares of the Company (note 13(a)) in settlement of assets owing.

(c) Marketing Services

The Company has ginseng marketing agreements with companies controlled by a director of the Company (the "Marketing Companies"). Pursuant to these agreements, the Marketing Companies market the Company's ginseng crops on a best effort basis in return for a fee. The Marketing Companies render all marketing, selling and certain shipping services and pay all expenses related to the sale of the Company's ginseng root. During the year, substantially all of the Company's sales were made through the Marketing Companies and the fees paid were $171,766. In 2004, the fees paid to the Marketing Companies were $234,125 which included the fees charged on sales from discontinued operations.

(d) Transactions with related parties

Transactions with related parties, unless otherwise disclosed, are recorded at exchange value, being the value agreed to between the parties.

4. Inventory:

	2005	2004
Consumer products	**$ 97,930**	$ 117,835
Ginseng root	**-**	892,291
	$ 97,930	$1,010,126

(Expressed in Canadian Dollars)

5. **Property and equipment:**

	Cost	Accumulated Depreciation	2005 Net Book Value	2004 Net Book Value
Buildings	$ 12,464	$ 9,556	**$ 2,908**	$ 1,799
Farming equipment	912,538	797,317	**115,221**	123,541
Farming equipment under capital lease	130,625	63,557	**67,068**	113,643
Office and laboratory equipment	86,220	77,304	**8,916**	12,287
Processing equipment	387,296	228,928	**158,368**	190,502
Shadehousing and irrigation	2,469,043	1,879,314	**589,729**	725,724
	$ 3,998,186	$ 3,055,976	**$ 942,210**	$ 1,167,496

During 2004, CIG Farms assigned its net equity in land and building owned pursuant to its undivided interest in Processing to one of the Management Companies and in exchange, the Management Company forgave the debt of $823,897 owing from the Company (note 3(b)). A gain in the amount of $648,917 resulted from this transaction.

On December 31, 2003, the joint venture agreement between CIG Farms and Processing expired and CIG Farms subsequently sold its interest in the balance of assets owned pursuant to its undivided interest in Processing to a new joint venture partnership formed by the remaining partners of Processing (notes 7 and 17). A gain in the amount of $207,001 resulted from this transaction and was charged to deficit.

6. **Investment:**

The Company has a 3.5% investment in Ponderosa Ginseng Farms Corp. ("Ponderosa"), a 100-acre ginseng farm located in Kamloops, B.C.

The Company's investment in Ponderosa has been written down to a nominal value due to a decline in the value of this investment that management has concluded is other than temporary.

7. **Interest in processing facility:**

The Company had an undivided 49% interest in a joint venture until its expiry on December 31, 2003 (notes 5 and 17). The joint venture operated a ginseng drying and processing facility located in Kamloops, B.C. These consolidated financial statements include the following costs incurred by this operation:

	2005	2004
Earnings from discontinued operations:		
Cost of sales	**$ -**	$ 140,544
Depreciation, included in cost of sales	**$ -**	$ 54,286

8. **Bank indebtedness:**

CIG Ontario, a subsidiary of the Company, has available with a Canadian chartered bank a $1,750,000 line of credit, subject to certain margining calculations, which bears interest at prime plus 1¼ % per annum and is collateralized by a charge over all inventory and crops, certain leasehold improvements and an assignment of life insurance on the Company's president. On June 30, 2005, $nil (2004 - $nil) was drawn on this facility.

9. **Accounts payable and accrued liabilities:**

	2005	2004
Accounts payable	**$ 278,191**	$ 370,359
Accrued liabilities	**145,818**	192,345
Due to Management Companies (note 3(a))	**56,523**	168,326
	$ 480,532	$ 731,030

(Expressed in Canadian Dollars)

10. Obligations under capital leases:

Future minimum payments under capital leases are as follows:

	2005
2006	$ 31,968
2007	16,818
2008	33,737
2009	662
Thereafter	-
Total future minimum lease payments	83,185
Less interest portion at effective rates of 0.9% to 10.5%	(6,039)
Principal balance	77,146
Less current portion	(28,598)
	$ 48,548

11. Gain on settlement of term debt:

(a) Convertible Bonds 1994:

As at June 30, 2003, the Company had approximately $309,500 convertible Bonds to mature one half on December 31, 2004 and one half on December 31, 2005. The Company also had approximately $161,000 convertible bonds matured as to one half on December 31, 1999 and one half on December 31, 2000. During the year ended June 30, 2004, the Company negotiated and settled bonds totaling $470,500 and recorded a gain on settlement of $153,934 for interest.

(b) Convertible Bonds 1995:

The bonds matured as to one half of the principal amount on December 31, 2000 and the balance on December 31, 2001. During the year ended June 30, 2004, the Company negotiated and settled bonds totaling $25,000 and recorded a gain on settlement of $6,250 for principal and $13,454 for interest.

(c) Convertible Bonds 1998:

The bonds matured as to one half of the principal amount on January 31, 2004 and the balance on January 31, 2005. During the year ended June 30, 2004, the Company negotiated and settled bonds totaling $349,000 and recorded a gain on settlement of $45,700 for principal and $210,490 for interest and royalty reversals.

12. Financial instruments:

Financial instruments of the Company are comprised of cash and cash equivalents, accounts receivable, investment, accounts payable and accrued liabilities and obligations under capital leases. Except as indicated below, on June 30, 2005 and 2004, the estimated fair values of financial instruments were considered by management to be not materially different from their carrying value due to their short term to maturity or capacity for prompt liquidation.

The fair value of the Company's investment in Ponderosa (note 6) was estimated based on Ponderosa's net asset values.

Management does not believe that, on June 30, 2005 and 2004, the Company had significant concentrations of credit risk. The Company's sales primarily are completed subsequent to the fall harvest of ginseng. Depending on the timing of transactions, accounts receivable at any time may represent amounts due from a few customers who may not be resident in Canada. The Company has a policy of minimizing risk by assessing the credit worthiness of ultimate customers and requiring advance cash payments to be lodged prior to the delivery of major sales.

(Expressed in Canadian Dollars)

13. Share capital:

Authorized:

100,000,000 Common Shares without par value

100,000,000 Class "A" Preference Shares with a par value of $1 each

100,000,000 Convertible Preference Shares with no par value

	Shares	Amount
Issued and outstanding:		
Common shares (a)	**$ 26,696,384**	$ 22,994,778
Class "A" Preference shares (b)	**61,893**	61,893
Convertible Preference shares (d)	**25,005,555**	28,707,161
Unpaid dividends and royalties (e)	**577,520**	698,434
	$ 52,341,351	$ 52,462,266

(a) Common shares issued:

	Number of Shares	Amount
Balance, June 30, 2003	12,410,822	$ 22,641,042
Exercise of employee stock option	175,000	10,500
Preference share conversions	337,349	343,236
Balance, June 30, 2004	12,923,171	$ 22,994,778
Share for services 3(b)	4,945,455	544,000
Preference share conversions	2,856,649	3,701,606
Share issue costs 3(b)	-	(544,000)
Balance, June 30, 2005	**20,725,275**	**$ 26,696,384**

(b) Class “A” preference shares issued:

	Number of Shares	Amount
Balance, June 30, 2003	21,675,942	19,247,453
Preference share issue costs (note 3(b))	-	(342,687)
Preference shares converted to common shares	(102,300)	(102,300)
Preference shares converted to Convertible Preference Shares	(21,502,220)	(21,502,220)
Issue costs transferred to Convertible Preference Shares	-	4,763,941
Conversion option attributable to bonds converted transferred to Convertible Preference Shares	-	(3,247,532)
Unamortized bond discount of bonds converted transferred to Convertible Preference Shares	-	1,245,238
Balance, June 30, 2004	71,422	$ 61,893
Balance, June 30, 2005	**71,422**	**$ 61,893**

The Class "A" Preference Shares are non-voting and are entitled to receive cumulative dividends at 12% per annum. The preference shareholders have the right to convert their preference shares to common shares of the Company at a price between $2.80 and $3.03 per common share. For each year after January 31, 2006, the conversion price will increase by $0.25 per share. In addition, the preference shareholders have the option, subject to certain restrictions and penalties, to retract in each year a maximum of 25% of the balance of preference shares originally issued. The Company may, at its sole option, honour retraction requests through the issuance of common shares.

(Expressed in Canadian Dollars)

The preference shares issued pursuant to the conversion of Convertible Bonds are recorded at the Company's carrying value of the Convertible Bonds. Accordingly, the amounts recorded for these preference shares include the original principal amount of the bonds converted net of the unamortized balance of the discount on the Convertible Bonds (note 11) plus the estimated value attributed to the conversion option that was separated from the debt obligation for financial reporting purposes.

In conjunction with an alteration of the rights and restrictions of the Company's Class "A" Preference Shares, the Company, upon the approval of the preference shareholders, converted 21,502,220 previously issued Class "A" Preference Shares into 22,059,531 Convertible Preference Shares (note 13(d)).

(c) Royalty Participation Units:

One Royalty Participation Unit was issued, at nominal cost, with each Class "A" Preference Share. The Royalty Participation Units provide for a royalty amount calculated as 0.05% per 1,000 Royalty Participation Units of the gross cash receipts from the sale of the ginseng root from one average acre of the harvests from each of the 1999, 2000, 2001, and 2002 plantings for Preference Shares issued before May 1, 2001. The 1999 and 2000 plantings were harvested in the fall of 2003 and 2004, and the 2001 and 2002 plantings are anticipated to be harvested in the fall of 2005 and 2006 as four-year-old ginseng, respectively. For Preference Shares issued after May 1, 2001, the royalty amount is based on the sale of ginseng root from one average acre of the harvests from each of the 2000, 2001, 2002 and 2003 plantings with the crops harvested as four-year-old ginseng in the fall of 2004, 2005, 2006, and 2007, respectively.

In conjunction with the conversion of Class "A" Preference Shares into Convertible Preference Shares (notes 13(b) and (d)), 18,236,536 Royalty Participation Units were cancelled.

(d) Convertible Preference Shares:

	Number of Shares	Amount
Balance, June 30, 2003	-	$ -
Preference shares converted to Convertible Preference Shares (note 13(b))	22,059,531	23,504,514
Unpaid dividends converted to Convertible Preference Shares	10,296,689	10,296,689
Unpaid interest converted to Convertible Preference Shares	18,347	18,347
Preference share issue costs	-	(107,512)
Issue costs transferred to Convertible Preference Shares	-	(4,763,941)
Preference shares converted to common shares	(269,454)	(240,936)
Balance, June 30, 2004	32,105,113	$ 28,707,161
Preference shares converted to common shares	(3,600,085)	(3,701,606)
Balance, June 30, 2005	28,505,028	$ 25,005,555

In conjunction with the alteration of the rights and restrictions of the Company's Class "A" Preference Shares, the Company, upon approval from the preference shareholders, converted previously issued Class "A" Preference Shares into Convertible Preference Shares. In addition, previously accrued and unpaid dividends in respect of the Class "A" Preference Shares have also been converted into the Convertible Preference Shares, Series "A".

Of the 21,573,642 Class "A" Preference Shares outstanding at the time of conversion, 21,502,220 have been converted into 22,059,531 Convertible Preference Shares. In addition, accrued and unpaid dividends of $10,296,689 and interest of $18,347 totaling $10,315,036 have been converted into 10,315,036 Convertible Preference Shares, Series "A" and 18,236,536 Royalty Participation Units at $1,024,616 have been cancelled.

The Convertible Preference Shares are non-voting, convertible shares issued with a non-cumulative dividend rate of 12%. The Convertible Preference Shares are convertible into common shares of the Company at a price of $1.50 increasing by $0.25 on January 31, 2006 and by an additional $0.25 on January 31 of each subsequent year thereafter.

Subsequent to June 30, 2005, 242,000 Convertible Preference Shares have been converted into 161,333 Common Shares.

(Expressed in Canadian Dollars)

(e) Unpaid dividends and royalties:

	Amount
Balance, June 30, 2003	$ 10,214,360
Unpaid cumulative dividends on preference shares	1,805,380
Unpaid royalties on Royalty Participation Units	(1,024,616)
Unpaid dividends converted to Convertible Preference Shares	(10,296,689)
Balance, June 30, 2004	$ 698,435
Unpaid cumulative dividends on preference shares	8,570
Unpaid royalties on Royalty Participation Units	(129,485)
Balance, June 30, 2005	**$ 577,520**

The cumulative dividends on the Company's Class "A" Preference Shares that are unpaid at year-end have been accrued as a component of shareholders' equity as the Company can pay these dividends at its sole discretion with common shares.

The unpaid royalty amount related to the Royalty Participation Units has also been accrued as a component of shareholders' equity as the Company can pay these royalties at its sole discretion with common shares.

(f) Stock options:

The Company's stock option plan, implemented on November 1, 2002, authorizes the issuance of up to 2,482,164 common shares. The aggregate number of common shares reserved for issuance to any person within any 12-month period may not exceed 5% of the number of outstanding common shares. The exercise price of the options will be determined by the fair market value of the shares at the closing price on the date prior to the date of the grant, all of which vest immediately.

On June 30, 2005, the following incentive stock options were outstanding and exercisable to directors and employees:

Number Outstanding	Exercise Price Per Share	Expiry Date	Remaining Contractual Life
1,160,000	$0.06	May 22, 2008	2.9 years
1,047,000	$0.30	May 26, 2009	3.9 years

A summary of share option activity for the two years ended June 30, 2005 is as follows:

	Number of Shares	Exercise Price	Expiry
Options outstanding June 30, 2003	1,385,000		
Exercised	(175,000)	$0.06	May 22, 2008
Issued	1,097,000	$0.30	May 26, 2009
Options outstanding June 30, 2004	2,307,000		
Forfeited	(50,000)	$0.06	April 1, 2005
Forfeited	(50,000)	$0.30	April 1, 2005
Options outstanding June 30, 2005	**2,207,000**		

(Expressed in Canadian Dollars)

As described in Note 2(n) the Company has changed its method of accounting for stock-based compensation effective July 1, 2004 on a cumulative retroactive basis without restatement of individual prior periods. Had the Company recorded compensation expense based on the fair value of the options granted or modified after July 1, 2002, the pro forma earnings and earnings per share figures for 2004 would have been as follows:

	2004
Net Income:	
As reported	$ 3,974,803
Pro forma	$ 3,766,173
Net income (loss) per share, basic:	
As reported	$ 0.25
Pro forma	$ 0.24
Net income (loss) per share, diluted:	
As reported	$ 0.08
Pro forma	$ 0.07

The fair value of the options granted during 2003 and 2004 was estimated using the Black-Scholes option pricing model, with the following assumptions at the measurement date:

	2004
Risk free interest rate	3.96%
Dividend yield	0%
Volatility	195%
Expected option life	5 years
Weighted average fair value of options granted	$0.29

There were no options granted or modified during the year ended June 30, 2005.

14. Future Income Taxes:

(a) The provision for income taxes differs from the amount that would have been expected by applying Canadian corporate income tax to the loss before taxes. The principal reasons for this difference are as follows:

	2005	2004
Net loss from continuing operations	**$ (1,243,068)**	$ (417,240)
Statutory income tax rate	**35.6%**	36.6%
Computed "expected" income tax recovery	**$ (442,781)**	$ (152,710)
Tax provision effect arising from:		
Large corporations tax (recovery)	**-**	(600)
Potential benefit of losses and other net tax assets not recognized	**442,781**	152,710
Income tax (recovery)	**$ -**	$ (600)

(Expressed in Canadian Dollars)

(b) Future income taxes include the following tax assets (liabilities):

	2005	2004
Deferred crop costs	**$ (2,708,300)**	$ (3,147,400)
Property and equipment	**893,800**	733,300
Capital leases	**27,500**	36,100
Share issuing costs	**367,400**	120,600
Non-capital loss carryforwards	**8,756,000**	10,526,400
Other	**-**	(33,200)
Valuation adjustment	**(7,336,400)**	(8,235,800)
	$ -	$ -

The Company's future fax assets include approximately $367,400 (2004 - $120,600) related to deductions for share issue costs in excess of amounts deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize this benefit as an adjustment to share capital as opposed to income tax expense in the Statement of Operations.

The potential future tax benefit that may be derived from non-capital losses and expenditures have been offset by a valuation allowance because it is uncertain that sufficient taxable income will be earned to realize the benefits before their expiration.

(c) The Company's farming and other operating losses expire as follows:

	Farming Losses	Other Operating Losses	Total
2006	$ 2,093,000	$ 256,000	$ 2,349,000
2007	7,088,000	1,189,000	8,277,000
2008	1,833,000	-	1,833,000
2009	4,583,000	-	4,583,000
2010	1,098,000	-	1,098,000
2011	795,000	8,000	803,000
2012	1,151,000	189,000	1,340,000
2013	1,044,000	-	1,044,000
2014	2,971,000	-	2,971,000
2015	284,000	-	284,000
	$ 22,940,000	$ 1,642,000	$ 24,582,000

15. Commitments:

Future minimum payments under operating leases are as follows:

	Building	Land	Total
2006	$ 42,280	$ 392,270	$ 434,550
2007	-	368,565	368,565
2008	-	328,725	328,725
2009	-	246,600	246,600
2010	-	154,000	154,000
Thereafter	-	112,000	112,000
Total future minimum lease payments	$ 42,280	$ 1,602,160	$ 1,644,440

(Expressed in Canadian Dollars)

16. **Write-down of damaged assets:**

During the year ended June 30, 2005, assets in the amount of $40,930 damaged due to snow were written off.

17. **Discontinued operations:**

During the year ended June 30, 2004, the Company adopted a formal plan to wind up its farm operations in B.C. Accordingly, the Company harvested the remaining acres of ginseng at CIG Farms. The Company disposed of CIG Farm's equipment, and sold and transferred CIG Farms' interest in assets owned under a joint venture agreement (notes 5 and 7). The results of operations from CIG Farms are detailed below and shown as discontinued operations in the Consolidated Statement of Operations.

	2005	2004
Revenue	$ -	$ 6,697,802
Cost of sales	-	2,393,563
Gross profit	-	4,304,239
Expenses:		
Interest on bank indebtedness	-	21,115
Interest on term debt and capital leases	-	1,160
	-	22,275
Interest and other income	-	10
Net income before undernoted	-	4,281,974
Gain on sale of property and equipment	-	109,469
Net income before taxes	-	4,391,443
Income tax recovery	-	-
Net income from discontinued operations	$ -	$ 4,391,443

Assets on the Consolidated Balance Sheet include the following amounts for discontinued operations:

	2005	2004
Assets of discontinued operations:		
Cash	$ -	$ 399
	$ -	$ 399

CORPORATE INFORMATION

DIRECTORS

\+ * Stephen P. McCoach
Director and Chairman

* Hugh Cartwright
Director and
Chief Executive Officer

* James S. Chang
Director and President

Joseph A. Rogers
Director

\+ Maurice Levesque
Director

\+ Dr. Aik Ping Eng
Director

OFFICERS

Stephen P. McCoach
Chairman and Corporate Secretary

Hugh R. Cartwright
Chief Executive Officer

James S. Chang
President and
Chief Financial Officer

Rob Geier
Vice-President, Operations
Ontario and President,
Canadian Imperial Ginseng
Ontario Ltd.

* Member of Executive Committee
\+ Member of Audit Committee

AUDITORS

BDO Dunwoody LLP, Chartered Accountants
Vancouver, British Columbia

BARRISTERS AND SOLICITORS

Catalyst Corporate Finance Lawyers
Vancouver, British Columbia

STOCK EXCHANGE LISTING

TSX Venture Exchange

Trading Symbol:
Common Shares: IGP
Convertible Preference Shares: IGP.PR.A

BANKER

Royal Bank of Canada
Vancouver, British Columbia

INVESTOR RELATIONS

For additional information about the Company please contact our head office:

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ANNUAL GENERAL MEETING

The Annual General Meeting of common shareholders will be held on:

December 1st, 2005 at 10:00 am

Suite 1400, 1055 West Hastings Street, Vancouver, British Columbia

www.imperialginseng.com