



IMPERIAL GINSENG PRODUCTS LTD.

2007 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 and markets American ginseng.

OUR VISION

To be the world's premier ginseng growing 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 | | 2007 | 2006 |
|--|------------------------------|--------------|----------------|
| Operating Results – Continuing operations | Revenue | \$ 3,476,315 | \$ 3,963,043 |
| | Gross profit | \$ 376,710 | \$ 278,827 |
| | Net loss | \$ (728,429) | \$ (1,008,508) |
| Per Share | Net loss – basic and diluted | \$ (0.03) | \$ (0.05) |
| Assets | Total assets | \$ 9,069,545 | \$ 10,093,337 |
| Liabilities | Total liabilities | \$ 1,604,245 | \$ 1,982,194 |
| Equity | Shareholders' equity | \$ 7,465,300 | \$ 8,111,143 |
| Ginseng Crop | Acres planted | 106 | 177 |
| | Acres harvested | 115 | 156 |
| | Acres under cultivation | 561 | 570 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") 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 MD&A should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2007 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.

Readers should also refer to the annual audited consolidated financial statements and MD&A for the year ended June 30, 2006.

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 Corporation Act (Business Columbia). The Company cultivates and processes ginseng in Ontario, and markets the ginseng 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".

Outlook

For the ginseng market, 2007 was a better year when compared to 2006 as demand had increased due to depletion of world inventory which resulted in improving prices at the farm gate. As for 2008, management expects that the demand for ginseng root will remain at the 2007 level. There currently remains a small inventory from the 2007 harvest. Management anticipated that the 2008 harvest will be smaller than the 2007 harvest due to adverse weather conditions. Given these weather factors, we believe that smaller and inferior quality root will be produced by most ginseng growers. With no further shortage of supply or change in ginseng consumption, accompanied by a continuously strengthening Canadian dollar, we believe that it is unlikely the root prices will increase again in 2008.

Despite the fact that the demand and prices for ginseng root will remain the same if not weaken in 2008, management expects that the Company will be in a favourable position to market its root this year as the adverse weather conditions that impacted most ginseng growers have not affected much of the Company's crops due to preventative procedures taken by our operations team. Consequently, it is expected that root produced this year will be larger than average and produce higher yields which should put the Company in an advantageous selling position. However, it is also predicted that the Company, like many others whose sales are denominated in foreign currencies, will not be able to avoid the significant adverse impact of the rising Canadian dollar on our revenues.

Overall Performance

In fiscal 2007, the Company seeded approximately 106 acres which was in accordance with its operating plan. This compares to 177 acres seeded in fiscal 2006. At June 30, 2007, the Company had 561 acres under cultivation as compared to 570 acres at June 30, 2006.

In fiscal 2007, the Company harvested all 63 acres of four-year-old gardens and only 52 acres of the three-year-old gardens as opposed to 65 acres of three-year-olds as originally planned. The Company decided to allow more of its three-year-old gardens to grow for another year, while many growers were forced to harvest their three-year-olds due to financial or root disease pressures. By harvesting fewer three-year-olds, the Company believes it has positioned itself to meet the shorter supply of, and hence higher prices for, good quality four-year-old root that could result next year.

A total of 244,000 pounds was produced from 115 acres harvested which translates to a yield of approximately 2,100 pounds per acre. This compares to 348,000 pounds produced from 156 acres or a yield of approximately 2,200 pounds per acre in the prior year. This year's lower yield was a result of frost in May 2006 that caused smaller root produced from injured crops.

The Company sold its entire fiscal 2007 harvest and averaged a selling price of \$14.95 per pound. This compares to an average selling price of \$11.94 per pound in 2006, a 25% increase due principally to the depletion of the world inventory and a smaller North American harvest.

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.

| (\$ 000 except per share and dividend data) | 2007 | 2006 (restated) | 2005 (restated) |
|---|--------|--------------------|--------------------|
| Continuing operations: | | | |
| Total revenues | 3,476 | 3,963 | 5,757 |
| Net loss | (728) | (1,009) | (1,819) |
| Net loss per share – basic & diluted | (0.03) | (0.05) | (0.10) |
| Total assets | 9,070 | 10,031 | 7,844 |
| Total long-term liabilities | 858 | 9 | 49 |
| Cash dividends | Nil | Nil | Nil |
| Discontinued operations: | | | |
| Total revenues | 358 | 619 | 865 |
| Net income | 83 | 62 | 102 |
| Net income per share – basic & diluted | - | - | 0.01 |

Among the last three years, total production in 2007 were the lowest as a result of growing more three-year-olds into four-year-olds however, with ginseng prices recovered significantly in 2007, total revenues were only 12% less than those in 2006 despite the highest root production among the past three years. The following table summarizes the data that explains variance in revenues.

| | 2007 | 2006 | 2005 |
|----------------------------|---------|---------|---------|
| Acres harvested | 115 | 155 | 149 |
| Average selling price (\$) | 14.95 | 11.95 | 15.25 |
| Total root production | 244,000 | 348,000 | 338,000 |
| Acres under cultivation | 561 | 570 | 549 |

Despite a similar number of acres under cultivation, total assets at year end 2007 were \$1.02 million less than those at year end 2006 mainly due to repaying the \$1.10 million line of credit outstanding at year end 2006. Long-term liabilities increased to \$858,000 from \$9,000 due to reclassification of \$807,000 of outstanding asset management fee as the management companies, related to Imperial by common directors, had agreed not to demand payment until July 1, 2008. The asset management fee owing is unsecured and non-interest bearing.

On November 30, 2006, the Company closed down the operations of one of its subsidiaries, Imperial Ginseng Distributors Ltd. ("IGD"). The closure of the product division has allowed the Company to focus all its efforts towards ginseng cultivation. The results of operations of IGD are shown as discontinued operations in the above and in the Consolidated Statement of Operations. The comparative figures have been reclassified to report discontinued operations in accordance with Section 3475 of the CICA Handbook.

Results of Operations

For the year ended June 30, 2007, the Company reported revenues of \$3.48 million and a net loss of \$0.73 million (or \$0.03 per share) from continuing operations. This compares to revenues of \$3.96 million and a net loss of \$1.01 million or \$0.05 per share from continuing operations in the prior year. The decrease in revenues was due to a planned 30% decrease in root production as fewer acres were harvested as compared to the prior year. This planned production decrease was partially compensated by a 25% increase in average selling price which resulted in a decrease of only 12% of 2007 revenues.

For the year ended June 30, 2007, the Company incurred \$1.16 million in total expenses, a decrease of 15% from \$1.37 million for the year ended June 30, 2006. Major expense items included \$696,000 of salaries (2006 - \$756,000), \$112,000 of marketing (2006 - \$142,000), \$110,000 of rent (2006 - \$110,000) and \$71,000 of interest on bank indebtedness (2006 - \$62,000). The reasons for lower total expenses include less asset management fees charged to the Company given the conversion of the Convertible Preference Shares to common shares. The asset management fee is calculated on the book value of outstanding Convertible Preference Shares, with a large portion of the fee allocated to salaries and the remaining to office and rent. Other savings resulted from commissions which were calculated as a percentage of sales, and from management's effort to cut administrative, legal and audit expenses. This was partially offset by an increase in interest paid on the line of credit as a result of higher prime rate and a delay in the timing of root sales.

Whereas the Company sells a majority of the root to overseas buyers and the sales are denominated in foreign currencies, the Company has been impacted by a continuously strengthening Canadian dollar for the past two years, resulting in a \$49,000 and \$153,000 of foreign exchange loss in 2007 and 2006, respectively.

For discontinued operations, the Company reported an income of \$83,000 in 2007 as compared to \$61,000 in 2006. Most revenues from discontinued operations were generated in the summer and fall. By winding up IGD in November 2006, the Company eliminated the loss from discontinued operations which generally incurred in the spring and winter.

For the year ended June 30, 2007, the Company's cash expenditures relating to the maintenance of 561 acres of ginseng crops, planting 106 acres and harvesting 115 acres, were \$3.02 million. This compares to \$3.36 million spent in the prior year on maintaining 570 acres, planting 176 acres and harvesting 155 acres.

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.

During the year, certain holders of Convertible Preference Shares exercised their rights to convert their shares to common shares and, as a result, the Company issued a total of 214,769 common shares and returned 390,110 Convertible Preference Shares to the treasury.

Summary of Quarterly Results

The following tables set forth unaudited interim financial data for the most recent eight quarters. This information is derived from the unaudited interim consolidated financial statements which, in the opinion of the Company's management, have been prepared on a basis consistent with the audited annual consolidated financial statements.

| | Total revenues | Income (loss) for the quarter before discontinued operations | Earnings (loss) per share Basic | Earnings (loss) per share Fully diluted |
|--------------------|----------------|--|---------------------------------------|---|
| June 30, 2007 | - | (145,000) | - | - |
| March 31, 2007 | 1,436,000 | (514,000) | (0.02) | (0.02) |
| December 31, 2006 | 2,040,000 | 158,000 | - | - |
| September 30, 2006 | - | (227,000) | (0.01) | (0.01) |
| June 30, 2006 | 67,000 | 467,000 | 0.02 | 0.02 |
| March 31, 2006 | 1,019,000 | (786,000) | (0.04) | (0.04) |
| December 31, 2005 | 2,877,000 | (463,000) | (0.02) | (0.02) |
| September 30, 2005 | - | (227,000) | (0.01) | (0.01) |

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 normally be the highest during the months of November, December and January, but buying patterns change each year. In addition, the quality and quantity of root available for sale may impact selling patterns with regard to timing of sales and prices of root.

Liquidity

At June 30, 2007, the Company has a working capital of \$2.20 million as compared to \$2.27 million at June 30, 2006. Current ratio increased to 4:1 from 2:1, and debt to equity ratio decreased to 0.2:1 from 0.3:1.

In addition to cash generated from operations, Canadian Imperial Ginseng Ontario, a subsidiary of the Company, has available with a Canadian chartered bank a \$2.25 million line of credit, subject to certain borrowing limits, which bears interest at prime plus 1% per annum and is collateralized by general security agreements, a charge over all inventory and crops, certain leasehold improvements and an assignment of life insurance on a director of the Company. On June 30, 2007, \$nil (2006 - \$1.10 million) was drawn on this facility which was within the borrowing limit.

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 2008.

Capital Resources

Capital expenditures for the year were \$104,000 and were related primarily to investments in farm machinery, shadehousing and irrigation.

Transactions with Related Parties

Management Companies

Qwest Bancorp Ltd. ("Qwest"), a company which owns more than 10% of the common shares of Imperial and which is related to Imperial by common directors, assisted the Company in restructuring its debt and equity in 1999 and was compensated for the services provided. In addition, Qwest charges the Company an annual asset management fee calculated as 1.7% of the book value of the outstanding Convertible Preference Shares, and instructs the Company to pay the fee directly to Trilogy Bancorp Ltd. ("Trilogy"), a management company with directors in common. Trilogy also provides administrative and office support services to the Company for an annual fee of \$126,000.

For the year ended June 30, 2007, the Company was charged \$459,000 for these services provided by Qwest. This compares to \$473,000 charged for the prior year. At June 30, 2007, \$807,000 was outstanding and was reclassified to long-term payable.

Marketing Agreements

The Company entered into 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. During the year ended June 30, 2007, the Company paid \$104,000 (2006 - \$118,000) for these services.

Fourth Quarter

Generally, the Company reviews and makes adjustment to the net realizable value of the carrying value of ginseng crops, investments and the net recoverable value of property and equipment in the fourth quarter or when circumstances and events change. The Company had determined that no adjustments would be required for the year ended June 30, 2007.

Change in accounting policy

In 2006, the Company changed the method used to account for ginseng crop costs. Starting in 2006, the Company considered the crop costs on a percentage of cost incurred per acre basis, resulting in an increase of \$412,232 in 2005 crop cost inventory. Prior to 2006, the crop costs were considered on a percentage of cost incurred per crop year basis. This adjustment has been reflected in the 2006 opening deficit. The restatement has no impact on the 2007 and 2006 statements of operations and cash flows.

Financial Instruments

Financial instruments of the Company are comprised of cash and cash equivalents, accounts receivable, investment, bank indebtedness, accounts payable and accrued liabilities and obligations under capital leases. 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.

Interest rate risk

Interest on the Company's line of credit is based on variable rates. This exposes the Company to the risk of changing interest rates that may have an effect on its earnings and cash flows in future periods. The Company does not use derivative instruments to mitigate this risk.

Exchange rate risk

The Company is exposed to currency exchange risk as a result of its sales to overseas markets which are predominately denominated in such foreign currencies, and guaranteed investment certificates denominated in United States dollars. The Company does not use derivative instruments to mitigate this risk.

Credit risk

As of June 30, 2007 and 2006, the Company had no 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 received prior to the delivery of major sales.

Outstanding Share Data

Below is the data for issued and outstanding shares at June 30, 2007:

| | Number of shares | Amount (\$) |
|-------------------------------|-------------------------|--------------------|
| Common shares | 21,816,892 | 28,238,312 |
| Class "A" Preference shares | 71,422 | 61,893 |
| Convertible Preference shares | 26,747,310 | 23,463,627 |

Disclosure Controls and Procedures

Internal controls over financial reporting are designed to ensure that the disclosure requirements of the regulatory are met within the specified time periods. Disclosure controls and procedures include, but are not limited to, controls and procedures designed to ensure that information required to be disclosed in Company reports is accumulated and communicated to management to allow timely decisions regarding required disclosure.

During a review of the accounting policy on ginseng crop costs in 2006, it was determined to change the accounting policy with respect to crop costs to improve the method of allocation of crop costs to each inventory year. As a result, the Company should have restated the 2006 opening deficit to reflect this change in policy at that time on a retroactive basis. This restatement was not effected until the 2007 fiscal year end financial statements were prepared. Management has concluded that the restatement was not recorded in 2006 as it should have been due to a lack of appropriate reviews by senior financial management. With immediate effect, management has instituted adequate controls to mitigate this internal control weakness.

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures was carried out by the Chief Executive Officer and Vice President, Finance. Based on their evaluation, it was concluded that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the Company is communicated to the management as appropriate to allow timely decisions regarding required disclosure.

Subsequent to the date Management carried out this evaluation, Management believes that there were no significant changes in the Company's internal controls that could significantly affect the disclosure controls and procedures.

The audit committee reviews the financial statements and MD&A quarterly and ensures that these documents conform with the requirements of NI 51-102 *Continuous Disclosure Obligations* before recommending them to the Board of Directors. The Board of Directors meets with management quarterly, or as required, to review that procedures are followed and proper controls are in place.

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 Canadian 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 Canadian 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.

Grant Thornton 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

Grant Thornton LLP
Chartered Accountants
Management Consultants

Grant Thornton 

Auditors' Report

To the Shareholders of
Imperial Ginseng Products Ltd.

We have audited the consolidated balance sheet of Imperial Ginseng Products Ltd. as at June 30, 2007 and the consolidated statements of operations, deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at June 30, 2006 and for the year ended, prior to the adjustment for the accounting for ginseng crop costs as described in note 2, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated August 31, 2006. We have audited the adjustment, as described in note 2, to the consolidated financial statements as at June 30, 2006 and for the year then ended and in our opinion, such adjustment, in all material respects, is appropriate and has been properly applied.

Grant Thornton LLP

Vancouver, Canada
August 24, 2007

Chartered Accountants

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

| As at June 30, | 2007 | 2006 |
|--|---------------------|------------------------|
| | | (Restated – note 2) |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (note 3 (o)) | \$ 117,011 | \$ 1,579,631 |
| Accounts receivable | 65,248 | 31,024 |
| Prepaid expenses | 61,530 | 19,639 |
| Ginseng crop costs (schedule) | 2,700,000 | 2,550,000 |
| Assets of discontinued operations (note 13) | - | 62,537 |
| | 2,943,789 | 4,242,831 |
| Ginseng crop costs (schedule) | 5,131,201 | 4,815,397 |
| Property and equipment (note 5) | 994,554 | 1,035,108 |
| Investment (note 6) | 1 | 1 |
| | \$ 9,069,545 | \$ 10,093,337 |
| LIABILITIES & SHAREHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Bank indebtedness (note 7) | \$ - | \$ 1,100,000 |
| Accounts payable and accrued liabilities | 696,884 | 813,018 |
| Current portion of obligations under capital leases (note 8) | 49,438 | 39,942 |
| Liabilities of discontinued operations (note 13) | - | 20,628 |
| | 746,322 | 1,973,588 |
| Obligations under capital leases (note 8) | 50,764 | 8,606 |
| Long-term payable (note 4 (a)) | 807,159 | - |
| | 1,604,245 | 1,982,194 |
| Shareholders' Equity | | |
| Share capital (note 9) | 52,337,195 | 52,326,761 |
| Contributed surplus | 661,736 | 661,736 |
| Deficit | (45,533,631) | (44,877,354) |
| | 7,465,300 | 8,111,143 |
| | \$ 9,069,545 | \$ 10,093,337 |

Operations and Ability to Continue as a Going Concern (note 1)
Commitments (note 12)

On Behalf of the Board

"Stephen McCoach"
Stephen McCoach, Director

"Hugh Cartwright"
Hugh Cartwright, Director

See accompanying notes to these consolidated financial statements.

Imperial Ginseng Products Ltd.
Consolidated Statements of Operations

(Expressed in Canadian Dollars)

| For the years ended June 30, | 2007 | 2006 |
|--|---------------------|---------------------|
| Revenue | \$ 3,476,315 | \$ 3,963,043 |
| Cost of sales | 3,099,605 | 3,684,216 |
| Gross profit | 376,710 | 278,827 |
| Expenses | | |
| Amortization and depreciation | 188 | 169 |
| Foreign exchange loss | 49,290 | 153,422 |
| Interest on bank indebtedness | 71,380 | 61,733 |
| Interest on capital leases | 5,791 | 3,406 |
| Legal and audit | 36,077 | 50,238 |
| Marketing (note 4 (b)) | 112,400 | 141,937 |
| Office supplies and services (note 4 (a)) | 61,691 | 70,236 |
| Rent (note 4 (a)) | 109,936 | 110,136 |
| Salaries (note 4 (a)) | 696,410 | 756,071 |
| Travel | 16,180 | 19,894 |
| | 1,159,343 | 1,367,242 |
| Operating loss | (782,633) | (1,088,415) |
| Interest and other income | 56,104 | 79,907 |
| Disposal of property and equipment | (1,900) | - |
| | 54,204 | 79,907 |
| Net loss from continuing operations | (728,429) | (1,008,508) |
| Income from discontinued operations, net of taxes (note 13) | 82,586 | 61,546 |
| Net loss | \$ (645,843) | \$ (946,962) |
| Basic and diluted loss per share (note 3 (j)) | | |
| Continuing operations | \$ (0.03) | \$ (0.05) |
| Discontinued operations | - | - |
| | \$ (0.03) | \$ (0.05) |
| Weighted average number of common shares outstanding | 21,676,517 | 21,144,762 |

See accompanying notes to these consolidated financial statements.

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

| For the year ended June 30, | 2007 | 2006 |
|---|------------------------|------------------------|
| | | (Restated – note 2) |
| Balance, beginning of the year, as previously reported | \$ (45,289,586) | \$ (44,357,215) |
| Effect of restatement adjustment (note 2) | 412,232 | 412,232 |
| Balance, beginning of the year, as restated | (44,877,354) | (43,944,983) |
| Net loss | (645,843) | (946,962) |
| Class “A” Preference share dividends (note 9 (b) and (e)) | (8,570) | (8,570) |
| Royalty amount (note 9 (c) and (e)) | (1,864) | 23,161 |
| Balance, end of the year | \$ (45,533,631) | \$ (44,877,354) |

See accompanying notes to these consolidated financial statements.

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

| For the year ended June 30, | 2007 | 2006 |
|--|--------------|----------------|
| Cash flows from operations | | |
| Net loss from continuing operations | \$ (728,429) | \$ (1,008,508) |
| Adjustments to reconcile net loss to cash provided by (used in) operating activities | | |
| Amortization and depreciation | 18,667 | 34,578 |
| Cost of ginseng crops sold | 2,741,787 | 3,213,933 |
| Loss from disposal of assets | 1,900 | - |
| Changes in non-cash working capital: | | |
| Ginseng crop costs, net of deferred depreciation and amortization of \$185,118 (2006 - \$87,020) | (3,022,473) | (3,362,889) |
| (Increase) decrease in accounts receivable | (34,224) | 352,616 |
| Decrease in inventory | - | (7,370) |
| (Increase) decrease in prepaid expenses | (41,891) | 63,327 |
| (Decrease) increase in accounts payable | (127,530) | 408,613 |
| Increase in long-term payable | 807,159 | - |
| Cash used in continuing operations | (385,034) | (305,700) |
| Net cash provided by discontinued operations | 145,336 | 144,586 |
| Cash used in operating activities | (239,698) | (161,114) |
| Cash flows from financing activities | | |
| Bank indebtedness | (1,100,000) | 1,100,000 |
| Reduction of capital lease obligations | (23,004) | (28,598) |
| Cash (used in) provided by financing activities | (1,123,004) | 1,071,402 |
| Cash flows from investing activities | | |
| Acquisition of property and equipment | (104,097) | (244,443) |
| Proceeds from disposition of property and equipment | 4,179 | 21,519 |
| Cash used in investing activities | (99,918) | (222,924) |
| Net (decrease) increase in cash | (1,462,620) | 687,364 |
| Cash and cash equivalents at beginning of year | 1,579,631 | 892,267 |
| Cash and cash equivalents at end of year | \$ 117,011 | \$ 1,579,631 |
| Non-cash investing and financing activities not included in cash flows: | | |
| Convertible preference shares converted to common shares (note 9 (a)) | \$ 342,217 | \$ 1,199,711 |
| Dividends and royalty accrued on Class "A" Preference Shares | 10,434 | (14,591) |
| Inception of capital leases | 76,609 | - |
| Supplemental cash flow information: | | |
| Interest paid | \$ 78,176 | \$ 65,397 |

See accompanying notes to these consolidated financial statements.

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

| For the year ended June 30, | 2007 | 2006 |
|---|---------------------|------------------------|
| | | (Restated – note 2) |
| Balance, beginning of the year, as previously reported | \$ 6,953,165 | \$ 6,717,189 |
| Effect of restatement adjustment (note 2) | 412,232 | 412,232 |
| Balance, beginning of the year, as restated | 7,365,397 | 7,129,421 |
| Crop costs incurred in the year | | |
| Administrative (note 4 (a)) | 130,759 | 130,703 |
| Chemicals, mulch and seed | 924,278 | 1,044,402 |
| Depreciation | 185,118 | 87,020 |
| Direct labor (note 4 (a)) | 1,362,783 | 1,558,613 |
| Land rental | 366,551 | 375,898 |
| Operating and maintenance | 238,102 | 253,273 |
| | 3,207,591 | 3,449,909 |
| | 10,572,988 | 10,579,330 |
| Charged to cost of sales | (2,741,787) | (3,213,933) |
| Balance, end of the year | \$ 7,831,201 | \$ 7,365,397 |
| Comprised of: | | |
| Current portion expected to be harvested and marketed within one year | \$ 2,700,000 | \$ 2,550,000 |
| Balance expected to be harvested after one year | 5,131,201 | 4,815,397 |
| | \$ 7,831,201 | \$ 7,365,397 |

See accompanying notes to these consolidated financial statements.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

1. Operations and Ability to Continue as a Going Concern

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 sales. Future profitable operations are dependent upon ginseng prices strengthening over current levels, the timing of which is uncertain.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As at June 30, 2007, the Company had an accumulated deficit of approximately \$46 million. The Company is closely monitoring cash resources and has received debt financing from a Canadian chartered bank. The Company's ability to continue as a going concern is dependent on continuing financial support of its shareholders and creditors and achieving profitable operations. These consolidated financial statements do not include any adjustments to the amounts and reclassification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Adjustments resulting from a change in accounting policy

In 2006, the Company changed the method used to account for ginseng crop costs. Starting in 2006, the Company considered the crop costs on a percentage of cost incurred per acre basis, resulting in an increase of \$412,232 in 2005 crop costs. Prior to 2006, the crop costs were considered on a percentage of cost incurred per crop year basis. This adjustment has been reflected in the 2007 consolidated financial statements as a correction resulting from a change in accounting policy applied in 2006 but not reflected in 2006 as an adjustment to the 2006 opening deficit. The restatement has no impact on the 2007 and 2006 basic and diluted loss per share, statements of operations and cash flows.

3. Significant accounting policies

(a) Basis of presentation

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

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Canadian Imperial Ginseng Ontario Ltd. ("CIG Ontario") and Imperial Ginseng Distributors Ltd.

(b) Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant area requiring the use of management estimates relates to the determination of the carrying value of ginseng crops. Actual results could differ from those estimates. By this nature, these estimates are subject to measurement uncertainty and the impact on the consolidated financial statements of future periods could be material.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

3. Significant accounting policies (continued)

(c) Foreign currency translation

The Canadian dollar is the functional currency of the Company. Transactions recorded in foreign currencies have been translated into Canadian dollars as follows: monetary assets and liabilities at the rate in effect 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.

(d) 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 on a per acre basis (see note 2) from planting to harvest for the related acres harvested. Costs accumulated on the acres expected to be harvested during the next fiscal year have been classified as a current asset. Management reviews the underlying value of crop costs on an ongoing basis by reference to estimated future cash flows with any excess charged to income as determinable.

(e) Property and equipment

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

| | |
|---------------------------------|--------------------|
| Buildings | 10 years |
| Farming equipment | 7 years |
| Office and laboratory equipment | 5 years |
| Processing equipment | Unit of production |
| Shadehousing and irrigation | 10 years |

(f) Revenue recognition

The Company harvests the root in September and October and processes and stores the root in its Ontario facility. The timing of the sales varies each year but generally a majority of the root is sold in November, December and January following the harvest. Depending on the shipping terms of the sales agreements, the Company recognizes the sales revenue when the title of the root is transferred to the customers.

(g) Foreign revenues

The Company's sales revenue included \$2,246,605 (2006 - \$3,414,839) of sales in foreign currencies that were made to entities located outside of Canada.

(h) 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.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

3. Significant accounting policies (continued)

(i) Income taxes

Income taxes are accounted for under the liability method. Future income 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 or substantively 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 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.

A valuation allowance is recognized to the extent that the recoverability of the future income tax assets is not more likely than not.

(j) Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during each period. Diluted earnings per share is calculated using the treasury stock method under which 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, and that the Company will use the proceeds to purchase its common shares at the average market price during the period. The purchased shares reduce the number of shares issued upon exercise of the options and this net number of shares is included in the denominator when calculating diluted earnings per share. Diluted amounts are not presented when the effect of the computations is anti-dilutive due to the loss incurred. Accordingly, there would be no difference in the amounts presented for basic and diluted loss per share.

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

| | 2007 | 2006 |
|---|---------------------|---------------------|
| Continuing operations: | | |
| Net loss | \$ (728,429) | \$ (1,008,508) |
| Preference share dividends and royalty amount | (10,434) | 14,591 |
| | \$ (738,863) | \$ (993,917) |
| Discontinued operations: | | |
| Net income | \$ 82,586 | \$ 61,546 |
| Weighted average number of shares outstanding | 21,676,517 | 21,144,762 |
| Basic and diluted loss per share | | |
| Continuing operations | \$ (0.03) | \$ (0.05) |
| Discontinued operations | - | - |

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

3. Significant accounting policies (continued)

(k) Stock-based compensation

The Company has a stock-based compensation plan which is disclosed in Note 9. The Company has adopted the recommendations of CICA with respect to stock-based compensation and other stock-based payments which require the use of a fair value based method in accounting for stock-based compensation. The fair value of options that is usually estimated at the date of grant is amortized over the vesting period, with the offsetting credit recorded as an increase in contributed surplus. If the stock options are exercised, the proceeds are credited to share capital and their fair value at the date of grant is reclassified from contributed surplus to share capital.

(l) Comparative figures

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

(m) Impairment of long-lived assets

The Company monitors the recoverability of long-lived assets, including property and equipment, based upon estimates using factors such as future asset utilization and business climate. The Company's policy is to write down assets to their fair value in the year when it is determined that the carrying amount of the asset will not be recovered.

(n) Asset Retirement Obligations

The Company has 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 resulted 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.

(o) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts within three months of purchase.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

4. Related party balances and transactions

(a) Management Company transactions

The Company was charged for services by companies with directors in common (the "Management Companies") as follows:

| Years ended June 30, | 2007 | 2006 |
|-------------------------------------|-------------------|-------------------|
| Salaries | \$ 344,245 | \$ 354,818 |
| Rent | 78,029 | 80,425 |
| Office supplies and services | 36,719 | 37,847 |
| Ginseng crop costs – administrative | 31,500 | 31,500 |
| Ginseng crop costs – direct labor | 94,500 | 94,500 |
| | \$ 584,993 | \$ 599,090 |

Pursuant to an administrative agreement with the Management Companies, the Company pays a monthly fee of \$10,500 for accounting, administrative and office services provided by the Management Companies. This administrative fee is allocated to ginseng crop costs.

Pursuant to an agreement with the Management Companies, the Company agrees to pay an annual asset management fee as to 1.7% of the total book value of the issued and outstanding preferred shares to the Management Companies, calculated and paid monthly in arrears. The agreement expires on January 25, 2009 and is renewable year to year thereafter. For the year ended June 30, 2007, asset management fee of \$458,993 (2006 - \$473,090) was allocated to salaries, rent and office.

As at June 30, 2007, the asset management fee outstanding was \$807,159. The Management Companies had agreed not to demand payment until July 1, 2008 with no interest charges and no security required. Accordingly, the Company reclassified the outstanding amount to long-term payable. The amount outstanding as at June 30, 2006 was \$334,327 which was included in accounts payable and accrued liabilities at June 30, 2006.

(b) 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 calculated at 3% of gross sales. 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 \$103,983 (2006 - \$117,909).

(c) Transactions with related parties

Transactions with related parties, unless otherwise disclosed, are recorded at exchange amount, being the amount agreed to by the transacting parties.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

5. Property and equipment

| As at June 30, 2007 | | | |
|---------------------------------|---------------------|---------------------------------|-----------------------|
| | Cost | Accumulated Depreciation | Net Book Value |
| Buildings | \$ 132,728 | \$ 30,179 | \$ 102,549 |
| Farming equipment | 943,634 | 845,273 | 98,361 |
| Equipment under capital lease | 207,233 | 107,063 | 100,170 |
| Office and laboratory equipment | 16,772 | 14,396 | 2,376 |
| Processing equipment | 415,297 | 280,277 | 135,020 |
| Shadehousing and irrigation | 2,575,061 | 2,018,983 | 556,078 |
| | \$ 4,290,725 | \$ 3,296,171 | \$ 994,554 |

| As at June 30, 2006 | | | |
|---------------------------------|---------------------|---------------------------------|-----------------------|
| | Cost | Accumulated Depreciation | Net Book Value |
| Buildings | \$ 119,078 | \$ 17,996 | \$ 101,082 |
| Farming equipment | 911,238 | 837,432 | 73,806 |
| Equipment under capital lease | 130,625 | 82,218 | 48,407 |
| Office and laboratory equipment | 71,680 | 71,004 | 676 |
| Processing equipment | 415,297 | 261,798 | 153,499 |
| Shadehousing and irrigation | 2,556,557 | 1,898,919 | 657,638 |
| | \$ 4,204,475 | \$ 3,169,367 | \$ 1,035,108 |

6. Investment

Prior to October 2005, the Company had a 1% (2006 - 1%) investment in the preferred shares of Ponderosa Ginseng Farms Corp. ("Ponderosa"), a 80-acre ginseng farm located in British Columbia. In October 2005, a restructuring arrangement in Ponderosa was agreed to whereby Ponderosa cancelled all its outstanding preferred shares and issued common shares in exchange for the preferred shares cancelled. This exchange diluted the Company's holdings in Ponderosa. 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. Bank indebtedness

CIG Ontario, a subsidiary of the Company, has available with a Canadian chartered bank a \$2,250,000 line of credit, subject to certain borrowing limits, which bears interest at prime plus 1% per annum and is collateralized by general security agreements, a charge over all inventory and crops, certain leasehold improvements and an assignment of life insurance on a director of the Company. On June 30, 2007, \$nil (2006 - \$1,100,000) was drawn on this facility.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

8. Obligations under capital leases

As at June 30, 2007, future minimum lease payments under capital leases are as follows:

| | | |
|---|----|-----------|
| 2008 | \$ | 51,571 |
| 2009 | | 16,290 |
| 2010 | | 15,628 |
| 2011 | | 22,853 |
| Total future minimum lease payments | | 106,342 |
| Less interest portion at effective rates of 1.9% to 7.99% | | (6,140) |
| Principal balance | | 100,202 |
| Less current portion | | (49,438) |
| | | \$ 50,764 |

9. 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 without par value |

| As at June 30, | 2007 | 2006 |
|------------------------------------|---------------|---------------|
| Issued and outstanding amount: | | |
| Common shares (a) | \$ 28,238,312 | \$ 27,896,095 |
| Class "A" Preference shares (b) | 61,893 | 61,893 |
| Convertible Preference shares (d) | 23,463,627 | 23,805,844 |
| Unpaid dividends and royalties (e) | 573,363 | 562,929 |
| | \$ 52,337,195 | \$ 52,326,761 |

(a) Common shares issued

| | Number of shares | Amount |
|------------------------------|-------------------------|---------------|
| Balance, June 30, 2005 | 20,725,275 | \$ 26,696,384 |
| Preference share conversions | 876,848 | 1,199,711 |
| Balance, June 30, 2006 | 21,602,123 | 27,896,095 |
| Preference share conversions | 214,769 | 342,217 |
| Balance, June 30, 2007 | 21,816,892 | \$ 28,238,312 |

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

9. Share capital (continued)

(b) Class "A" Preference shares

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 increases 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, honor retraction requests through the issuance of common shares based upon the market value of such shares at that time.

The number of Class "A" Preference Shares outstanding at June 30, 2007 was 71,422 (2006 – 71,422).

(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 harvests from each of the 1999, 2000, 2001 and 2002 plantings for Preference Shares issued before May 1, 2001. The 1999, 2000, 2001 and 2002 plantings were harvested in 2003, 2004, 2005 and 2006. For Preference Shares issued after May 1, 2001, the royalty amount is based on the average sales proceeds from one acre from each of the 2000, 2001, 2002 and 2003 plantings with the crops harvested as four-year-old ginseng root in 2004, 2005, 2006 and 2007, respectively.

(d) Convertible Preference Shares

| | Number of shares | Amount |
|--|---------------------|---------------|
| Balance, June 30, 2005 | 28,505,028 | \$ 25,005,555 |
| Preference shares converted to common shares | (1,367,608) | (1,199,711) |
| Balance, June 30, 2006 | 27,137,420 | 23,805,844 |
| Preference shares converted to common shares | (390,110) | (342,217) |
| Balance, June 30, 2007 | 26,747,310 | \$ 23,463,627 |

The Convertible Preference Shares are non-voting, convertible shares issued with a non-cumulative dividend rate of 12%. The Convertible Preference Shares were initially convertible into common shares of the Company at a price of \$1.50, with an annual increment of \$0.25 on January 31 beginning 2006. No dividends were paid in 2006 and 2007.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

9. Share capital (continued)

(e) Unpaid dividends and royalties

| | Amount |
|--|---------------|
| Balance, June 30, 2005 | \$ 577,520 |
| Unpaid cumulative dividends on preference shares | 8,570 |
| Unpaid royalties on Royalty Participation Units | (23,161) |
| Balance, June 30, 2006 | 562,929 |
| Unpaid cumulative dividends on preference shares | 8,570 |
| Unpaid royalties on Royalty Participation Units | 1,864 |
| Balance, June 30, 2007 | \$ 573,363 |

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 based upon the market value of such shares at that time.

(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 twelve-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, 2007, the following directors and employees incentive stock options were outstanding and exercisable:

| Expiry Date | Remaining | Exercise Price | Number |
|--------------------|------------------|-----------------------|------------------|
| May 22, 2008 | 0.9 years | \$0.06 | 920,000 |
| May 26, 2009 | 1.9 years | \$0.30 | 725,000 |
| | | | <u>1,645,000</u> |

A summary of stock option activity for the two years ended June 30, 2007 is as follows:

| | Exercise Price | Number |
|-----------------------------------|-----------------------|------------------|
| Options outstanding June 30, 2005 | \$0.17 | 2,207,000 |
| Forfeited | \$0.06 | (215,000) |
| Forfeited | \$0.30 | (322,000) |
| Options outstanding June 30, 2006 | \$0.16 | 1,670,000 |
| Forfeited | \$0.06 | (25,000) |
| Options outstanding June 30, 2007 | \$0.17 | <u>1,645,000</u> |

There were no stock options granted or modified during the years ended June 30, 2006 and 2007.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

10. Future income taxes

- (a) The provision for income taxes differs from the amount that would have been expected by applying the combined federal, British Columbia and Ontario corporate income tax rate to the loss before taxes. The principal differences are as follows:

| For the years ended June 30, | 2007 | 2006 |
|---|--------------|----------------|
| Net loss from continuing operations | \$ (728,429) | \$ (1,008,508) |
| Statutory income tax rate | 34% | 35% |
| Computed expected income tax recovery | \$ (247,666) | \$ (352,978) |
| Tax provision effect arising from potential benefit of losses and other net tax assets not recognized | 247,666 | 352,978 |
| Income tax | \$ - | \$ - |

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

| As at June 30, | 2007 | 2006 |
|---|----------------|----------------|
| Deferred crop cost | \$ (2,662,600) | \$ (2,433,600) |
| Property and equipment | \$ 987,300 | \$ 937,000 |
| Capital leases | 34,100 | 12,300 |
| Share issue costs | 100,000 | 209,300 |
| Farming and non-capital loss carry-forwards | 6,271,400 | 8,080,100 |
| Valuation allowance | (4,730,200) | (6,805,100) |
| | \$ 2,662,600 | \$ 2,433,600 |
| | \$ - | \$ - |

The Company's future tax assets include approximately \$100,000 (2006 - \$209,300) related to deductions for share issue costs in excess of amounts deducted for financial reporting purposes.

The potential future tax benefits that may be derived from farming and 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 non-capital operating losses expire as follows:

| | Farming losses | Other operating losses | Total |
|------|-----------------------|-------------------------------|---------------|
| 2008 | \$ 1,833,000 | \$ - | \$ 1,833,000 |
| 2009 | 4,583,000 | - | 4,583,000 |
| 2010 | 1,098,000 | - | 1,098,000 |
| 2011 | 795,000 | - | 795,000 |
| 2012 | 1,151,000 | - | 1,151,000 |
| 2013 | 1,044,000 | - | 1,044,000 |
| 2014 | 3,309,000 | - | 3,309,000 |
| 2015 | 284,000 | 1,626,000 | 1,910,000 |
| 2026 | 1,112,000 | 336,000 | 1,448,000 |
| 2027 | 1,273,000 | 1,000 | 1,274,000 |
| | \$ 16,482,000 | \$ 1,963,000 | \$ 18,445,000 |

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

11. Financial instruments

Financial instruments of the Company are comprised of cash and cash equivalents, accounts receivable, investment, bank indebtedness, accounts payable and accrued liabilities and obligations under capital leases. 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.

Interest rate risk

Interest on the Company's line of credit is based on variable rates. This exposes the Company to the risk of changing interest rates that may have an effect on its earnings and cash flows in future periods. The Company does not use derivative instruments to mitigate this risk.

Exchange rate risk

The Company is exposed to currency exchange risk as a result of its sales to overseas markets which are predominately denominated in such foreign currencies, and guaranteed investment certificates denominated in United States dollars. The Company does not use derivative instruments to mitigate this risk.

Credit risk

As of June 30, 2007 and 2006, the Company had no 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 received prior to the delivery of major sales.

12. Commitments

Future minimum payments under land leases are as follows:

| | | |
|------------|----|-----------|
| 2008 | \$ | 395,000 |
| 2009 | | 329,000 |
| 2010 | | 236,000 |
| 2011 | | 146,000 |
| 2012 | | 64,000 |
| Thereafter | | 8,000 |
| | \$ | 1,178,000 |

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)

Years ended June 30, 2007 and 2006

13. Discontinued operations

In November 2006, the Company closed down Imperial Ginseng Distributors Ltd. ("IGD"), its product division. The results of operations from IGD are detailed below and shown as discontinued operations in the Consolidated Statement of Operations and Comprehensive Loss. The comparative figures have been reclassified to report discontinued operations in accordance with Section 3475 of the CICA Handbook.

| For the years ended June 30, | 2007 | 2006 |
|---|------------------|------------------|
| Revenue | \$ 357,980 | \$ 619,030 |
| Cost of sales | 184,267 | 323,210 |
| | 173,713 | 295,820 |
| Expenses | | |
| Amortization | - | 1,539 |
| Audit and legal | - | 5,000 |
| Marketing | 2,898 | 13,653 |
| Office supplies and services | 4,380 | 13,843 |
| Rent | 12,500 | 64,782 |
| Salaries | 51,376 | 119,857 |
| Travel | 118 | 2,211 |
| Write-off of inventory | 20,840 | 7,370 |
| | 92,112 | 228,255 |
| Income from operations before items noted below | 81,601 | 67,565 |
| Interest and other income | 472 | 1,610 |
| Gain (loss) on disposition of assets | 1,249 | (7,629) |
| | 1,721 | (6,019) |
| Income before taxes | 83,322 | 61,546 |
| Income taxes | 736 | - |
| Net income from discontinued operations | \$ 82,586 | \$ 61,546 |

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

| As at June 30, | 2007 | 2006 |
|---|-------------|------------------|
| Assets of discontinued operations: | | |
| Cash | \$ - | \$ 10,379 |
| Inventory | | 52,158 |
| | \$ - | \$ 62,537 |
| Liabilities of discontinued operations: | | |
| Accounts payable | \$ - | \$ 20,628 |

CORPORATE INFORMATION

DIRECTORS

^{(1) (2)} **Stephen P. McCoach**
Director, Co-Chairman
and
Chief Executive Officer

⁽¹⁾ **Hugh R. Cartwright**
Director, Co-Chairman
and President

^{(1) (2)} **James S. Chang**
Director

⁽²⁾ **Maurice Levesque**
Director

Joseph A. Rogers
Director

⁽²⁾ **Dr. Aik Ping Eng**
Director

OFFICERS

Stephen P. McCoach
Co-Chairman, Corporate
Secretary and
Chief Executive Officer

Hugh R. Cartwright
Co-Chairman and
President

Lynda L. Metcalfe
Vice President Finance

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

⁽¹⁾ Member of Executive Committee

⁽²⁾ Member of Audit Committee

AUDITORS

Grant Thornton LLP
Chartered Accountants
Vancouver, British Columbia

BARRISTERS AND SOLICITORS

Fasken Martineau DuMoulin LLP
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

TRANSFER AGENT

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Vancouver, British Columbia

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INVESTOR RELATIONS

For additional information
about the Company,
please contact our head office.

ANNUAL GENERAL MEETING

The annual general meeting of common shareholders will be held on:

December 11, 2007 at 10:00 am

Suite 2100, 1075 West Georgia Street, Vancouver, British Columbia