



IMPERIAL GINSENG PRODUCTS LTD.

2008 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		2008	2007
Operating results –	Revenue	\$ 3,893,000	\$ 3,476,000
Continuing operations	Gross profit	\$ 328,000	\$ 377,000
	Net loss	\$ (605,000)	\$ (728,000)
Per Share	Net loss – basic and diluted	\$ (0.03)	\$ (0.03)
Assets	Total assets	\$ 9,444,000	\$ 9,070,000
Liabilities	Total liabilities	\$ 2,321,000	\$ 1,604,000
Equity	Shareholders' equity	\$ 7,123,000	\$ 7,465,000
Ginseng crop	Acres planted	98	106
	Acres harvested	134	115
	Acres under cultivation	525	561

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, 2008 and related notes thereto, which are prepared in accordance with Canadian generally accepted accounting principles. Readers should also refer to the audited financial statements and MD&A for the year ended June 30, 2007. All amounts are stated in Canadian dollars unless otherwise indicated.

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, cultivates and processes ginseng in Ontario. The Company markets ginseng principally to markets in Asia.

The Company's common share trades on the TSX Venture Exchange under the symbol "IGP". Convertible Preference Share is listed on the TSX Venture Exchange under the symbol "IGP.PR.A".

Outlook

As a result of a global oversupply of American ginseng, we experienced a much slower than expected market in fiscal 2008. The oversupply was mainly due to an increase in the supply of China-grown American ginseng, which has now become a major competitor to the North American grown ginseng. On the other hand, we also saw an apparent decrease in ginseng consumption in 2007 due to a decrease in purchasing power brought by rising inflation in China. These factors led to lower ginseng prices for fiscal 2008, and a sizable amount of global inventory which is expected to again translate the coming year into a challenging market for all ginseng growers.

The Company anticipates that the market may turn around in 2009/2010 when the global inventory should be depleted and we face reduced production from our major competitors. The Company sees that 2007 was probably the last year of overproduction in this decade when the China-grown American ginseng was at its peak. Ginseng consumption may not increase significantly but an anticipated drop in root production, beginning in 2009, may put the Company in an advantageous position. To position itself for an anticipated short supply in 2009/2010, the Company's original plan was to reduce its three-year-old root production in fiscal 2009 and carry these gardens for one more year. However, the recent heavy rainfall in Ontario has caused certain distress to the three-year-old gardens. The Company is closely monitoring the health of the crops and will adjust its harvest plan should it become necessary to harvest its three-year-old crops. The Company may, on the other hand, keep more of its four-year-old crops and grow them into five-year-olds. The Company plans to harvest approximately 150 acres and plant approximately 100 acres in the fall of 2008.

The recent global financial turmoil had significant impact on the purchasing power of consumers. Along with the adverse weather conditions in Ontario, these undesirable factors will make fiscal 2009 a very challenging year for the Company. The Company will continue to work on improving the quality of its root to try minimizing the negative impacts brought about by these uncontrollable elements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Performance

In the fall of 2007, the Company harvested 134 acres and produced a total of 305,000 pounds or a yield of 2,277 pounds per acre. This compares to 244,000 pounds from 115 acres or a yield of 2,122 pounds per acre harvested in the prior year. Prior year's yield was lower because the crops were injured by frost, resulting in smaller root size.

During the year, the Company planted 98 acres and had 525 acres under cultivation at June 30, 2008. The Company planted 106 acres and had 561 acres under cultivation during the year ended June 30, 2007.

The market experienced a very slow selling season this year compared to fiscal 2007. Whereas fiscal 2007 harvest was sold before the spring of 2007, the Company was still carrying 14% of its fiscal 2008 harvest into June, 2008. Despite a 25% increase in production this year, the Company realized only a 12% increase in gross revenue due to a lower average selling price resulting in part from a strong Canadian Dollar in the winter of 2007 and spring of 2008, during which time a majority of the root was sold to overseas buyers (sales of root were denominated in foreign currencies). This year, the Company had an average per pound selling price of \$13.42, a decrease of \$1.53 or 10% from \$14.95 in the prior year. Regardless, gross profit for the year was reduced by only 2.4% to 8.4% as the Company was able to reduce its cost per pound by \$1.11 to \$12.42.

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 principles and are measured and reported in Canadian dollars.

(\$ 000 except per share and dividend data)	2008	2007	2006 (restated)
Continuing operations:			
Total revenues	3,893	3,476	3,963
Net loss	(605)	(728)	(1,009)
Net loss per share – basic & diluted	(0.03)	(0.03)	(0.05)
Total assets	9,444	9,070	10,031
Total long-term liabilities	936	858	9
Cash dividends	Nil	Nil	Nil
Discontinued operations:			
Total revenues	-	358	619
Net income	-	83	62
Net income per share – basic & diluted	-	-	-

The Company had the least amount of revenue in 2007 because of a decision to grow more three-year-olds into four-year-olds which root generally could be demanded for a higher selling price. However, the Canadian Dollar was lingering at par with the US Dollar in the winter of 2007 and spring of 2008 which had an adverse effect on the selling price as a majority of the root was transacted in foreign currency, namely the Hong Kong Dollar. The following table summarizes the information that explains the variance in revenues.

	2008	2007	2006
Acres harvested	134	115	155
Average selling price (\$)	13.42	14.95	11.95
Total root production	305,000	244,000	348,000
Acres under cultivation	525	561	570

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term liabilities were \$0.94 million, \$0.86 million and \$9,000 at year end 2008, 2007 and 2006 respectively. Long-term liabilities increased significantly in 2007 due to reclassification of outstanding asset management fee as the management companies, related to Imperial by common directors, had agreed not to demand payment until July 1, 2010. The asset management fee owing is unsecured and non-interest bearing.

In fiscal 2007, the Company closed down its ginseng product division. The results of the product division are shown as discontinued operations in the above and in the consolidated statements of operations in accordance with Section 3475 of the CICA Handbook.

Results of Operations

For the year ended June 30, 2008, the Company reported revenues of \$3,893,000 and net loss of \$605,000 or \$0.03 per share from continuing operations. This compares to revenues of \$3,476,000 and net loss of \$728,000 or \$0.03 per share for the prior year. Gross profit decreased to 8.4% from 10.8% due to a lower average selling price caused by a strong Canadian Dollar. Despite a global oversupply of root in 2007, the average selling price of the root was only slightly lower than that of the prior year. However, with the Canadian Dollar lingering at par with the US Dollar from November 2007 through February 2008 (when the Company sold most of its root), the average selling price was lower than that of last year when translated into the Canadian Dollar. All root sales to overseas buyers were denominated in Hong Kong Dollars which is pegged to US Dollar. At December 31 of 2007 and 2006, one US Dollar was equivalent to approximately 0.99 and 1.17 Canadian Dollar respectively. This represents an increase of 15% in the value of Canadian Dollar since 2006. In addition, more root was sold to overseas buyers in fiscal 2008. In fiscal 2008, almost 89% of the root was sold to overseas buyers as compared to 65% in fiscal 2007. With a majority of the root transacted in Hong Kong Dollars this year, a strong Canadian Dollar had translated into a lower average per pound selling price for the Company. The average selling price per pound for this year decreased 10% to \$13.42 from \$14.95 for the prior year.

Total expenses in the year were \$1,109,000 as compared to \$1,159,000 in fiscal 2007. Current year's expenses include writing off \$115,000 of root processing fee owing from Fountain Ridge Ginseng Farms Ltd., a farm with its operations in British Columbia, as the Company had determined that the receivable is unrecoverable. In addition, the adoption of CICA Handbook Section 3855 on July 1, 2007 necessitates the Company to expense discounted interest, a non-cash item, on its statements of operations as a result of measuring its long-term payable at fair value. It led to \$65,000 in interest accretion added to expenses in fiscal 2008. In addition, in accordance with Section 3855, the Company discounted current year's asset management fee, which was allocated to office, rent and salaries, by \$162,000 as the fee would only be due in three equal annual installments commencing July, 2010. As such, current year's office, rent and salaries seemed declined as compared to the same in the prior year. Interest on line of credit in the current year was \$49,000 as compared to \$71,000 in fiscal 2007 due mainly to decreasing prime rate and a lower average loan balance carried by the Company throughout fiscal 2008.

The increase in both federal and provincial government funding to eligible agricultural producers this year made available several funding programs to the Company. As a result, the Company received \$147,000 of program payments which were related to the operating results in the prior years.

The Company wound up the operations of one of its subsidiaries in November 2006 and the operating results were reported separately on the financial statements. For the year ended June 30, 2007, net income from discontinued operations was \$83,000.

During the year ended June 30, 2008, certain holders of convertible preference shares exercised their rights to convert their shares to common shares. The Company issued a total of 119,594 common shares and returned 247,688 convertible preference shares to the treasury.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Quarterly Results

The following tables set forth the 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, 2008	537,000	(415,000)	(0.02)	(0.02)
March 31, 2008	942,000	(70,000)	-	-
December 31, 2007	2,414,000	114,000	-	-
September 30, 2007	-	(234,000)	(0.01)	(0.01)
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)

Ginseng is normally harvested in September and October. It takes three to four weeks to process the root and it is generally available for sale in late October or early November. Most of the root is usually sold in November through January but the timing and volume of the sale is highly dependent on economic factors and global supply.

Liquidity

At June 30, 2008, the Company had a working capital of \$1.94 million as compared to \$2.20 million at June 30, 2007.

In addition to cash generated from operations, Canadian Imperial Ginseng Ontario, a subsidiary of the Company, has available with a Canadian chartered bank (the "Bank") a \$1.75 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. As at June 30, 2008, \$560,000 was drawn on this facility.

Subsequent to the year end, the Bank increased the line of credit to \$2.15 million to accommodate the Company's seasonal cash flow requirements. The available line of credit will be reduced back to \$1.75 million on January 2, 2009.

Management believes that the Company will not have any working capital deficiency and it will be able to maintain the current level of ginseng operations in the coming year.

Capital Resources

Capital expenditures for the year were \$86,000 and were related primarily to investments in machinery, shadehousing and irrigation. The Company does not have any plans or commitments for significant capital expenditure in fiscal 2009.

Currently, the only available capital resources to the Company is a revolving line of credit from the Bank. Management will seek additional capital resources should the Company require due to seasonal cash flow reasons.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. Related to this, Qwest charges the Company an annual asset management fee calculated as 1.7% of the total book value of the issued and 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. For the year ended June 30, 2008, the Company was charged \$452,000 for these services provided by Qwest. This compares to \$459,000 charged for the prior year. At June 30, 2008, \$1,259,624 (2007 - \$807,159) was outstanding to Trilogy. Trilogy agreed not to demand payment of the outstanding asset management fee until July 1, 2010. The payable is non-interest bearing and is discounted at effective interest rate of 12%.

Trilogy also provides administrative and office support services to the Company for an annual fee of \$126,000. At June 30, 2008, \$132,930 (2007 - \$nil) of administrative fee was outstanding to Trilogy.

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 provide 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, 2008, the Company paid \$116,000 (2007 - \$104,000) 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, 2008.

Changes in Accounting Policies including Initial Adoption

Changes in accounting policies

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.

Initial adoption of accounting standards

On July 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants. Details of these standards are disclosed in the notes to the audited financial statements for the year ended June 30, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Section 3855 - Financial Instruments – Recognition and Measurement

This standard requires all financial instruments to be classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. These financial instruments are measured at fair value, cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income. The Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to July 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

Upon adoption of Section 3855, the Company recorded the outstanding asset management fee payable at amortized cost, resulting in a credit of \$262,174 to opening deficit.

Section 3865 - Hedging

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

Section 1530 - Comprehensive Income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other comprehensive income until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

There was no effect on opening deficit as of July 1, 2007 as a result of applying these new standards.

Section 1506 - Accounting Changes

This standard allows for voluntary changes in accounting policy only when such changes enhance the relevance and reliability of the financial statements and the comparability of those financial statements over time and with the financial statements of other entities. The standard requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. Any impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes. Its adoption has had no impact on these consolidated financial statements.

Section 3251 - Equities

This section establishes standards for the presentation of equity in the reporting period.

Future adoption of new accounting policies

Section 1535 - Capital Disclosure

This section specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company will adopt this standard in fiscal 2009. The standard will impact the disclosures the Company provides but do not affect the Company's statement of operations or balance sheet.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Section 3862 - Financial Instruments – Disclosures and Section 3863 - Financial Instruments – Presentation

These sections replace Handbook Section 3861, Financial Instruments Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company will adopt these standards in fiscal 2009. These standards will impact the disclosures the Company provides but do not affect the Company's statement of operations or balance sheet.

Section 1400 - General Standards of Financial Presentation

This section was amended to include the requirements for assessing and disclosing an entity to continue as a going concern. The amendment is based upon International Accounting Standard IAS1, Presentation of Financial Statements. This section is applicable to interim and annual financial reporting statements relating to fiscal years beginning on or after January 1, 2008 with earlier adoption encouraged. The Company will adopt this in fiscal 2009 but this will not have an impact on the financial statement disclosures as the Company is currently complying with this requirement.

Section 3031 - Inventories

This section replaces Handbook Section 3030, Inventories and provides Canadian equivalent to International Accounting Standard IAS2, Inventories. This section provides guidance on the determination of cost and requires the allocation of overheads and other costs to inventory, allocation of fixed production overhead based on normal capacity levels, with unallocated overhead expensed as incurred. The section requires the consistent use (by type of inventory with similar nature and use) of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories. The use of the last-in, first-out (LIFO) formula to measure the cost of inventories is no longer acceptable. Under this section, when the circumstances that previously caused inventories to be written down below cost no longer exist or where there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed, but the reversal is limited to the amount of the original write-down. This section also includes expanded disclosure requirements.

Section 3064 - Goodwill and Intangible Assets

This section replaces Handbook Sections 3062, Goodwill and Other Intangible Assets and 3450, Research and Development Costs. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. This new section will have no impact on the Company as it does not have any intangible assets.

Future accounting changes

The Canadian Accounting Standards Board has confirmed that the International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles on January 1, 2011. The Company monitors the transition to IFRS and is currently evaluating the impact that the adoption of IFRS will have on its financial statements.

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 long-term payable. The carrying value and fair value of financial assets and liabilities are determined in accordance with CICA Handbook Section 3855.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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. The Company does not use derivative instruments to mitigate this risk.

Credit risk

As of June 30, 2008 and 2007, 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 the date of this report:

	Number of shares	Amount \$
Common shares	21,936,486	28,455,593
Class "A" preference shares	71,422	61,893
Convertible preference shares	26,499,622	23,246,346

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



Auditors' report

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To the Shareholders of
Imperial Ginseng Products Ltd.

We have audited the consolidated balance sheets of Imperial Ginseng Products Ltd. as at June 30, 2008 and 2007 and the consolidated statements of operations and comprehensive loss, 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles

Grant Thornton LLP

Vancouver, Canada
October 14, 2008

Chartered Accountants

Imperial Ginseng Products Ltd.

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

As at June 30,	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (note 2 (g))	\$ -	\$ 117,011
Accounts receivable	500,662	65,248
Prepaid expenses	5,915	61,530
Inventory	15,117	-
Ginseng crop costs (schedule – page 6)	2,800,000	2,700,000
	3,321,694	2,943,789
Ginseng crop costs (schedule – page 6)	5,272,052	5,131,201
Property and equipment (note 4)	850,122	994,554
Investment	1	1
	\$ 9,443,869	\$ 9,069,545
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 5)	\$ 574,553	\$ -
Accounts payable and accrued liabilities (note 3 (a))	795,401	696,884
Current portion of obligations under capital leases (note 6)	14,740	49,438
	1,384,694	746,322
Obligations under capital leases (note 6)	36,045	50,764
Long-term payable (notes 3 (a) and 7)	900,418	807,159
	2,321,157	1,604,245
Shareholders' Equity		
Share capital (note 8)	52,345,765	52,337,195
Contributed surplus	661,736	661,736
Deficit	(45,884,789)	(45,533,631)
	7,122,712	7,465,300
	\$ 9,443,869	\$ 9,069,545

Operations and ability to continue as a going concern (note 1)

Commitments (note 11)

On Behalf of the Board

"Stephen McCoach"
Stephen McCoach, Director

"Maurice Levesque"
Maurice Levesque, Director

See accompanying notes to these consolidated financial statements.

Imperial Ginseng Products Ltd.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended June 30,	2008	2007
Revenue	\$ 3,892,623	\$ 3,476,315
Cost of sales	3,564,841	3,099,605
Gross profit	327,782	376,710
Expenses		
Amortization and depreciation	402	188
Bad debt	115,028	-
Foreign exchange loss (gain)	(2,554)	49,290
Interest accretion for long-term payable (note 7)	65,398	-
Interest on bank indebtedness	48,695	71,380
Interest on capital leases	2,154	5,791
Legal and audit	51,914	36,077
Marketing (note 3 (b))	122,288	112,400
Office supplies and services (note 3 (a))	45,323	61,691
Rent (note 3(a))	87,527	109,936
Salaries (note 3 (a))	557,932	696,410
Travel	14,946	16,180
	1,109,053	1,159,343
Loss before undernoted	(781,271)	(782,633)
Other items		
Interest income	1,205	22,743
Other income	28,664	33,361
Government program payments (note 2 (m))	146,640	-
Loss on disposal of property and equipment	-	(1,900)
	176,509	54,204
Net loss from continuing operations	(604,762)	(728,429)
Income from discontinued operations, net of taxes (note 12)	-	82,586
Net loss	(604,762)	(645,843)
Other comprehensive income	-	-
Comprehensive loss	\$ (604,762)	\$ (645,843)
Basic and diluted loss per share (note 2 (n))		
Continuing operations	\$ (0.03)	\$ (0.03)
Discontinued operations	-	-
	\$ (0.03)	\$ (0.03)
Weighted average number of common shares outstanding	21,880,927	21,676,517

See accompanying notes to these consolidated financial statements.

Imperial Ginseng Products Ltd.

Consolidated Statements of Deficit

(Expressed in Canadian Dollars)

For the years ended June 30,	2008	2007
Balance, beginning of the year	\$ (45,533,631)	\$ (44,877,354)
Effect of new accounting standard adoption (note 7)	262,174	-
Balance, beginning of the year, as restated	(45,271,457)	(44,877,354)
Net loss	(604,762)	(645,843)
Class "A" Preference share dividends (note 8 (b) and (d))	(8,570)	(8,570)
Royalty amount (note 8 (b) and (d))	-	(1,864)
Balance, end of the year	\$ (45,884,789)	\$ (45,533,631)

See accompanying notes to these consolidated financial statements.

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

For the years ended June 30,	2008	2007
Cash flows from operations		
Net loss from continuing operations	\$ (604,762)	\$ (728,429)
Adjustments to reconcile net loss to cash provided by (used in) operating activities		
Amortization and depreciation	28,498	18,667
Interest accretion	65,398	-
Bad debt	115,028	-
Cost of ginseng crops harvested	3,165,869	2,741,787
Loss from disposal of property and equipment	-	1,900
Changes in non-cash working capital:		
Ginseng crop costs, net of deferred depreciation and amortization of \$181,147 (2007 - \$185,118)	(3,225,573)	(3,022,473)
Accounts receivable	(550,442)	(34,224)
Inventory	(15,117)	-
Prepaid expenses	55,615	(41,891)
Accounts payable	98,517	(127,530)
Long-term payable	290,035	807,159
Cash used in continuing operations	(576,934)	(385,034)
Net cash provided by discontinued operations	-	145,336
Cash used in operating activities	(576,934)	(239,698)
Cash flows from financing activities		
Bank indebtedness	574,553	(1,100,000)
Repayments of capital lease obligations	(49,417)	(23,004)
Cash provided by (used in) financing activities	525,136	(1,123,004)
Cash flows from investing activities		
Acquisition of property and equipment	(86,348)	(104,097)
Proceeds from disposition of property and equipment	21,135	4,179
Cash used in investing activities	(65,213)	(99,918)
Net decrease in cash	(117,011)	(1,462,620)
Cash and cash equivalents at beginning of year	117,011	1,579,631
Cash and cash equivalents at end of year	\$ -	\$ 117,011
Non-cash investing and financing activities not included in cash flows:		
Convertible preference shares converted to common shares (note 8 (a))	\$ 217,281	\$ 342,217
Dividends and royalty accrued on Class "A" preference shares	8,570	10,434
Inception of capital leases	-	76,609
Effect of new accounting standard adoption (note 7)	262,174	-
Supplemental cash flow information:		
Interest paid	\$ 50,962	\$ 78,176

See accompanying notes to these consolidated financial statements.

Imperial Ginseng Products Ltd.

Consolidated Schedules of Ginseng Crop Costs

(Expressed in Canadian Dollars)

For the years ended June 30,	2008	2007
Balance, beginning of the year	\$ 7,831,201	\$ 7,365,397
Crop costs incurred in the year		
Administrative (note 3 (a))	140,230	130,759
Chemicals, mulch and seed	1,024,079	924,278
Depreciation	181,147	185,118
Direct labor (note 3 (a))	1,461,437	1,362,783
Land rental	348,747	366,551
Operating and maintenance	251,080	238,102
	3,406,720	3,207,591
	11,237,921	10,572,988
Cost of ginseng crops harvested	(3,165,869)	(2,741,787)
Balance, end of the year	\$ 8,072,052	\$ 7,831,201
Comprised of:		
Current portion expected to be harvested and marketed within one year	\$ 2,800,000	\$ 2,700,000
Balance expected to be harvested after one year	5,272,052	5,131,201
	\$ 8,072,052	\$ 7,831,201

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, 2008 and 2007

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 ginseng throughout North America and Asia. The revenue of the Company is derived entirely from ginseng 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, 2008, the Company had an accumulated deficit of approximately \$46 million, had a loss from operations of \$604,762 (2007 - \$645,843) and a net use of cash from operating activities of \$576,934 (2007 - \$239,698).

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. Significant accounting policies

(a) Financial instruments – changes in accounting policies

On July 1, 2007, the Company adopted the following new accounting standards issued by the Accounting Standards Board ("AcSB") relating to financial instruments.

Financial Instruments – Recognition and Measurement (Section 3855)

This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income. All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to July 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depend on their initial classification:

- Held-for-trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.
- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.
- Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.
- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.

2. Significant accounting policies (continued)

(a) Financial instruments – changes in accounting policies (continued)

In accordance with this new standard, the Company has classified its financial instruments as follows:

Cash and cash equivalents are classified as held-for-trading; accounts receivable are classified as loans and receivables; investment is classified as available-for-sale; bank indebtedness, accounts payable and accrued liabilities and long-term payable are classified as other financial liabilities. Cash and cash equivalents are exposed to credit risk as these amounts are placed with major Canadian banks.

Hedging (Section 3865)

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other comprehensive income until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Effect on opening deficit as of July 1, 2007 as a result of applying these new standards is summarized in the statements of deficit.

Accounting Changes (Section 1506)

This standard allows for voluntary changes in accounting policy only when such changes enhance the relevance and reliability of the financial statements and the comparability of those financial statements over time and with the financial statements of other entities. The standard requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. Any impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes. Its adoption has had no impact on these consolidated financial statements.

Equities (Section 3251)

This section establishes standards for the presentation of equity in the reporting period.

(b) Future adoption of new accounting policies

Capital Disclosure (Section 1535)

This section specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company will adopt this standard in fiscal 2009. The standard will impact the disclosures the Company provides but do not affect the Company's statement of operations or balance sheet.

2. Significant accounting policies (continued)

- (b) Future adoption of new accounting policies (continued)

Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (Section 3863)

These sections replace Handbook Section 3861, Financial Instruments Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company will adopt these standards in fiscal 2009. These standards will impact the disclosures the Company provides but do not affect the Company's statement of operations or balance sheet.

General Standards of Financial Presentation (Section 1400)

This section was amended to include the requirements for management to assess and disclose, if warranted, the ability of an entity to continue as a going concern. The amendment is based upon International Accounting Standard IAS1, Presentation of Financial Statements. This section is applicable to interim and annual financial reporting statements relating to fiscal years beginning on or after January 1, 2008 with earlier adoption encouraged. The Company will adopt this in fiscal 2009 but this will not have an impact on the financial statement disclosures as the Company is currently complying with this requirement.

Inventories (Section 3031)

This section replaces Handbook Section 3030, Inventories and provides Canadian equivalent to International Accounting Standard IAS2, Inventories. This section provides guidance on the determination of cost and requires the allocation of overheads and other costs to inventory, allocation of fixed production overhead based on normal capacity levels, with unallocated overhead expensed as incurred. The section requires the consistent use (by type of inventory with similar nature and use) of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories. The use of the last-in, first-out (LIFO) formula to measure the cost of inventories is no longer acceptable. Under this section, when the circumstances that previously caused inventories to be written down below cost no longer exist or where there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed, but the reversal is limited to the amount of the original write-down. This section also includes expanded disclosure requirements.

Section 3031 is applicable to interim and annual financial reporting statements relating to fiscal years beginning on or after January 1, 2008. When applying the section for the first time, an entity can either apply this section to the opening inventory for the period and adjusts opening retained earnings by the difference in the measurement of opening inventory (prior periods are not restated) or apply the section retrospectively and restates prior periods in accordance with Handbook Section 1506, Accounting Changes. The Company will adopt this section in fiscal 2009. The Company is currently investigating the impact that this section will have on the Company's financial position and results of operations. The impact is currently not known.

- (c) Future accounting changes

The AcSB has confirmed that the International Financial Reporting Standards ("IFRS") will replace Canadian generally accepted accounting principles on January 1, 2011. The Company is currently evaluating the impact that the adoption of IFRS will have on its financial statements.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years ended June 30, 2008 and 2007

2. Significant accounting policies (continued)

(d) Basis of presentation

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

(e) 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 areas requiring the use of management estimates relate to the determination of the recoverability of the carrying value of ginseng crops when performing an impairing test using the expected cash flow technique and the interest rate applicable for discounting long-term payable. 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.

(f) 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.

(g) Cash and cash equivalents

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

(h) 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, labor, supplies, and direct overhead. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs to make the sale. Ginseng crop costs are charged to cost of sales based on a proportionate allocation of costs incurred on a per acre basis 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 undiscounted estimated future cash flows. When the carrying value of ginseng crop costs exceeds the undiscounted estimated future cash flows, an impairment loss is recognized and is measured as the amount by which the carrying value of the ginseng crop costs exceeds its fair value.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years ended June 30, 2008 and 2007

2. Significant accounting policies (continued)

(i) 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

(j) Revenue recognition

The Company harvests its ginseng 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 and ultimate collection is reasonably assured.

(k) Foreign revenues

The Company's sales revenue included \$3,459,717 (2007 - \$2,246,605) of sales in foreign currencies that were made to entities located outside of Canada.

(l) 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.

(m) Government program payments

Payments from the government programs are included in income in the year that they are received. Since their annual availability and the payout rate depend on the forthcoming federal budget, the Company does not make accruals for government program payments. Depending on the type of assistance, certain programs offer a one-time payment only. In addition, with evolving qualification requirements for program payments, the Company does not expect to continue receiving these payments in the future.

These payments are disclosed separately on the statements of operations and are not included in current revenues or expenses as these payments are related to allowable net sales of prior years.

(n) 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. 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.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years ended June 30, 2008 and 2007

2. Significant accounting policies (continued)

(n) Income taxes (continued)

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

(o) 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:

	2008	2007
Continuing operations:		
Net loss	\$ (604,762)	\$ (728,429)
Preference share dividends and royalty amount	(8,570)	(10,434)
	\$ (613,332)	\$ (738,863)
Discontinued operations:		
Net income	\$ -	\$ 82,586
Weighted average number of shares outstanding	21,880,927	21,676,517
Basic and diluted loss per share		
Continuing operations	\$ (0.03)	\$ (0.03)
Discontinued operations	-	-

(p) Stock-based compensation

The Company has a stock-based compensation plan which is disclosed in Note 8(e). 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.

(q) 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.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years ended June 30, 2008 and 2007

2. Significant accounting policies (continued)

(r) 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.

(s) Comparative figures

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

3. Related party balances and transactions

(a) Management company transactions

The Company was charged for services by companies owned and controlled by certain directors of the Company (the "Management Companies") as follows:

Years ended June 30,	2008	2007
Salaries	\$ 217,527	\$ 344,245
Rent	49,306	78,029
Office supplies and services	23,203	36,719
Ginseng crop costs – direct labor	94,500	94,500
Ginseng crop costs – administrative	31,500	31,500
	\$ 416,036	\$ 584,993

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 partially allocated to ginseng crop costs. Included in accounts payable is \$132,930 of administrative fee outstanding to Management Companies (2007 - \$nil).

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, 2008, the Company was charged asset management fee of \$452,465 (2007 – \$458,993). As at June 30, 2008, the asset management fee outstanding was \$1,259,624 (2007 – \$807,159). The Management Companies had agreed not to demand payment until July 1, 2010 with no interest charges and no security required. Accordingly, the Company reclassified the outstanding amount to long-term payable (note 7). In accordance with Handbook Section 3855, the fee for the current year was discounted to \$290,036 and was allocated to salaries, rent and office. The discount on prior year's outstanding balance was included in the opening balance of current year's deficit.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years ended June 30, 2008 and 2007

3. Related party balances and transactions (continued)

(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 provide 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 \$115,780 (2007 - \$103,983).

(c) Transactions with related parties

Transactions with related parties are conducted in the normal course of business and, unless otherwise disclosed, are recorded at exchange amount, being the amount agreed to by the transacting parties.

4. Property and equipment

As at June 30, 2008			
	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 140,411	\$ 43,158	\$ 97,253
Farming equipment	1,041,260	957,660	83,600
Equipment under capital lease	113,857	43,735	70,122
Office and laboratory equipment	20,064	15,136	4,928
Processing equipment	431,330	308,372	122,958
Shadehousing and irrigation	2,609,016	2,137,755	471,261
	\$ 4,355,938	\$ 3,505,816	\$ 850,122

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

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years ended June 30, 2008 and 2007

5. Bank indebtedness

CIG Ontario, a subsidiary of the Company, has available with a Canadian chartered bank (the "Bank") a \$1,750,000 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 of which the Company is the beneficiary of the insurance policy. As at June 30, 2008, \$560,000 (2007 - \$nil) was drawn on this facility.

Subsequent to the year end, the Bank increased the available credit facility amount to \$2,150,000 to accommodate the Company's seasonal cash flow requirements. The credit facility amount will be reduced back to \$1,750,000 on January 2, 2009.

6. Obligations under capital leases

As at June 30, 2008, future minimum lease payments under capital leases are as follows:

2009	\$	16,289
2010		15,628
2011		22,853
Total future minimum lease payments		54,770
Less interest portion at effective rates of 1.9% to 7.99%		(3,985)
Principal balance		50,785
Less current portion		(14,740)
		\$ 36,045

7. Long-term payable

At June 30, 2007, the Company reclassified the outstanding fees for asset management services to long-term payable. At July 1, 2007, the Company classified the long-term payable as other financial liabilities and recorded the payable amount at amortized cost discounted at 12% using the effective interest method, resulting in a credit of \$262,174 to deficit. Details of the discounted payable are as follows:

	2008	2007
Balance, beginning of year	\$ 807,159	\$ -
Less: discount	(262,174)	-
Balance, beginning of year, as restated	544,985	-
Asset management fee reclassified to long-term payable	-	807,159
Asset management fee for the year	452,465	-
Less: discount	(162,430)	-
Add: interest accretion	65,398	-
	\$ 900,418	\$ 807,159

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
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Years ended June 30, 2008 and 2007

8. 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,	2008	2007
Issued and outstanding amount:		
Common shares (a)	\$ 28,455,593	\$ 28,238,312
Class "A" preference shares (b)	61,893	61,893
Convertible preference shares (c)	23,246,346	23,463,627
Unpaid dividends and royalties (d)	581,933	573,363
	\$ 52,345,765	\$ 52,337,195

(a) Common shares

	Number of shares	Amount
Balance, June 30, 2006	21,602,123	\$ 27,896,095
Converted from preference shares	214,769	342,217
Balance, June 30, 2007	21,816,892	\$ 28,238,312
Converted from preference shares	119,594	217,281
Balance, June 30, 2008	21,936,486	\$ 28,455,593

(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, 2008 was 71,422 (2007 – 71,422).

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.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
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Years ended June 30, 2008 and 2007

8. Share capital (continued)

(c) Convertible preference shares

	Number of shares	Amount
Balance, June 30, 2006	27,137,420	\$ 23,805,844
Converted to common shares	(390,110)	(342,217)
Balance, June 30, 2007	26,747,310	\$ 23,463,627
Converted to common shares	(247,688)	(217,281)
Balance, June 30, 2008	26,499,622	\$ 23,246,346

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 2007 and 2008.

(d) Unpaid dividends and royalties

	Amount
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
Unpaid cumulative dividends on preference shares	8,570
Balance, June 30, 2008	\$ 581,933

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.

(e) Stock options

The Company's stock option plan, implemented on November 1, 2002, authorizes the issuance of up to 2,482,164 common shares. As at June 30, 2008, a total of 2,482,000 stock options (2007 – 2,482,000) had been granted. 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 was determined by the closing price of the common share prior to the date of the grant, all of which vested immediately.

On June 30, 2008, there were 725,000 stock options outstanding and exercisable at \$0.30 for one common share of the Company. These options expire on May 26, 2009. A summary of stock option activities for the two years ended June 30 is as follows:

	Exercise Price	Number
Options outstanding at June 30, 2006	\$0.16	1,670,000
Forfeited	\$0.06	(25,000)
Options outstanding at June 30, 2007	\$0.17	1,645,000
Expired	\$0.06	(920,000)
Options outstanding at June 30, 2008	\$0.30	725,000

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
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Years ended June 30, 2008 and 2007

9. 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,	2008	2007
Net loss from continuing operations	\$ (604,762)	\$ (728,429)
Statutory income tax rate	32%	34%
Computed expected income tax recovery	\$ (194,000)	\$ (248,000)
Change in valuation allowance	194,000	248,000
	\$ -	\$ -

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

As at June 30,	2008	2007
Deferred crop cost	\$ (2,583,000)	\$ (1,070,000)
Property and equipment	\$ 970,500	\$ 987,000
Capital leases	16,300	34,000
Share issue costs	34,800	100,000
Farming and non-capital loss carry-forwards	6,604,800	5,411,800
Cumulative eligible capital	313,100	333,000
Other	176,100	171,500
Valuation allowance	(5,532,600)	(5,967,300)
	\$ 2,583,000	\$ 1,070,000
Future income taxes	\$ -	\$ -

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
2009	\$ 3,975,000	\$ -	\$ 3,975,000
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	-	-	-
2028	5,896,000	14,000	5,910,000
	\$ 18,664,000	\$ 1,976,000	\$ 20,640,000

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years ended June 30, 2008 and 2007

10. 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 long-term payable. Carrying value and fair value of financial assets and liabilities at June 30, 2008 are summarized as follows:

	Carrying value	Fair value
Held-for-trading	\$ -	\$ -
Loans and receivables	500,662	500,662
Available-for-sale	1	1
Other financial liabilities	2,629,578	2,345,025

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. Under the agreement with the Bank, the line of credit is subject to a mutually agreed interest rate which is renewed annually. As at June 30, 2008, the Company had a line of credit balance of \$560,000 at annual interest rate of 5.75%.

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. The Company does not use derivative instruments to mitigate this risk.

Credit risk

As of June 30, 2008 and 2007, 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.

11. Commitments

Future minimum payments under land leases are as follows:

2009	\$ 377,000
2010	306,000
2011	226,000
2012	137,000
2013	81,000
	<u>\$ 1,127,000</u>

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years ended June 30, 2008 and 2007

12. Discontinued operations

During the year ended June 30, 2007, 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.

For the years ended June 30,	2008	2007
Revenue	\$ -	\$ 357,980
Cost of sales	-	184,267
	-	173,713
Expenses		
Marketing	-	2,898
Office supplies and services	-	4,380
Rent	-	12,500
Salaries	-	51,376
Travel	-	118
Write-off of inventory	-	20,840
	-	92,112
Income from operations before items noted below	-	81,601
Interest and other income	-	472
Gain on disposition of assets	-	1,249
	-	1,721
Income before taxes	-	83,322
Income taxes	-	736
Net income from discontinued operations	\$ -	\$ 82,586

At June 30, 2008 and 2007, there were no assets or liabilities presented on the consolidated balance sheets that pertained to these discontinued operations.

CORPORATE INFORMATION

DIRECTORS

Stephen P. McCoach ^{(1) (2)}
Hugh R. Cartwright ⁽¹⁾
James S. Chang ^{(1) (2)}
Maurice Levesque
Joseph A. Rogers
Dr. Aik Ping Eng ⁽²⁾

⁽¹⁾ Member of the Executive Committee

⁽²⁾ Member of the Audit Committee

OFFICERS

Stephen P. McCoach, Co-Chairman, Secretary and Chief Executive Officer
Hugh R. Cartwright, Co-Chairman and President
Murray Flanigan, Acting Chief Financial Officer
Lynda L. Metcalfe, Vice President Finance (on maternity leave)
Rob Geier, Vice President, Ontario Operations and
President, Canadian Imperial Ginseng Ontario

AUDITORS

Grant Thornton LLP, Chartered Accountants

LEGAL COUNSEL

Fasken Martineau LLP

BANKER

Royal Bank of Canada

HEAD OFFICE

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STOCK EXCHANGE

TSX Venture Exchange
Common Shares: IGP
Convertible Preference Shares: IGP.PR.A

TRANSFER AGENT

Computershare Trust Company of Canada

ANNUAL GENERAL MEETING

The annual general meeting of common shareholders will be held on December 10, 2008 at 10:00 am Pacific time at:

Fasken Martineau LLP
Suite 2900, 550 Burrard Street, Vancouver, British Columbia