



IMPERIAL GINSENG PRODUCTS LTD.

2009 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		2009	2008
Operating results	Revenue	\$ 3,814,000	\$ 3,893,000
	Gross profit (loss)	\$ (289,000)	\$ 328,000
	Net loss	\$ (868,000)	\$ (605,000)
Per share	Net loss	\$ (0.04)	\$ (0.03)
Assets	Total assets	\$ 8,641,000	\$ 9,444,000
Liabilities	Total liabilities	\$ 2,386,000	\$ 2,321,000
Equity	Shareholders' equity	\$ 6,255,000	\$ 7,123,000
Ginseng crop	Acres planted	107	98
	Acres harvested	167	134
	Acres under cultivation	465	525

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, 2009 and related notes thereto, which are prepared in accordance with Canadian generally accepted accounting principles. Readers should also refer to the audited consolidated financial statements and MD&A for the year ended June 30, 2008. 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.

Overall Performance

In the fall of 2008, the Company harvested 167 acres of three-year-old and four-year-old gardens and produced a total of 435,000 pounds of ginseng for an average yield of 2,599 pounds per acre. This compares to 305,000 pounds of ginseng produced from 134 acres for an average yield of 2,277 pounds per acre for the fall harvest in 2007 (i.e., fiscal 2008), or a 43% increase in total root production. Despite a lower yield on the three-year-old roots due to the weather factor discussed below, the Company was able to achieve a higher yield on its four-year-old roots, which in turn increased the overall yield by 14% as compared to the prior year.

Heavy rainfall in September and October of 2008 distressed a number of the three-year-old gardens, and management decided to harvest these gardens as it was difficult to carry them further. To offset the extra three-year-olds harvested, 24 acres of the healthier four-year-old gardens that were scheduled to be harvested in fiscal 2009 were carried for one more year into the harvest in fiscal 2010. At present, the Company has 465 acres under cultivation as compared to 525 acres at June 30, 2008. A total of 108 acres were planted in fiscal 2009.

The prolonged wet weather conditions through mid to late summer of 2008 had caused an increased presence of root rot, darkened root skin and increased soil adhesion during the harvest operations. Consequently, the Company incurred extra costs in the labor-intensive washing process, which drove up the root processing costs by 30% as compared to the prior year.

Faced with a weak ginseng market during a global recession, the Company put tremendous efforts in increasing production yield and controlling expenditures. Furthermore, in the past two years, the Company has had to alter its credit policy in order to maintain its competitiveness in a weak economy. This included extending payment terms to returning customers and cutting prices by as much as 30%. The Company sold 87% or 379,000 pounds of its root as at June 30, 2009. The remaining root was committed for sale and sold in the month subsequent to the year end. This compares to 99% or 303,000 pounds of root sold as at June 30, 2008. In terms of volume, more root was produced and sold this year as compared to the preceding year.

On a positive note, the decrease in acres of ginseng planted in Ontario over the last several years is finally showing up in the near term harvest projections. In its recent annual report, the Ontario Ginseng Growers Association reports that the total reported acres under harvest in Ontario has dropped 23% from 2008 to 2009. More particularly, the ginseng available for harvest in 2009 (the three and four year olds) dropped by 34% from 2008 to 2009. Management of the Company is confident that the upcoming significant decreases in supply will start leading to increases in the price per pound of our ginseng.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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)	2009	2008	2007
Continuing operations:			
Total revenues	3,814	3,893	3,476
Net loss	(868)	(605)	(728)
Net loss per share – basic & diluted	(0.04)	(0.03)	(0.03)
Total assets	8,640	9,444	9,070
Total long-term liabilities	1,111	936	858
Cash dividends	Nil	Nil	Nil
Discontinued operations:			
Total revenues	-	-	358
Net income	-	-	83
Net income per share – basic & diluted	-	-	-

The Company closed down its ginseng product division in 2007. The operating results of the product division are shown as discontinued operations in the above. Production information not disclosed in the financial statements is summarized as follows:

	2009	2008	2007
Acres harvested	167	134	115
Average selling price (\$)	10.06	13.42	14.95
Total root production	435,000	305,000	244,000
Acres under cultivation	465	525	561

Results of Operations

For the year ended June 30, 2009, the Company reported revenues of \$3,814,000 and a net loss of \$868,000 or \$0.04 per share. This compares to revenues of \$3,893,000 and a net loss of \$605,000 or \$0.03 per share for the prior year. Despite a 25% increase in sales volume (379,000 pounds sold this year versus 303,000 pounds sold in 2008), the Company incurred a gross loss of 7.6% as compared to a gross profit of 8.4% in the prior year. The negative profit margin this year was primarily due to a sluggish economy which necessitated an overall 30% reduction in selling prices. Though the average price went from \$13.42 in 2008 to \$10.06 in 2009, the Company was able to reduce its overall cost of sales per pound by 7% in spite of a 30% increase in drying costs.

Total expenses in the year were \$924,000, a decrease of \$185,000 as compared to the prior year. The decrease in expenses was primarily due to an adjustment made in the current year for an additional discount of \$163,000 taken on prior years' asset management fees when the Company was given further extension on its payment terms this year. Under CICA Handbook Section 3855, long-term payables are discounted at effective interest rate and the discount is amortized over the life of the payables, resulting in an interest accretion expense reported on the statement of operations. The Company has not paid the asset management fees since 2006 and was agreed upon that the fees will not be demanded until June, 2012. As such, the Company classified the outstanding fees to long-term payables and discounted the fees before allocating them to administrative expense, rent and salaries. As additional discount was taken this year, administrative, rent and salary expenses reported were much less as compared to those in the prior year. On the other hand, higher interest accretion expense was reported in the current year due to accretion taken on amounts that were added to long-term payable in 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company incurred bad debt expenses totaling \$124,000 in the past two years due to writing off root processing fee receivable from a ginseng farm which went bankrupt. The Company also incurred higher commission charges for root brokerged when the agreements with the marketing companies were renewed. The new terms provide that commission will be calculated as to the greater of 3% of the selling price and \$0.50 for each pound of root sold. This compares to a straight 3% commission paid on gross sales in the prior years. With a lower average price and a higher volume of root sold this year, commission expense increased 61% or \$70,000 when compared to the preceding year.

The Company is enrolled in AgriStability, a government program designed to provide benefits to farmers when their production margin declines by more than 15% of their reference margin. During the year, the Company received a total of \$427,000 in benefit payments from AgriStability. This compares to \$147,000 received in 2008. The increase in benefit payments was due to a continuous decline in ginseng prices over the past years which brought down the overall margin.

As at June 30, 2009, the Company had approximately 35,000 pounds of root inventory which had all been contracted for sale in July. The Company wrote down the inventory by \$95,000 to reflect the net realizable value of the inventory. No similar adjustments were made to prior year's inventory as the amount was insignificant.

During the year ended June 30, 2009, certain holders of convertible preference shares exercised their rights to convert their shares to common shares. The Company issued a total of 216,889 common shares and returned 488,000 convertible preference shares to Treasury.

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	Earnings (Loss) per share - Basic and Fully Diluted
June 30, 2009	698,000	284,000	0.01
March 31, 2009	82,000	(166,000)	(0.01)
December 31, 2008	3,017,000	(735,000)	(0.03)
September 30, 2008	17,000	(251,000)	(0.01)
June 30, 2008	537,000	(415,000)	(0.02)
March 31, 2008	942,000	(70,000)	-
December 31, 2007	2,414,000	114,000	-
September 30, 2007	-	(234,000)	(0.01)

Ginseng is normally harvested in October and November. 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, 2009, the Company had working capital of \$2.33 million as compared to \$1.94 million at June 30, 2008.

In addition to cash generated from operations, the Company has available with a Canadian chartered bank (the "Bank") a credit facility of \$1.75 million which currently bears an annual interest rate at prime plus 3%. The credit facility is subject to certain borrowing limits and 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, 2009, \$825,000 was drawn on this facility. Management believes that the Company will be able to generate sufficient cash flows to maintain the current level of ginseng operations in the coming year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Resources

Total capital expenditures for the year were \$55,000 and were related primarily to investments in machinery, processing equipment, shadehousing, and irrigation. The Company is planning to spend approximately \$60,000 on equipment acquisitions in the coming year.

Currently, the only capital resources available 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.

Transactions with Related Parties

Management Companies

Qwest Bancorp Ltd. ("Qwest"), a company which owns more than 10% of the common shares of Imperial and 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 share. Qwest assigned the fee to Trilogy Bancorp Ltd. ("Trilogy"), a management company with directors in common. For the year ended June 30, 2009, the Company was charged \$447,000 for these services provided by Qwest. This compares to \$452,000 charged in the prior year. At June 30, 2009, \$1,706,315 (2008 - \$1,259,624) was outstanding to Trilogy. The original payment arrangement with Trilogy was to have the amount paid in three equal annual installments starting July 1, 2010. During the year, Trilogy agreed to postpone the first repayment to 2012. The amount is non-interest bearing with no security required. The payable is classified as long-term payable and discounted at an effective interest rate of 12%.

Trilogy also provides administrative services and office space to the Company for an annual fee of \$126,000. At June 30, 2009, \$55,125 (2008 - \$132,930) 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. For the year ended June 30, 2009, the Company was charged \$186,000 (2008 - \$116,000) for these services. Substantially all sales were made by the Marketing Companies.

Fourth Quarter

Generally, the Company reviews and makes adjustments 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. At June 30, 2009, the Company wrote down the root inventory by \$95,000 to its net realizable value, determined by the contracted sale price of all inventory subsequent to the year end. The Company has determined that no adjustments would be required for crops or equipment.

Changes in Accounting Policies

Effective July 1, 2008, the Company adopted the following new accounting standards issued by the Accounting Standards Board ("AcSB"). Details of the standards can be referred to the notes to the audited consolidated financial statements for the year ended June 30, 2009.

- Section 1535 - Capital Disclosure
- Section 3862 - Financial Instruments – Disclosures and Section 3863 - Financial Instruments – Presentation
- Section 1400 - General Standards of Financial Presentation
- Section 3031 - Inventories
- Section 3064 - Goodwill and Intangible Assets

MANAGEMENT'S DISCUSSION AND ANALYSIS

Future accounting changes

In January 2009, CICA issued Section 1582 – Business Combinations, Section 1601 – Consolidated Financial Statements and Section 1602 – Non-controlling Interest. Section 1582 establishes standards for accounting for a business combination and will replace Section 1581 – Business Combinations. Sections 1601 and 1602 establish standards for the preparation of consolidated financial statements and accounting for non-controlling interest in consolidated financial statements, respectively. These two sections will together replace Section 1600 - Consolidated Financial Statements. These new standards will take effect for fiscal year beginning on or after January 1, 2011. The Company concludes that the adoption of these standards will not have a significant impact on the consolidated financial statements.

On January 1, 2011, IFRS will replace Canadian generally accepted accounting principles for publicly-listed companies. For the Company's financial reporting, the transition date of July 1, 2010 requires a restatement for comparative purposes of amounts reported by the Company as at June 30, 2010. The Company has begun assessing the impact on the adoption of IFRS on its consolidated financial statements. The financial impact cannot be reasonably estimated at this time. Implementing IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an impact on taxes, contractual commitments involving GAAP based clauses, long-term employee compensation plans and performance metrics. Accordingly, when the Company develops its IFRS implementation plan, it will have to include measures to provide extensive training to key finance personnel, to review contracts and agreements and to increase the level of awareness and knowledge amongst management, the Board of Directors and Audit Committee. Additional resources may be engaged to ensure the timely conversion to IFRS.

Financial Instruments

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through the variable interest rate charged on the credit facility, which may have an effect on its earnings and cash flows in future periods. The Company does not use derivative instruments to mitigate this risk. The credit facility is renewed annually and is subject to a mutually agreed premium added to the prime rate.

Currency risk

The Company is exposed to currency risk as a result of its sales to overseas markets which are predominately denominated in such foreign currencies. The Company is affected by changes in exchange rates between the Canadian dollar and foreign functional currencies. The Company does not use derivative instruments to mitigate this risk.

Credit risk

The Company's primary credit risk is its trade receivables. The carrying amount of the trade receivables represents the Company's maximum exposure to credit risk. During the year, the Company's exposure to credit risk was increased due to extended credit terms granted to customers. In the past, advance cash payments were required prior to the delivery of root. To minimize its risk exposure, the Company requires a guarantor to guarantee payments and extended credit terms are granted only to regular customers with sound payment history. The Company considers all its trade receivables collectible.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations when they come due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that there is sufficient working capital to fund its ongoing operating expenditures through an arrangement with a credit facility.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outstanding Share Data

Below is the data for issued and outstanding shares at the date of this report:

	Number of shares	Amount \$
Common shares	22,153,375	28,883,682
Class "A" preference shares	71,422	61,893
Convertible preference shares	26,011,622	22,818,257

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 and comprehensive loss, deficit, cash flows and consolidated schedules of ginseng 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 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

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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, 2009 and 2008 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, 2009 and 2008 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 15, 2009

Chartered Accountants

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

As at June 30	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 36,839	\$ -
Accounts and other receivables	375,570	500,662
Prepaid expenses	3,821	5,915
Inventory	287,798	15,117
Ginseng crop costs (schedule – page 6)	2,900,000	2,800,000
	3,604,028	3,321,694
Ginseng crop costs (schedule – page 6)	4,356,335	5,272,052
Property and equipment (note 4)	680,572	850,122
Investment	1	1
	\$ 8,640,936	\$ 9,443,869
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (note 5)	\$ 825,000	\$ 574,553
Accounts payable and accrued liabilities (note 3 (a))	435,893	795,401
Current portion of obligations under capital leases (note 6)	14,618	14,740
	1,275,511	1,384,694
Obligations under capital leases (note 6)	21,531	36,045
Long-term payable (notes 3 (a) and 7)	1,089,042	900,418
	2,386,084	2,321,157
Shareholders' Equity		
Share capital (note 8)	52,354,336	52,345,765
Contributed surplus	661,736	661,736
Deficit	(46,761,220)	(45,884,789)
	6,254,852	7,122,712
	\$ 8,640,936	\$ 9,443,869

Continuance of operations (note 1)

Commitments (note 12)

On Behalf of the Board

(signed) "Stephen McCoach"
Stephen McCoach, Director

(signed) "Maurice Levesque"
Maurice Levesque, Director

See accompanying notes to consolidated financial statements.

Imperial Ginseng Products Ltd.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended June 30,	2009	2008
Revenue	\$ 3,813,640	\$ 3,892,623
Cost of sales	4,102,964	3,564,841
Gross profit (loss)	(289,324)	327,782
Expenses		
Administrative (note 3 (a))	21,859	45,725
Bad debt	8,617	115,028
Foreign exchange loss (gain)	46,043	(2,554)
Interest accretion for long-term payable (note 7)	97,675	65,398
Interest – other	51,676	48,695
Interest on capital leases	1,653	2,154
Legal and audit	29,767	51,914
Marketing (note 3 (b))	192,451	122,288
Rent (note 3 (a))	56,179	87,527
Salaries (note 3 (a))	405,081	557,932
Travel	12,953	14,946
	923,954	1,109,053
Loss before undernoted	(1,213,278)	(781,271)
Other items		
Government program payments	426,841	146,640
Other income	13,811	29,869
Write-down of inventory	(95,234)	-
	345,418	176,509
Net loss and comprehensive loss	\$ (867,860)	\$ (604,762)
Basic and diluted loss per share (note 2 (I))	\$ (0.04)	\$ (0.03)
Weighted average number of common shares outstanding	22,032,155	21,880,927

See accompanying notes to consolidated financial statements.

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

For the years ended June 30,	2009	2008
Balance, beginning of the year	\$ (45,884,789)	\$ (45,533,631)
Effect of new accounting standard adoption (note 7)	-	262,174
Balance, beginning of the year, as restated	(45,884,789)	(45,271,457)
Net loss	(867,860)	(604,762)
Class "A" Preference share dividends (notes 8 (b) and (d))	(8,571)	(8,570)
Balance, end of the year	\$ (46,761,220)	\$ (45,884,789)

See accompanying notes to consolidated financial statements.

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

For the years ended June 30,	2009	2008
Cash flows from operations		
Net loss for the year	\$ (867,860)	\$ (604,762)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization and depreciation	39,059	28,498
Interest accretion	97,675	65,398
Bad debt	8,617	115,028
Write-down of inventory	95,234	-
Cost of ginseng crops harvested	3,958,912	3,165,869
Changes in non-cash working capital:		
Ginseng crop costs, net of deferred depreciation and amortization of \$178,239 (2008 - \$181,147)	(2,964,956)	(3,225,573)
Accounts and other receivables	116,475	(550,442)
Inventory	(367,915)	(15,117)
Prepaid expenses	2,094	55,615
Accounts payable	(359,508)	98,517
Long-term payable	90,949	290,035
	(151,224)	(576,934)
Cash flows from financing activities		
Bank indebtedness	250,447	574,553
Payments of capital lease obligations	(14,636)	(49,417)
	235,811	525,136
Cash flows from investing activities		
Acquisition of property and equipment	(54,820)	(86,348)
Proceeds from disposition of property and equipment	7,072	21,135
	(47,748)	(65,213)
Net increase (decrease) in cash	36,839	(117,011)
Cash and cash equivalents, beginning of year	-	117,011
Cash and cash equivalents, end of year	\$ 36,839	\$ -
Non-cash investing and financing activities not included in cash flows:		
Convertible preference shares converted to common shares (notes 8 (a) and (c))	\$ 428,090	\$ 217,281
Dividends accrued on Class "A" preference shares	8,571	8,570
Effect of new accounting standard adoption (note 7)	-	262,174
Supplemental cash flow information:		
Interest paid	\$ 53,382	\$ 50,962

See accompanying notes to consolidated financial statements.

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

For the years ended June 30,	2009	2008
Balance, beginning of the year	\$ 8,072,052	\$ 7,831,201
Crop costs incurred in the year		
Administrative (note 3 (a))	123,115	140,230
Chemicals, mulch and seed	747,450	1,024,079
Depreciation	178,239	181,147
Direct labor (note 3 (a))	1,536,371	1,461,437
Land rental	322,338	348,747
Operating and maintenance	235,682	251,080
	3,143,195	3,406,720
	11,215,247	11,237,921
Cost of ginseng crops harvested	(3,958,912)	(3,165,869)
Balance, end of the year	\$ 7,256,335	\$ 8,072,052
Comprised of:		
Current portion expected to be harvested and marketed within one year	\$ 2,900,000	\$ 2,800,000
Balance expected to be harvested after one year	4,356,335	5,272,052
	\$ 7,256,335	\$ 8,072,052

See accompanying notes to consolidated financial statements.

Imperial Ginseng Products Ltd.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

1. Nature and Continuance of Operations

Imperial Ginseng Products Ltd. (the "Company") is incorporated under the Business Corporations Act (British Columbia). The Company cultivates and processes ginseng in Ontario and markets ginseng throughout 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 consolidated 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, 2009, the Company had an accumulated deficit of approximately \$47 million and for the year ended June 30, 2009, loss from operations of \$868,000 (2008 - \$605,000) and a net use of cash from operating activities of \$151,000 (2008 - \$577,000).

The Company's ability to continue operations is dependent on the continuing support of its creditors, and the financing from a Canadian chartered bank and attaining future 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 operations.

2. Significant accounting policies

(a) Adoption of new accounting standards

Effective July 1, 2008, the Company adopted the following new accounting standards issued by the Accounting Standards Board ("AcSB").

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 adoption of this standard impacts the disclosures (note 10) in these consolidated financial statements but do not affect the consolidated balance sheets, the consolidated statements of operations and comprehensive loss, deficit and cash flows.

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 (note 11) about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The adoption of these standards impacts the disclosures in these consolidated financial statements but do not affect the consolidated balance sheets, the consolidated statements of operations and comprehensive loss, deficit and cash flows.

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. The adoption of this standard did not have an impact on these consolidated financial statements.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended June 30, 2009 and 2008

2. Significant accounting policies (continued)

(a) Adoption of new accounting standards (continued)

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 its subsequent recognition as an expense. 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. 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. The adoption of this standard did not have a significant impact on these consolidated financial statements.

Goodwill and Intangible Assets (Section 3064)

This section replaces Handbook Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This section established standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition. The adoption of this standard did not have an impact on these consolidated financial statements.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC 173)

EIC 173 published by the Canadian Emerging Issues Committee requires that both the credit risk of Company and its counterparties should be taken into account when determining the fair value of financial instruments. The Company has concluded that this standard does not have an impact on these consolidated financial statements.

(b) Future accounting changes

Business Combinations (Section 1582)

In January 2009, CICA issued Section 1582 to replace Section 1581 – Business Combinations. Section 1582 establishes standards for accounting for a business combination and will prospectively apply to business combinations for which the acquisition date is on or after January 1, 2011. The Company concludes that the adoption of this standard will not have a significant impact on these consolidated financial statements.

Consolidated Financial Statements (Section 1601) and Non-Controlling Interest (Section 1602)

Sections 1601 and 1602 issued in January 2009 will together replace Section 1600 - Consolidated Financial Statements, effective for fiscal year beginning on or after January 1, 2011. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for non-controlling interest in consolidated financial statements. The Company concludes that the adoption of these standards will not have a significant impact on these consolidated financial statements.

Imperial Ginseng Products Ltd. Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

2. Significant accounting policies (continued)

(b) Future accounting changes (continued)

International Financial Reporting Standards ("IFRS")

On January 1, 2011, IFRS will replace Canadian generally accepted accounting principles for publicly-listed companies. For the Company's financial reporting, the transition date of July 1, 2010 requires a restatement for comparative purposes of amounts reported by the Company as at June 30, 2010. The Company has begun assessing the impact on the adoption of IFRS on its consolidated financial statements. The financial impact cannot be reasonably estimated at this time. Implementing IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an impact on taxes, contractual commitments involving GAAP based clauses, long-term employee compensation plans and performance metrics. Accordingly, when the Company develops its IFRS implementation plan, it will have to include measures to provide extensive training to key finance personnel, to review contracts and agreements and to increase the level of awareness and knowledge amongst management, the Board of Directors and Audit Committee. Additional resources may be engaged to ensure the timely conversion to IFRS.

(c) 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 Canadian Imperial Ginseng Ontario Ltd. ("CIG Ontario"), a subsidiary wholly owned by the Company.

(d) 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 impairment test using the expected cash flow technique, allowance for doubtful accounts, write-down of inventory, useful life of property and equipment, valuation allowance on income tax losses and the interest rate applicable for discounting long-term payables. 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.

(e) 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.

(f) Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being accounted for using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less the selling costs.

Imperial Ginseng Products Ltd.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

2. Significant accounting policies (continued)

(g) 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 seed, labor, chemicals and supplies, and land rental. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to complete the crops and 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.

(h) 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
Equipment under capital leases	7 years
Office and laboratory equipment	5 years
Processing equipment	Unit of production
Shadehousing and irrigation	10 years

(i) Revenue recognition

The Company harvests ginseng in October and November and processes its ginseng in its Ontario facility. The timing of sales varies each year but generally a majority of the ginseng is sold in December and January following the harvest. The Company recognizes the sales revenue when the title of the ginseng is transferred to the customers and the collection of sales proceeds is reasonably assured.

(j) Government program payments

Payments from the government programs, primarily AgriStability, are included in other income when received. AgriStability is designed to stabilize farming income against large declines in net income due to market conditions, production loss, or increased costs of production. Payment is generated when the production margin decline is greater than fifteen percent of the reference margin. Since the entitlement for payment depends on a number of uncontrollable factors, the Company does not make an accrual for government program payments.

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

Imperial Ginseng Products Ltd. Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

2. Significant accounting policies (continued)

(l) 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 year ended June 30:

	2009	2008
Net loss	\$ (867,860)	\$ (604,762)
Preference share dividends	(8,571)	(8,570)
	\$ (876,431)	\$ (613,332)
Weighted average number of shares outstanding	22,032,155	21,880,927
Basic and diluted loss per share	\$ (0.04)	\$ (0.03)

(m) Cash and cash equivalents

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

(n) 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.

(o) Investments

Long-term investments, other than investments in subsidiary, are carried at cost. Management reviews the carrying value of investments and if there is an other than temporary decline in value, these investments are written down to their fair values.

(p) Financial instruments

Financial instruments of the Company are comprised of cash and cash equivalents, accounts and other receivables, investment, bank indebtedness, accounts payable and accrued liabilities and long-term payable. The carrying values of cash and cash equivalents, accounts and other receivables, bank indebtedness and accounts payables and accrued liabilities approximate fair values due to their short-term maturities. The long-term payable is recorded at amortized cost using the effective interest rate of 12%.

Imperial Ginseng Products Ltd.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

2. Significant accounting policies (continued)

(q) Stock-based compensation

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

(r) 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

For the years ended June 30, 2009 and 2008, the Company was charged for services by companies owned and controlled by directors of the Company (the "Management Companies"), as follows:

	2009	2008
Salaries	\$ 68,211	\$ 217,527
Rent	15,461	49,306
Administrative services	7,276	23,203
Ginseng crop costs – administrative	31,500	31,500
Ginseng crop costs – direct labor	94,500	94,500
	\$ 216,948	\$ 416,036

Pursuant to an administrative agreement with the Management Companies, the Company pays a monthly fee of \$10,500 for accounting and administrative services provided by the Management Companies. This administrative fee is allocated to ginseng crop costs. Included in accounts payable is \$55,125 (2008 - \$132,930) of administrative fee outstanding to the Management Companies.

Pursuant to an asset management agreement with the Management Companies, the Company agreed to pay an annual asset management fee of 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 expired on January 25, 2009 and has been renewed with the same terms. The asset management fee is allocated to salaries, rent and administrative services.

At June 30, 2009, the asset management fee outstanding was \$1,706,315 (2008 – \$1,259,624). The original arrangement with the Management Companies was to settle the amount owing in three equal annual installments starting July 1, 2010. The Management Companies have agreed to defer the first installment to July 1, 2012 with no interest charges and no security required. The Company discounted the long-term payable in accordance with Handbook Section 3855 which came into effect on January 1, 2007. The discount on the outstanding payable at June 30, 2007 was included in the opening balance of deficit for the year ended June 30, 2008 (note 7).

Imperial Ginseng Products Ltd. Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

3. Related party balances and transactions (continued)

(a) Management company transactions (continued)

For the year ended June 30, 2009, the Company was charged asset management fee of \$446,691 (2008 – \$452,465). This amount was discounted to \$253,465 (2008 – \$290,035) and added to long-term payable (note 7). During the year ended June 30, 2009, prior years' long-term payable was further discounted by \$162,516 due to postponement in repayment. As a result, a net charge of \$90,949 was allocated to salaries, rent and administrative services.

(b) Marketing services

In October, 2007, the Company entered into ginseng marketing agreements with companies controlled by a director of the Company (the "Marketing Companies"). Pursuant to these agreements, the Marketing Companies agree to market the Company's ginseng on a best efforts basis in return for a commission of the greater of 3% of gross sales and \$0.50 per pound of ginseng sold by the Marketing Companies. All marketing and selling expenses related to the sale of ginseng are borne by the Marketing Companies.

For the year ended June 30, 2009, the Company was charged \$0.50 for each pound of root sold for a total of \$185,863 (2008 – 3% of gross sales for a total of \$115,780). Substantially all sales were made by the Marketing Companies. At June 30, 2009, the Company had receivables of \$352,222 (2008 - \$450,690) from the Marketing Companies.

(c) Transactions with related parties

Transactions are recorded at exchange amount, being the amount agreed to by the transacting parties.

4. Property and equipment

As at June 30, 2009			
	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 140,411	\$ 56,263	\$ 84,148
Farming equipment	1,081,007	1,018,420	62,587
Equipment under capital lease	76,609	28,073	48,536
Office and laboratory equipment	20,421	16,356	4,065
Processing equipment	446,661	347,029	99,632
Shadehousing and irrigation	2,638,577	2,256,973	381,604
	\$ 4,403,686	\$ 3,723,114	\$ 680,572

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

Imperial Ginseng Products Ltd. Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

5. Bank indebtedness

CIG Ontario has a revolving credit facility of up to \$1,750,000 with a Canadian chartered bank (the "Bank"). Subject to certain borrowing limits, the credit facility bears an interest rate at prime plus 1% per annum and is collateralized by general security agreements, a charge over all inventory and crops and certain leasehold improvements. At June 30, 2009, \$825,000 (2008 - \$560,000) was drawn on this facility.

Subsequent to the year end, the credit facility was renewed at an annual interest rate of prime plus 3% with all other terms remaining the same.

6. Obligations under capital leases

At June 30, 2009, future minimum lease payments under capital leases are as follows:

2010	\$	15,628
2011		22,853
Total future minimum lease payments		38,481
Less interest portion at effective rates of 1.90% to 7.99%		(2,332)
Principal balance		36,149
Less current portion		(14,618)
		\$ 21,531

7. Long-term payable

Pursuant to Handbook Section 3855, on July 1, 2007, the outstanding asset management fees that were classified as long-term payable were discounted resulting in \$262,174 credited to deficit. Long-term payable is recorded at amortized cost discounted at 12% using the effective interest method. Details of the payable are as follows:

As at June 30	2009	2008
Balance, beginning of year	\$ 900,418	\$ 807,159
Less: discount	-	(262,174)
Balance, beginning of year, as restated	900,418	544,985
Asset management fee for the year	446,691	452,465
Less: discount on fee incurred during the year	(193,226)	(162,430)
Less: additional discount on prior year balance due to postponement in repayments (note 3 (a))	(162,516)	-
Add: interest accretion	97,675	65,398
	\$ 1,089,042	\$ 900,418

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

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	2009	2008
Issued and outstanding amount:		
Common shares (a)	\$ 28,883,683	\$ 28,455,593
Class "A" Preference shares (b)	61,893	61,893
Convertible Preference shares (c)	22,818,256	23,246,346
Unpaid dividends and royalties (d)	590,504	581,933
	\$ 52,354,336	\$ 52,345,765

(a) Common shares

	Number of shares	Amount
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
Converted from preference shares	216,889	428,090
Balance, June 30, 2009	22,153,375	\$ 28,883,683

(b) 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. At June 30, 2009, the number of Class "A" Preference Shares outstanding was 71,422 (2008 – 71,422).

(c) Convertible preference shares

	Number of shares	Amount
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
Converted to common shares	(488,000)	(428,090)
Balance, June 30, 2009	26,011,622	\$ 22,818,256

The convertible preference shares are non-voting with a non-cumulative dividend rate of 12%. The 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 2008 and 2009.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)
 Years Ended June 30, 2009 and 2008

8. Share capital (continued)

(d) Unpaid dividends and royalties

	Amount
Balance, June 30, 2007	\$ 573,363
Unpaid cumulative dividends on preference shares	8,570
Balance, June 30, 2008	581,933
Unpaid cumulative dividends on preference shares	8,571
Balance, June 30, 2009	\$ 590,504

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

Under the Company's stock option plan (the "Plan"), the Company is authorized to issue up to 2,482,164 common shares. Since the Plan was approved in 2002, a total of 2,482,000 options were granted in 2003 and 2004, of which 175,000 options had been exercised. Options granted in 2003 and 2004 expired in 2008 and 2009, respectively. Expired or forfeited options were returned to the Plan.

At June 30, 2008, there were 725,000 options outstanding, which expired unexercised on May 26, 2009. At June 30, 2009, there were no outstanding options. A summary of stock option activities for the two years ended June 30 is as follows:

	Exercise Price	Number of options
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
Expired	\$ 0.30	(725,000)
Options outstanding at June 30, 2009	-	-

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)
 Years Ended June 30, 2009 and 2008

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,	2009	2008
Net loss	\$ (867,860)	\$ (604,762)
Statutory income tax rate	32%	32%
Computed expected income tax recovery	(278,000)	(194,000)
Increase (decrease) in income taxes resulting from:		
Effect of change in tax rate	692,000	351,000
Expiry of non-capital loss carryforward	1,019,000	243,000
Change in valuation allowance	(1,433,000)	(400,000)
	\$ -	\$ -

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

As at June 30,	2009	2008
Deferred crop cost	\$ (726,300)	\$ (2,583,000)
Property and equipment	910,000	970,500
Capital leases	10,100	16,300
Share issue costs	-	34,800
Farming and non-capital loss carry-forwards	3,399,000	6,604,800
Cumulative eligible capital	274,000	313,100
Other	(80,000)	176,100
Valuation allowance	(3,786,800)	(5,532,600)
	726,300	2,583,000
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.

Imperial Ginseng Products Ltd.
Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)
 Years Ended June 30, 2009 and 2008

9. Future income taxes (continued)

(c) The Company's farming and non-capital operating losses expire as follows:

	Farming losses	Other operating losses	Total
2010	\$ 919,000	\$ -	\$ 919,000
2011	795,000	-	795,000
2013	167,000	-	167,000
2014	1,166,000	-	1,166,000
2015	280,000	182,000	462,000
2026	1,112,000	336,000	1,448,000
2028	5,896,000	42,000	5,938,000
2029	1,246,000	-	1,246,000
	\$ 11,581,000	\$ 560,000	\$ 12,141,000

10. Capital disclosures

The Company's main objective in managing its capital is to safeguard its ability to continue operations. The Company considers its capital structure to include bank indebtedness, long-term payable and shareholders' equity. The Company has provided covenants to the Bank in respect of its credit facility and was in compliance with all covenants as at June 30, 2009. The Company is not subject to any financial covenant relating to its long-term payable. There were no changes in the Company's approach to capital management during the year.

11. Financial instruments

Fair value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of the financial assets and liabilities. The Company has designated its financial assets and liabilities as follows: Cash and cash equivalents as held-for-trading; accounts and other receivables as loans and receivables; investment as available-for-sale; bank indebtedness, accounts payable and accrued liabilities and long-term payable as other financial liabilities.

Carrying value and fair value of financial assets and liabilities at June 30, 2009 and 2008 are summarized as follows:

	2009		2008	
	Carrying value	Fair value	Carrying value	Fair value
Held-for-trading	\$ 36,839	\$ 36,839	\$ -	\$ -
Loans and receivables	375,570	375,570	500,662	500,662
Available-for-sale	1	1	1	1
Other financial liabilities	2,349,935	2,349,935	2,270,372	2,270,372

Imperial Ginseng Products Ltd.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

11. Financial instruments (continued)

Credit risk

The Company's primary credit risk is its trade receivables. The carrying amount of the trade receivables represents the Company's maximum exposure to credit risk. During the year, the Company's exposure to credit risk was increased due to extended credit terms granted to customers. In the past, advance cash payments were required prior to the delivery of root. To minimize its risk exposure, the Company requires a guarantor to guarantee payments and extended credit terms are granted only to regular customers with sound payment history. The Company considers all its trade receivables collectible.

At June 30, 2009, trade receivables were aged as follow:

0 – 30 days	\$	-
31 – 60 days		-
61 – 90 days		353,000
Over 90 days		-
	\$	<u>353,000</u>

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through the variable interest rate charged on the credit facility, which may have an effect on its earnings and cash flows in future periods. The Company does not use derivative instruments to mitigate this risk. Under the agreement with the Bank, the credit facility is renewed annually and is subject to a mutually agreed premium added to the prime rate (note 5). A 1% change in the interest rate, with other variables unchanged, would affect the Company by approximately \$8,250 based on the line of credit balance of \$825,000 at June 30, 2009.

Currency risk

The Company is exposed to currency risk as a result of its sales to overseas markets which are predominately denominated in such foreign currencies. The Company is affected by changes in exchange rates between the Canadian dollar and foreign functional currencies. The Company does not use derivative instruments to mitigate this risk. During the year ended June 30, 2009, approximately 86% of the Company's sales were transacted in Hongkong dollars. With all other variables held constant, a ten percentage point increase in the value of the Canadian dollar relative to the Hongkong dollar during the year would have increased the net loss for the year by \$326,000.

Imperial Ginseng Products Ltd.

Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended June 30, 2009 and 2008

11. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company may not be able to meet its financial obligations when they come due. The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis and its planned capital expenditures. The Company ensures that there is sufficient working capital for its ongoing operating expenditures through an arrangement with a credit facility. At June 30, 2009, the Company had a working capital surplus of \$2.33 million (2008 - \$1.94 million).

The table below provides a summary of contractual obligations and payments related to financial liabilities due as at June 30, 2009. The amounts disclosed are the contractual undiscounted cash flows.

	2010	2011	2012 and thereafter	Total
Bank indebtedness	\$ 825,000	\$ -	\$ -	\$ 825,000
Accounts payable and accrued liabilities	435,893	-	-	435,893
Capital leases	15,628	22,853	-	38,481
Long-term payables	-	-	1,706,315	1,706,315
	\$ 1,276,521	\$ 22,853	\$ 1,706,315	\$ 3,005,689

12. Commitments

Future minimum payments under land leases are as follows:

2010	\$ 335,000
2011	280,000
2012	202,000
2013	149,000
2014	117,000
	\$ 1,083,000

13. Segmented information

(a) Geographic information

The Company operates in one single industry segment, being the farming and marketing of ginseng. All assets of the Company are located in Canada. Sales during the year to customers in Asia amounted to \$3,261,825 (2008 - \$3,459,717) and in Canada amounted to \$551,815 (2008 - \$432,906).

(b) Major customers

For the year ended June 30, 2009, sales to three customers, each of which accounted for more than ten percent of total revenue, totaled \$3.14 million (2008 – two customers for \$3.46 million), or approximately 82% (2008 – 89%) of total revenue.

CORPORATE INFORMATION

DIRECTORS

Stephen P. McCoach ^{(1) (2)}
Hugh R. Cartwright ⁽¹⁾
James S. Chang ^{(1) (2)}
Maurice Levesque ⁽²⁾
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
Lynda L. Metcalfe, Vice President Finance
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

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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 AND SPECIAL MEETING

The annual and special meeting of common shareholders will be held on December 9, 2009 at 10:00 am (Pacific Time) at:

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