

Combined Consolidated Financial Statements

For the years ended December 31, 2021 and 2020

Expressed in thousands of United States dollars,
except share and per share amounts

Irwin Naturals, Inc.





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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Irwin Naturals, Inc.

Opinion

We have audited the combined consolidated financial statements of Irwin Naturals, Inc. (the "Company"), which comprise the combined consolidated statements of financial position as of December 31, 2021, and the combined consolidated statements of profit and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the combined consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying combined consolidated financial statements present fairly, in all material respects, the combined consolidated financial position of the Company as of December 31, 2021, and its combined consolidated financial performance and its combined consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in the United States of America and in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the combined consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the combined consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Combined Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the combined consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of combined consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Combined Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:


- Identify and assess the risks of material misstatement of the combined consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the combined consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the combined consolidated financial statements, including the disclosures, and whether the combined consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activity within the Company to express an opinion on the combined consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

The financial statements of the Company for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those statements on August 9, 2021.


Armanino^{LLP}
Certified Public Accountants
Woodland Hills, California, United States of America

April 29, 2022

Irwin Naturals, Inc.

Combined Consolidated Statements of Financial Position

As of December 31, 2021 and 2020

(Expressed in US Dollars, rounded in thousands except share data)

		<u>December 31,</u>	
	<u>Notes</u>	<u>2021</u>	<u>2020</u>
ASSETS			
Current Assets:			
Cash		\$ 625	\$ 442
Other Financial Assets		1	-
Trade Receivables	14	16,394	17,214
Inventory	5	18,652	14,577
Prepaid Expenses and Other Current Assets	4	<u>1,469</u>	<u>1,656</u>
Total Current Assets		37,141	33,889
Non-Current Assets:			
Property and Equipment	6	190	262
Right-of-Use Assets	8	3,722	2,047
Notes Receivable from Shareholders	17	3,264	-
Intangible Assets	10	87	87
Other Non-Current Assets		165	136
Deferred Tax Asset		<u>2,650</u>	<u>-</u>
Total Non-Current Assets		10,078	2,532
TOTAL ASSETS		<u>\$ 47,219</u>	<u>\$ 36,421</u>
LIABILITIES			
Current Liabilities:			
Trade and Other Payables	9	\$ 13,310	\$ 11,616
Reserve for Returns		814	387
Lease Liability - Current	8	1,366	1,334
Line of Credit	7	<u>6,178</u>	<u>7,500</u>
Total Current Liabilities		21,668	20,837
Non-Current Liabilities:			
Lease Liability - Non Current	8	2,434	812
Deferred Tax Liability		<u>1</u>	<u>-</u>
TOTAL LIABILITIES		24,103	21,649
EQUITY			
Common Stock	11	-	1
Multiple Voting Shares	11	59	-
Subordinate Voting Shares	11	0	-
Class B Non Voting Shares	11	13,750	-
Accumulated Other Comprehensive Income		(9)	-
Additional Paid In Capital		-	14,771
Retained Earnings		<u>681</u>	<u>-</u>
Total Controlling Interest		14,481	14,772
Non-Controlling Interest	18	<u>8,635</u>	<u>-</u>
Total Equity		<u>23,116</u>	<u>14,772</u>
TOTAL LIABILITIES & EQUITY		<u>\$ 47,219</u>	<u>\$ 36,421</u>

Nature of Operations (Note 1)

Commitments and Contingencies (Note 19)

Subsequent Events (Note 20)

Approved on behalf of the Board on May 2, 2022

The accompanying notes are an integral part of these audited Combined Consolidated Financial Statements.

Irwin Naturals, Inc.

Combined Consolidated Statements of Profit and Comprehensive Income

For the Years Ended December 31, 2021 and 2020

(Expressed in US Dollars, rounded in thousands except share data)

	For the Years Ended December 31,	
	2021	2020
Operating Revenue	\$ 100,342	\$ 89,377
Cost of Sales	(55,648)	(52,876)
Gross Profit	44,694	36,501
Operating Expenses:		
Selling, General and Administrative Expenses	34,124	28,896
Gain on Sale of Property and Equipment	-	(53)
Income from Operations	10,570	7,658
Other Expense:		
Interest Income	-	10
Interest Expense	(131)	(312)
Listing Expense	(2,512)	-
Gain / (Loss) on Foreign Currency Exchange	1	-
Total Other Income / (Expense)	(2,642)	(302)
Profit before Income Taxes	7,928	7,356
Income Tax Recovery / (Expense)	2,186	(116)
Net Profit	10,114	7,240
Less: Net Profit Attributable to Non-Controlling Interest	(1,499)	-
Net Profit Attributable to Controlling Interest	\$ 8,615	\$ 7,240
Foreign Currency Translation Differences	(11)	-
Total Comprehensive Income	10,103	7,240
Less: Comprehensive Income Attributable to Non-Controlling Interest	(1,501)	-
Comprehensive Income Attributable to Controlling Interest	\$ 8,602	\$ 7,240
Earnings per share - basic	\$ 8.43	\$ 7.24
Earnings per share - diluted	\$ 0.03	\$ 7.24
Weighted average number of shares outstanding- basic	1,200,001	1,000,000
Weighted average number of shares outstanding - diluted	312,218,241	1,000,000

The accompanying notes are an integral part of these audited Combined Consolidated Financial Statements.

Irwin Naturals, Inc.

Combined Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2021 and 2020

(Expressed in US Dollars, rounded in thousands except share data)

	Common Stock		Share Capital				Additional Paid In Capital	Accumulated Other Comprehensive Income	Retained Earnings / Deficit	Total Controlling Interest	Non-Controlling Interest	Total Shareholder's Equity
			Number of Shares									
	Shares	Amount	Class B Non-Voting	Multiple Voting	Subordinate Voting	Amount						
Balance at January 1, 2020	1,000,000	\$ 1	-	-	-	\$ -	\$ 15,631	\$ -	\$ -	\$ 15,632	\$ -	\$ 15,632
Comprehensive Income	-	-	-	-	-	-	-	-	7,240	7,240	-	7,240
Settlement of Note Receivable from Shareholder through Non-Cash Distribution	-	-	-	-	-	-	-	-	(1,150)	(1,150)	-	(1,150)
Distributions to Shareholders	-	-	-	-	-	-	(860)	-	(6,090)	(6,950)	-	(6,950)
Balance at December 31, 2020	1,000,000	\$ 1	-	-	-	\$ -	\$ 14,771	\$ -	\$ -	\$ 14,772	\$ -	\$ 14,772
Balance at January 1, 2021	1,000,000	\$ 1	-	-	-	\$ -	\$ 14,771	\$ -	\$ -	\$ 14,772	\$ -	\$ 14,772
Shares issued in exchange for notes receivable from shareholders (ref Note 15,17)	52,632	0	-	-	-	-	3,240	-	-	3,240	-	3,240
Conversion of Note to Non-Controlling Interest	-	-	-	-	-	-	(3,240)	-	-	(3,240)	3,240	-
Issuance of Shares	(1,052,632)	(1)	-	18,240	1,200,001	3,059	-	-	-	58	3,000	3,058
Conversion to C-Corporation	-	-	320,000,000	-	-	13,750	(14,171)	-	(1,857)	(2,278)	2,278	-
Comprehensive Income	-	-	-	-	-	-	-	-	10,103	10,103	-	10,103
Accumulated Other Comprehensive Income	-	-	-	-	-	-	-	(11)	11	-	-	-
Non-Controlling Interest Allocation	-	-	-	-	-	-	-	2	(118)	(116)	116	-
Distributions to Shareholders	-	-	-	-	-	-	(600)	-	(7,459)	(8,059)	-	(8,059)
Balance at December 31, 2021	-	\$ -	320,000,000	18,240	1,200,001	\$ 16,809	\$ -	\$ (9)	\$ 681	\$ 14,481	\$ 8,635	\$ 23,116

The accompanying notes are an integral part of these audited Combined Consolidated Financial Statements.

Irwin Naturals, Inc.Combined Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Expressed US Dollars, rounded in thousands)

	For the Years Ended December 31,	
	2021	2020
Net Profit	\$ 10,114	\$ 7,240
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	1,428	1,406
Change in Allowance for Doubtful Accounts	-	134
Change in Inventory Reserve	(297)	3,176
Deferred Tax Asset	(2,650)	-
Non-Cash Share Capital from Share-Based Payment Transaction	3,058	-
Realized Gain on Sale of Property and Equipment	-	(53)
Gain on PPP Loan Forgiveness	-	(1,838)
Interest Income	(24)	(10)
Interest Expense	156	312
Income Taxes Expense / (Recovery)	(2,186)	116
Changes in Working Capital:		
Trade Receivables	820	(1,606)
Inventory	(3,777)	1,750
Prepaid Expenses and Other Assets	187	(259)
Trade and Other Payables	3,728	(1,985)
Reserve for Returns	427	(165)
Changes in Other Non-Current Assets	(29)	-
Net Cash Provided by Operating Activities	<u>10,955</u>	<u>8,218</u>
Cash Flow from Investing Activities:		
Purchases of Investments	(1)	-
Purchases of Property and Equipment	(51)	(134)
Proceeds from Disposal of Property and Equipment	-	53
Net Cash Used in Investing Activities	<u>(52)</u>	<u>(81)</u>
Cash Flow from Financing Activities:		
Proceeds from Line of Credit	34,860	22,828
Payments of Line of Credit	(36,183)	(24,528)
Proceeds from PPP Loan	-	1,838
Distributions to Shareholders	(8,059)	(6,950)
Payments on Lease Liability	(1,327)	(1,254)
Net Cash Used in Financing Activities	<u>(10,709)</u>	<u>(8,066)</u>
Effect of Foreign Exchange on Cash	(11)	-
Net Increase in Cash	183	71
Cash at Beginning of the Year	442	371
Cash at End of the Year	<u>\$ 625</u>	<u>\$ 442</u>

Supplemental Disclosure with Respect to Cash Flow (Note 15)

The accompanying notes are an integral part of these audited Combined Consolidated Financial Statements.

Irwin Naturals, Inc.

Notes to the Combined Consolidated Financial Statements

As of and For the Years Ended December 31, 2021 and 2020

(Expressed in US Dollars, rounded in thousands except share amounts)

1. NATURE OF OPERATIONS

References herein to “the Company” or “Irwin” are intended to mean Irwin Naturals, Inc. and its subsidiaries (collectively, the “**Company**”).

For the period January 1, 2020 through August 12, 2021, Irwin Naturals, a Nevada Corporation (hereinafter “**IN Nevada**”) and 5310 Holdings, LLC (hereinafter “**5310 Holdings**”) were commonly controlled privately held companies presented as combined financial statements to its shareholders. As described in further detail below, on August 13, 2021 these two entities were included in the share-based payment transaction (the “**Transaction**”) and as of December 31, 2021 were consolidated with the Company’s other subsidiaries and presented as Irwin Naturals, Inc. combined consolidated financial statements. All amounts presented as of December 31, 2021 and 2020 or for the years ended December 31, 2021 and 2020 include amounts for the subsidiaries existing at that time, combined and consolidated, as described above.

On August 13, 2021, Irwin Naturals, Inc. (formerly Datinvest International Ltd.) completed a share-based payment transaction as further described in Note 3. On August 25, 2021, the Company commenced trading of its subordinate voting shares (the “**Subordinate Voting Shares**”) on the Canadian Securities Exchange (“**CSE**”) under the ticker “IWIN”. On November 26, 2021, the Company began trading on the OTCQB Venture Market under the ticker “IWINF”. Additionally on October 11, 2021, the Company’s shares became listed for trading on the Börse-Frankfurt Exchange under the securities identification code “WKN:A3CVJR” and the stock symbol “97X”.

The Company’s subsidiaries are as follows:

Subsidiaries

Irwin Naturals, a Nevada Corporation

5310 Holdings, LLC

Irwin Naturals Emergence, Inc.

Irwin Naturals Cannabis, Inc.

DAI US HoldCo, Inc.

IN Nevada, a wholly-owned subsidiary of the Company, was incorporated in Nevada on January 23, 2002, and is based in Los Angeles, California. IN Nevada develops vitamins and other health supplements and distributes these products in the United States and Canada through two main channels: health food stores and mass market retailers.

5310 Holdings, a wholly-owned subsidiary of the Company, was formed as a California limited liability company based in Los Angeles, California to hold intellectual property related to products sold by IN Nevada. On April 1, 2021, Klee Irwin (“**Klee**”), who was the majority shareholder of IN Nevada at that date, contributed his interest in 5310 Holdings and all assets owned by 5310 Holding to IN Nevada. Klee and IN Nevada intended for the contribution to constitute a tax-free contribution to the capital of IN Nevada under Section 351 of the Internal Revenue Code based on Klee owning more than 80% of IN Nevada at the date of the contribution and was the sole owner and managing member of 5310 Holdings. Prior to the contribution, IN Nevada held a licensing agreement for worldwide licenses to use, market, sell and promote certain trademarks held by 5310 Holdings. 5310 Holdings had been determined to be a “related party” of IN Nevada.

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Irwin Naturals Emergence, Inc. (hereinafter “**IN Emergence**”), a wholly-owned subsidiary of the Company, was formed on September 17, 2021, in preparation for Irwin’s entry into the psychedelic mental health industry. The Company, through IN Emergence, is in the early stages of a large-scale national rollup of mental health clinics that offer ketamine-assisted psychedelic treatments to patients suffering from mental health issues and other ailments. The Company intends to expand treatment options at its clinics by offering a broad portfolio of powerful next generation therapies. IN Emergence clinics will be offering breakthrough treatments to battle America’s mental health crisis including ketamine, stellate ganglion block, transcranial magnetic stimulation and holotropic breathwork as well as group therapy integration to magnify the overall effectiveness of the treatments. On March 14, 2022, the Company successfully completed the acquisition of its first ketamine clinic, Midwest Ketafusion LLC (“**Ketafusion**”), a privately held limited liability company that offers ketamine treatment in Iowa, USA as well as behavioral and mental health therapy. Upon completion of the acquisition, the Company assigned the acquired assets to IN Emergence by way of a capital contribution and Ketafusion became a wholly-owned indirect subsidiary of the Company through IN Emergence. For further details related to the Ketafusion acquisition refer to the Company’s press release dated March 17, 2022 and reference Note 20, “Subsequent Events”.

Irwin Naturals Cannabis, Inc. (hereinafter “**IN Cannabis**”), a wholly-owned subsidiary of the Company, was formed on October 19, 2021, with the intent of entering into the United States and Canadian legal cannabis markets for adult use. Irwin intends to enter the North American cannabis industry by licensing its household brand name and selling non-cannabis raw materials to licensed third parties that manufacture products containing tetrahydrocannabinol (“**THC**”). Irwin is planning the overall launch of IN Cannabis to the continental cannabis market in 2022.

DAI US HoldCo, Inc. (hereinafter “**US HoldCo**”), a wholly owned subsidiary of the Company, was formed as a Nevada Corporation and used to facilitate the completion of the reverse-takeover transaction.

The Company’s corporate headquarters is located at 5310 Beethoven Street, Los Angeles, CA 90066.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These combined consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and interpretations issued by the International Financial Reporting Interpretations Committee (“**IFRIC**”).

The combined consolidated financial statements of the Company for the years ended December 31, 2021 and 2020 were authorized for issue by the Board of Directors on May 2, 2022.

Basis of Measurement

These combined consolidated financial statements have been prepared on the accrual basis of accounting and under the historical cost method except for certain financial assets that are measured at fair value or measured at the lower of cost or net realizable value as detailed in the accounting policies described below.

Irwin Naturals, Inc.

Notes to the Combined Consolidated Financial Statements

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These combined consolidated financial statements are based on the IFRS issued and effective as of May 2, 2022, the date these combined consolidated financial statements were authorized for issuance by the Company's Board of Directors.

Basis of Consolidation

These combined consolidated financial statements include the financial results of the Company and its subsidiaries. This presentation reflects a common-controlled combination of previously existing entities. Subsidiaries include entities which are wholly-owned as well as entities over which Irwin has the authority or ability to exert power and make financial and/or operating decisions (i.e., control). The combined consolidated financial statements include the operating results of acquired entities from the date control was obtained. All intercompany balances and transactions were eliminated upon consolidation.

Functional and presentation currency

The Company and its United States ("U.S.") subsidiaries' functional currency, as determined by management, is the U.S. dollar ("USD"). These combined consolidated financial statements are presented in thousands USD unless otherwise stated. The Company's international subsidiary's functional currency, as determined by management, is the Canadian Dollar ("CAD"). The international financial statements are converted from CAD to USD using the current exchange rate at the date of recognition for profit and loss amounts and the period end rate for balance sheet amounts. Conversion adjustments are recognized within accumulated other comprehensive income, which is a component of equity.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. The Company has three operating segments, IN Nevada, IN Emergence and IN Cannabis.

In accordance with IFRS 8, as of December 31, 2021, the Company has a single reportable segment, which is the way the Company reports information to its chief decision makers and Board of Directors.

Critical accounting estimates and judgments

IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Irwin Naturals, Inc.

Notes to the Combined Consolidated Financial Statements

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(Expressed in US Dollars, rounded in thousands except share amounts)

- i) *Fair value of equity-like instruments:* Fair value of financial assets and financial liabilities recorded in the combined consolidated statements of financial position, which cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. Judgment includes, but is not limited to, consideration of model inputs such as volatility, estimated life, and discount rates.

- ii) *Estimating variable consideration for returns and sales promotion incentives:* The Company uses historical customer return data to determine the expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Company.

The Company provides for estimated payments to its customers based on various trade programs and sales promotional incentives. The Company estimates the most likely amount payable for its largest customers for each trade and incentive program separately using (i) the projected level of sales volume for the relevant period; (ii) customer rates for allowances, discounts, and rebates; (iii) historical spending patterns; and (iv) sales lead time. These arrangements are complex and there are a significant number of customers and products affected. Management has systems and processes in place to estimate and value these obligations.

- iii) *Valuation of non-cash transactions:* Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

- iv) *Amortization:* Amortization of property and equipment and intangible assets are dependent upon the estimated useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

- v) *Inventory:* Inventory is carried at the lower of cost or net realizable value. The determination of net realizable value involves significant management judgement and estimates, including the estimation of future selling prices.

COVID-19 Estimation Uncertainty

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (“COVID-19”) a global pandemic. This has resulted in governments worldwide, including the American government, to enact emergency measures to combat the spread of the virus. These measures, which include social distancing, the implementation of travel bans, and closures of non-essential businesses, have caused material disruption to businesses globally, resulting in an economic slowdown. The production and sale of food, which includes dietary supplements, have been recognized as essential services across the United States. As of December 31, 2021, the

Irwin Naturals, Inc.

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Company has observed positive sales trends in 2021 after experiencing negative downward pressure on its sales growth in 2020 due to the COVID-19 pandemic.

The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 on the economy and the full financial effect on the Company's business, financial position and operating results remain uncertain at this time. In addition, it is possible that estimates in the Company's combined consolidated financial statements will change in the near term as a result of COVID-19 and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

New, Amended and Future Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB. Pronouncements that are not applicable or not expected to have a significant impact to the Company have been excluded.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's combined consolidated financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the combined consolidated statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2023. The Company is currently evaluating the potential impact of these amendments on the Company's combined consolidated financial statements.

Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendment narrowed the scope of certain recognition exemptions so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date. The amendment is effective for annual periods beginning on or after January 1, 2023, with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's combined consolidated financial statements.

Irwin Naturals, Inc.

Notes to the Combined Consolidated Financial Statements

As of and For the Years Ended December 31, 2021 and 2020

(Expressed in US Dollars, rounded in thousands except share amounts)

Interbank Offered Rate (“IBOR”) Reform

In August 2020, the IASB published amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases.

The amendments address issues that arise from implementation of IBOR reform, where IBORs are replaced with alternative benchmark rates and enable entities to reflect the effects of transitioning from benchmark interest rates to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The amendments are effective for fiscal years beginning on or after January 1, 2021, with early adoption permitted. The Company adopted this amendment on January 1, 2021. As of December 31, 2021, there has been no impact to the Company's combined consolidated financial statements, however the Company is in the process of evaluating potential changes to its secured credit line as it transitions from IBORs to alternative rates prior to the cessation of IBORs. As of December 31, 2021 the amount of debt subject to IBOR reform is \$6,178 (reference Note 7, “Credit Facility”).

Revenue recognition

The Company generates revenue primarily from finished product sales. In accordance with IFRS 15, the Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the obligation(s).

The Company accounts for a contract with a customer when it has approval and commitment from all parties, the rights of the parties, including payment terms, are identified, the contract has commercial substance and consideration is probable of collection. At the inception of each contract, the Company evaluates the promised goods and services to determine whether the contract should be accounted for as having one or more performance obligations. A performance obligation is a promise to transfer a distinct good or service to a customer and represents the unit of accounting for revenue recognition.

Revenue is recognized when, or as, control of a promised product or service (referred to above as a performance obligation) transfers to a customer, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring those products or services. The transaction price is determined including estimated for variable consideration and consideration payable to the customer based on the terms of sale, which include primarily customer discounts and incentives, actual and estimated for returns, and any other penalties or discounts paid to the customer associated with the sale of products. The estimates for variable consideration are subject to the concept of constraint. Variable consideration and consideration payment to the customer is a reduction of transaction price and therefore classified in operating revenue on the combined consolidated statement of profit and comprehensive income.

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Operating revenue represents product sales for which revenue is recognized generally upon shipment to the customer, which is when control transfers to the customer in line with the transfer of title of product, ownership and risk of loss transfer to the customer, and the Company has a present right to payment. To arrive at operating revenue, gross sales are reduced by customer discounts, customer incentives, actual customer returns and a provision for estimated returns, which is based on historical return rates.

Sales to customers are primarily made in the U.S., however a portion of the Company's sales transactions occur in foreign jurisdictions that levy consumption taxes. In these instances, the Company collects applicable taxes from their customers and remits the collected amounts to the appropriate government entity. The Company does not include consumption taxes in its transaction price as it is determined that the Company is acting as a collecting agent on behalf of the government entity.

Customer payments on contracts recorded in revenue are typically due within 30 – 60 days of billing depending on the contract.

Trade receivables

Trade receivables are recognized initially at fair value less any provisions for impairment. Estimates of expected credit losses take into account the Company's collection history, deterioration of collection rates during the average credit period, as well as observable changes in and forecasts of future economic conditions that affect default risk. Where applicable, the carrying amount of a trade receivable is reduced for any expected credit losses through the use of an allowance for doubtful accounts ("AFDA") provision. When the Company determines that no recovery of the amount owing is possible, the amount is deemed irrecoverable and the financial asset is written off. As of December 31, 2021 and 2020, the Company recognized an AFDA of \$389 and \$390, respectively.

Inventory

Inventory is stated at the lower of cost (first in, first out) and net realizable value. Inventory consists primarily of vitamins and other supplement products. A valuation allowance is recorded for obsolete and slow-moving inventory to write down cost to net realizable value, if necessary. The valuation allowance is calculated by identifying specific products that are expired, quarantined for quality control, and by analyzing the aging of the inventory and identifying those products that are over a certain age or too close to the expiration date. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale. Packaging and supplies are initially valued at cost and subsequently at the lower of cost and net realizable value.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. The estimated useful lives are as follows:

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Automobile	5 years
Furniture and fixtures	5 - 7 years
Machinery and equipment	2 - 5 years
Computer equipment	5 years
Leasehold improvements	5 years

The determination of appropriate useful lives and residual values are based on management's judgement; therefore, the resulting depreciation is subject to estimation uncertainty.

Items of equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as the difference between the consideration received and the carrying amount of the asset and is recognized in the combined consolidated statements of profit and comprehensive income in the year the asset is derecognized.

Impairment of non-financial assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within property and equipment and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense. For the year ended December 31, 2021, there was a provision of \$nil (December 31, 2020 - \$nil).

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Cost of sales

The Company employs contract manufacturers to make all of their finished goods. The cost of the finished goods is inclusive of all contract manufacturers tolling costs and raw material costs, as well as component costs. In addition to the cost of the finished goods, cost for inbound freight, raw material testing fees, vendor rebates and inventory obsolescence reserve are also included to make up the total cost of sales.

Income taxes

IN Nevada, through August 12, 2021, had elected to be treated under the provisions of subchapter S of the Internal Revenue Code. Under the provisions of subchapter S, IN Nevada did not pay federal income taxes on its taxable income. Instead, the shareholders of IN Nevada were liable for federal and state income taxes on IN Nevada's net income on their individual tax returns. Accordingly, no provision or liability for federal income taxes has been included in the accompanying combined consolidated financial statements for that time period.

However, California imposes a tax at the corporate level at a rate of 1.5% of IN Nevada's taxable income adjusted for California purposes.

After August 12, 2021, IN Nevada revoked the election to be under the provisions of subchapter S, and after this date will be taxed as a subchapter C corporation. IN Nevada pays federal income tax at a flat rate of 21%. A provision for federal income tax has been included in these combined consolidated financial statements.

After August 12, 2021, IN Nevada also pays tax in the various states where the level of activity exceeds the minimums of each state. The effective rate adjusted for federal tax benefit is 6.98%. A provision for state income tax has been included in these combined consolidated financial statements.

Income tax expense

This note provides an analysis of IN Nevada's income tax expense for the year ended December 31, 2021:

Current Tax:

Current tax on profits for the year	\$	635
Adjustments for current tax of prior periods		22
Total Tax	\$	657

5310 Holdings is a limited liability company and as a result is not subject to federal income taxes; however, it is subject to a California gross receipts fee. Taxable income of this entity was passed through to the member on the individual's tax returns while IN Nevada was classified as an S corporation and is included in the taxable income of IN Nevada while classified as a C corporation.

The Company, Irwin Naturals, Inc., as the parent entity, is being treated as an inverted US entity with Canadian tax losses of USD \$144,651 for the year ended December 31, 2021. These tax losses were not recognized as a deferred tax asset as the parent entity is not expecting to generate income and will not be able to use the deferred tax asset to offset income in future years.

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The Company evaluates its tax positions and recognizes a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. If such issues exist, the Company’s policy will be to recognize any tax liability, including applicable interest and penalties, as a component of income tax expense. The Company has evaluated its tax positions and management believes there are no uncertain positions required to be recorded or disclosed for the years ended December 31, 2021, and 2020.

By statute, the Company’s federal and state income tax returns generally remain subject to examination by taxing authorities for three and four years, respectively, from the date the return is filed.

The following table reconciles the expected income tax expense at the Canadian statutory income tax rates to the amounts recognized in the combined consolidated statement of profit and comprehensive income for the years ended December 31, 2021 and 2020:

	December 31,	
	2021	2020
Income before taxes	\$ 7,929	\$ 7,240
Statutory tax rate	26.5%	26.5%
Expected income tax expense	2,101	1,920
Foreign rate differential	(20)	(1)
Exclusions from taxable income	-	(514)
Non-deductible items	708	12
Difference in tax rates as S-Corporation	(2,265)	(1,812)
Difference in tax rates in TX and WA	(108)	(39)
Change in deferred tax asset not recognized	-	431
Change in prior year tax expense	47	119
Deferred tax liability recognized on termination of S-Corporation election	1	-
Deferred tax asset recognized on termination of S-Corporation election	(2,650)	-
Total income tax expense / (recovery)	\$ (2,186)	\$ 116

The significant components of income item temporary differences for which income tax liabilities have been recognized as of December 31, 2021 and 2020 are as follows:

	December 31,	
	2021	2020
Property and Equipment and Intangibles	\$ 1	\$ -

The significant components of deductible temporary differences for which income tax assets have been recognized as of December 31, 2021 and 2020 are as follows:

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	December 31,	
	2021	2020
Inventory	\$ 2,089	\$ -
Returns and Allowances	218	-
Trade Receivables	104	-
Compensation	213	-
State Income Tax	26	-
Total	\$ 2,650	\$ -

Fair value of financial instruments

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- a) Level 1 are unadjusted quoted prices in active markets for identical assets or liabilities;
- b) Level 2 are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- c) Level 3 are inputs for the asset or liability that are not based on observable market data.

The carrying amounts of cash, other financial assets, trade receivable, notes receivable from shareholders and trade and other payables approximate their fair values due to their short-term nature.

Leased assets

The Company primarily leases a building where the office and warehouse of its principal operations are located. The Company assesses service arrangements to determine if an asset is explicitly or implicitly specified in an agreement and if the Company has the right to control the use of the identified asset.

The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability and is amortized on a straight-line basis over the remaining lease term. The right-of-use asset is reviewed periodically for impairment. The lease liability is initially measured at the present value of lease payments, discounted using the incremental borrowing rate determined by the Company. Payments associated with short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term in selling, general and administrative in the combined consolidated statement of profit and comprehensive income. Short-term leases are defined as leases with a lease term of 12 months or less.

The Company's current leases have varying terms with remaining lease terms of up to approximately 31 months. Certain of the Company's lease arrangements provide the Company with the option to extend or to terminate the lease early.

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3. SHARE-BASED PAYMENT TRANSACTION

On August 13, 2021, Irwin Naturals, Inc. (formerly Datinvest International Ltd.) completed a share-based payment transaction within the scope of IFRS 2 of IN Nevada (the "**Transaction**"). In connection with the Transaction, the Company effected a consolidation (the "**Consolidation**") of the common shares of the Company (the "**Common Shares**") on a one post-Consolidation Common Share for every 8.31617 pre-Consolidation Common Shares basis. In addition, the Company amended its articles to: (i) create the proportionate voting shares and multiple voting shares (the "**Multiple Voting Shares**"); (ii) to add special rights and restrictions to the Common Shares and change the identifying name of the Common Shares to "Subordinate Voting Shares"; and (iii) to change its name from "Datinvest International Ltd." to "Irwin Naturals, Inc.". Shareholder approval for certain of these matters where required was obtained at an annual and special meeting of the Company's shareholders held on June 24, 2021.

In connection with the closing of the Transaction, the Company de-listed its common shares from the NEX Board of the TSX Venture Exchange effective at the close of business on August 13, 2021. The Company commenced trading of its Subordinate Voting Shares on the CSE under the ticker "IWIN" on August 25, 2021.

Following the Transaction, the leadership team of the Company is as follows:

- Klee Irwin - Chairman, Chief Executive Officer and Director
- Philippe Faraut - Chief Financial Officer, Corporate Secretary and Director
- Marc-David Bismuth - Director
- Rod Kight, Esq. – Director

As a result of the Transaction, Klee acquired ownership of 18,240 Multiple Voting Shares, representing 100% of the issued and outstanding Multiple Voting Shares, and one Subordinate Voting Share. The Multiple Voting Shares are convertible on a one-to-one basis into 18,240 Subordinate Voting Shares. Klee also holds an aggregate of 273,599,891 Class B Non-Voting Shares of Irwin (the "**Irwin Class B Shares**"), which are exchangeable on a one-to-one basis into 273,599,891 Subordinate Voting Shares of the Company. Upon the exchange of a block of fifteen thousand (15,000) Irwin Class B Shares, Klee would receive fifteen thousand (15,000) Subordinate Voting Shares and one (1) of Klee's Multiple Voting Shares would be converted into one (1) Subordinate Voting Share (and therefore, Klee's aggregate Multiple Voting Share holdings would be reduced from 18,240 to 18,239 but his voting position in the Company would be maintained).

Immediately prior to the completion of the Transaction, Klee did not own or exercise control or direction over any securities of the Company. The Multiple Voting Shares and Irwin Class B Shares represent, on an as-converted or exchanged to Subordinate Voting Share-basis (converting or exchanging only the shares and securities that Klee owns or exercises control and direction over), ownership of an aggregate of approximately 99.5% of outstanding Subordinate Voting Shares.

Klee holds and controls his shares of the Company for investment purposes only and Klee may increase or decrease his beneficial ownership or control over the shares of the Company or the Irwin Class B Shares, which he may do from time to time, depending on market or other conditions and to the extent deemed advisable in light of each of their respective general investment strategies. The Multiple Voting Shares held by Klee are designed to ensure that Klee has voting control at meetings of the shareholders of the Company and the existing share structure is subject

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to the provisions of the coattail agreement between the Company, Klee and the Company's transfer agent, as described in the Company's listing statement dated August 13, 2021, which is posted and filed under the Company's profile on www.sedar.com.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consists of the following as of December 31, 2021 and 2020:

	December 31,	
	2021	2020
Prepaid expenses	\$ 723	\$ 620
Prepaid insurance	78	260
Prepaid marketing	126	131
Prepaid inventory	270	453
Other receivables	272	192
Total Prepaid Expenses and Other Current Assets	\$ 1,469	\$ 1,656

5. INVENTORY

Inventory consists of the following as of December 31, 2021 and 2020:

	December 31,	
	2021	2020
Raw materials	\$ 3,794	\$ 3,337
Finished goods	14,858	11,240
Inventory, Net of Reserve	\$ 18,652	\$ 14,577

The amounts of additional reserve and reversals that are recognized during the years ended December 31, 2021 and 2020, are included in cost of sales in the combined consolidated statements of profit and comprehensive income as follows:

	December 31,	
	2021	2020
Beginning balance	\$ 6,032	\$ 3,125
Provisions made during the period	2,196	5,374
Disposals and sales during the period	(2,155)	(2,467)
Ending balance	\$ 6,073	\$ 6,032

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31, 2021 and 2020:

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	Furniture & Fixtures	Computers & Equipment	Machinery & Equipment	Vehicles	Leasehold Improvements	Total
Cost						
Balance, January 1, 2020	\$ 406	\$ 837	\$ 137	\$ 174	\$ 1,192	\$ 2,746
Additions	-	19	-	115	-	134
Disposals	-	-	-	(154)	-	(154)
Balance, December 31, 2020	\$ 406	\$ 856	\$ 137	\$ 135	\$ 1,192	\$ 2,726
Accumulated Depreciation						
Balance, January 1, 2020	\$ (384)	\$ (634)	\$ (126)	\$ (174)	\$ (1,187)	\$ (2,505)
Depreciation	(13)	(89)	(3)	(6)	(2)	(113)
Disposals	-	-	-	154	-	154
Balance, December 31, 2020	\$ (397)	\$ (723)	\$ (129)	\$ (26)	\$ (1,189)	\$ (2,464)
Balance, December 31, 2020	\$ (397)	\$ (723)	\$ (129)	\$ (26)	\$ (1,189)	\$ (2,464)
Depreciation	(4)	(66)	(8)	(44)	(2)	(124)
Disposals	-	59	-	-	-	59
Balance, December 31, 2021	\$ (401)	\$ (730)	\$ (137)	\$ (70)	\$ (1,191)	\$ (2,529)
Net Book Value						
Balance, December 31, 2020	\$ 9	\$ 133	\$ 8	\$ 109	\$ 3	\$ 262
Balance, December 31, 2021	\$ 5	\$ 102	\$ -	\$ 65	\$ 17	\$ 190

7. CREDIT FACILITY

In September 2020, the Company renewed a line of credit with a financial institution in the amount of the lesser of \$17,500 or the Company's borrowing base, as defined in the agreement. The Company had the option of borrowing under a LIBOR loan (LIBOR based on the interest period selected by the Company) or a Prime loan. Under LIBOR loans, borrowings bear interest at the greater of 1.50% or 30 day LIBOR interest rate plus 1.35% (1.45125% at December 31, 2021). Under Prime loans, borrowings bear interest at the greater of 2.25% or the fluctuating Prime rate minus 1% (2.25% at December 31, 2021).

In May 2021, the Company amended its line of credit to extend the maturity date to August 1, 2022, and amended the provision requiring that Klee, retain at least a 75% interest in the Company to at least a 55% interest in the Company. The line of credit was secured by all of the Company's assets and was guaranteed by the Company's majority shareholder. The agreement contained certain restrictive covenants, for which the Company was in compliance at December 31, 2021 and 2020.

In July 2021, the Company and its financial institution executed an amendment to their agreement that extended the line of credit to December 1, 2022.

In December 2021, the Company entered into an agreement for a two-year line of credit with a new financial institution in the amount of the lesser of \$20,000 or the Company's borrowing base, as

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defined in the agreement. The Company borrowed under a variable interest rate loan bearing an interest rate equal to the Wall Street Journal Prime Rate (currently 3.25%) plus 1%, for a total current interest rate of 4.25%, with a minimum interest rate of 4.25%. The line of credit is secured by all of the Company's assets and is guaranteed by the Company and all of its subsidiaries. This new line of credit was subsequently funded in January 2022 and the Company is in the process of ending the banking relationship with the financial institution that held the previous line of credit.

8. LEASES**Right-of-Use Assets**

The Company's right-of-use ("ROU") assets consist primarily of a building, where the office and warehouse of its principal operations are located. The current lease has a term of 36 months from commencement of August 2019 expiring in July 2022. On November 30, 2021, the Company entered into an agreement to extend the current lease for an additional 24 months expiring in July 2024. The following is a continuity schedule of the right-of-use asset for the years ended December 31, 2021 and 2020.

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Balance - Beginning of Period	\$ 2,047	\$ 3,340
Lease Addition	2,981	-
ROU Amortization	(1,306)	(1,293)
Balance - End of Period	\$ 3,722	\$ 2,047

Lease Liabilities

The following is a continuity schedule of lease liabilities for the years ended December 31, 2021 and 2020.

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Balance - Beginning of Period	\$ 2,146	\$ 3,400
Lease Addition	2,981	-
Lease Payments	(1,383)	(1,342)
Interest Expense on Lease Liabilities	56	88
Balance - End of Period	\$ 3,800	\$ 2,146
Current Portion	1,366	1,334
Non-current Portion	2,434	812

The following is a maturity schedule of leases as of December 31, 2021.

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Maturity analysis for lease liabilities	Scheduled payments
One year or less	\$ 1,465
One to five years	2,498
More than five years	-
Total undiscounted lease liability	3,963
Impact of discount	(163)
Lease liability at December 30, 2021	3,800
Less: current portion of lease liability	(1,366)
Lease liability net of current portion	\$ 2,434

When measuring lease liabilities, the Company discounts lease payments using its incremental borrowing rate. For leases recognized during the years ended December 31, 2021 and 2020, the weighted average rate applied is 3.11% for both periods. The Company recorded rent expense of \$1,622 and \$1,493 for the years ended December 31, 2021 and 2020, respectively, which included expenses for short-term leases for the years ended December 31, 2021 and 2020 of \$317 and \$200, respectively.

9. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following as of December 31, 2021 and 2020:

Trade and Other Payables	December 31,	
	2021	2020
Trade Payables	\$ 6,025	\$ 3,518
Accrued Compensation	1,652	1,806
Customer Refunds	223	131
Interest Payable	8	10
Accrued Promotions	4,456	5,483
Other Accrued Expenses	946	668
Total Trade and Other Payables	\$ 13,310	\$ 11,616

10. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company has defined key management personnel to include the CEO, CFO, COO, President, Executive Vice Presidents and directors of the Company. During the years ended December 31, 2021 and 2020 the remuneration and other payments to the Company's directors and other key management personnel were as follows:

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	December 31,	
	2021	2020
Wages and salaries	\$ 2,420	\$ 2,585
Post-employment compensation	-	75
Rent	-	38
Total	\$ 2,420	\$ 2,698

In April 2021, the Company issued two executives separate promissory notes receivable in the amount of \$1,620 each (reference Note 17, “Notes Receivable from Shareholders”).

Related Party Contribution

As of April 1, 2021, Klee contributed his interest in 5310 Holdings and all assets owned by such 5310 Holdings to IN Nevada. Klee and IN Nevada intend for the contribution to constitute a tax-free contribution to the capital of IN Nevada under Section 351 of the Internal Revenue Code based on Klee owning more than 80% of IN Nevada at the date of the contribution and was the sole owner and managing member of 5310 Holdings. Prior to the contribution, IN Nevada held a licensing agreement for worldwide licenses to use, market, sell and promote certain trademarks held by 5310 Holdings. 5310 Holdings had been determined to be a “related party” of IN Nevada. The December 31, 2020, combined financial statements includes the accounts of IN Nevada and 5310 Holdings. This presentation reflects a common-controlled combination of previously existing entities. Control existed when IN Nevada was exposed, or had rights to variable returns from its involvement with the investee, and had the ability to affect those returns through its power over the investee. The financial statements of the entities were included in the combined financial statements from the date that control commenced until the date that control ceased. IN Nevada was the primary beneficiary of 5310 Holdings through the use of trademarks held by that entity. 5310 Holdings had no operations apart from ownership of the trademarks, and these intangibles were fully integrated into the operations of IN Nevada as of December 31, 2020.

As of December 31, 2020, amounts included from 5310 Holdings in the combined financial statements include intangible assets of \$87 and additional paid-in capital of \$87. Apart from these amounts, creditors and beneficial holders of 5310 Holdings had no recourse to the assets or general credit of IN Nevada. All intra-company transactions, balances, income and expenses were eliminated for presentation.

As of December 31, 2021, contributed interests from 5310 Holdings of \$87 were classified as intangible assets in the Company’s combined consolidated statement of financial position.

11. SHARE CAPITAL**Issued and Outstanding**

As of December 31, 2021, the Company had 1,200,001 Subordinate Voting Shares and 18,240 Multiple Voting Shares issued and outstanding. In addition, the Company has 320,000,000 Class B non-voting shares exchangeable into 320,000,000 Subordinate Voting Shares on a 1:1 basis. Including the Class B non-voting shares, on a fully-diluted, as-converted basis, there would be an aggregate of 321,218,241 Subordinate Voting Shares issued and outstanding (specifically, on

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conversion or exchange, as applicable, of 320,000,000 Class B non-voting shares and 18,240 Multiple Voting Shares, each on a 1:1 basis).

The descriptions and benefits of the share capital are discussed in greater detail in the Company's listing statement dated August 13, 2021, available at www.sedar.com.

For the year ending December 31, 2021, the Company had basic and diluted earnings per share of \$8.43 and \$0.03, respectively (basic and diluted at December 31, 2020 were both \$7.24).

12. CAPITAL STRUCTURE

The Company defines capital that it manages as shareholders' equity and debt.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable to ensure optimal capital structure to reduce the cost of capital.

13. PAYCHECK PROTECTION PROGRAM

On April 20, 2020, IN Nevada received loan proceeds in the amount of \$1,838 under the Paycheck Protection Program ("PPP"), established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). IN Nevada used all of the proceeds for purposes consistent with the PPP Loan guidelines and in June 2021, IN Nevada received notice from the Small Business Administration that the loans received in the amount of \$1,838 under the PPP have been forgiven. The forgiven amount was recorded as a reduction of general and administrative expenses in accordance with IAS 20.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants. The Company records certain financial instruments at fair value. The Company's financial instruments include cash, trade receivable and trade and other payables.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and trade receivables. The

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(Expressed in US Dollars, rounded in thousands except share amounts)

Company's cash is held in large American financial institutions and no losses have been incurred in relation to these items.

The aging of the Company's trade receivables as of December 31, 2021 and 2020 is as follows:

	Current	1 - 30 days past due	31 - 60 days past due	61 - 90 days past due	91+ days past due	Expected Credit Loss	Total
December 31, 2021	\$ 14,050	2,068	(215)	431	449	(389)	\$ 16,394
December 31, 2020	\$ 12,785	3,767	257	219	576	(390)	\$ 17,214

The carrying amount of cash and trade receivables represent the maximum exposure to credit risk, and as of December 31, 2021 and 2020, this amounted to \$17,019 and \$17,656, respectively.

Three customers accounted for approximately 39% of the Company's sales for the year ended December 31, 2021. Three customers represented approximately 59% of the trade receivables balance as of December 31, 2021.

Three customers accounted for approximately 38% of the Company's sales for the year ended December 31, 2020. Three customers represented approximately 50% of the trade receivables balance as of December 31, 2020.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As of December 31, 2021 and 2020, the Company has \$625 and \$442 of cash, respectively. The Company is obligated to pay trade and other payables, line of credit, and the lease liability with a carrying amount of \$24,103 and \$21,649 as of December 31, 2021 and 2020, respectively.

	Carrying Amount	Contracted Cash Flows	< 1 year	1 - 2 years	2 - 5 years	>5 years
Trade and other payables	\$ 13,310	\$ 13,310	\$ 13,310	\$ -	\$ -	\$ -
Accrued liabilities	814	814	814	-	-	-
Lease liabilities	3,800	3,963	1,465	1,568	930	-
Line of credit	6,178	6,178	6,178	-	-	-
Total	\$ 24,103	\$ 24,265	\$ 21,767	\$ 1,568	\$ 930	\$ -

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15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	Twelve months ended	
	December 31,	
	2021	2020
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 115	\$ 305
Cash paid for income taxes	216	112
Supplemental disclosure of non-cash investing and financing activities:		
Stock issued in exchange for promissory notes receivable (reference Note 17)	3,240	-

16. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) plan (the “Plan”) which allows all employees meeting the minimum service eligibility requirement to defer up to the maximum amount allowed by the Internal Revenue Code limits on a pre-tax or post-tax basis, or a combination thereof. The Company currently contributes a match equal to the lesser of \$1.5 per employee or 50% of an employee’s contribution capped at 4% of their compensation. The Plan also allows for discretionary profit-sharing contributions, and no such contributions were made during the years ended December 31, 2021 and 2020. Employer matching contributions totaled \$90 and \$95 for the years ended December 31, 2021 and 2020, respectively.

17. NOTES RECEIVABLE FROM SHAREHOLDERS

In April 2021, IN Nevada issued two executives separate promissory notes receivable in the amount of \$1,620 each in exchange for previously authorized common shares representing an aggregate 5% interest in IN Nevada as part of an amendment to the executives’ profit-sharing employment agreements. At the time of the share-based payment transaction, these shares were subsequently converted to Class B non-voting shares. The notes receivable are due and payable on April 1, 2030, and bear interest on their respective unpaid principal outstanding beginning April 1, 2021, at a rate per annum equal to one percent simple interest. The total accumulated interest for the two notes for the year ended December 31, 2021 was \$24. The total value of the notes, including accrued interest, are due and payable in a balloon payment upon maturity. As the terms of the notes do not provide unconditional rights to avoid delivering cash or other financial assets to settle, the notes receivable are presented as assets on the December 31, 2021 combined consolidated statement of financial position. Both notes receivable remained outstanding as of December 31, 2021.

18. NON-CONTROLLING INTEREST

The non-controlling interest of the Company represents the equity of the Company that Klee, the controlling party, does not own directly or indirectly. The following table presents the components of non-controlling interest for the years ended December 31, 2021 and 2020.

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	December 31,	
	2021	2020
Subordinate Voting Shares	\$ 3,000	\$ -
Class B Non Voting Shares	5,518	-
Accumulated Other Comprehensive Income	(2)	-
Retained Earnings	119	-
Total Non-Controlling Interest	\$ 8,635	\$ -

19. COMMITMENTS AND CONTINGENCIES

Commitments

The Company had no guarantee contracts, derivative instruments, off-balance sheet arrangements or contingent liabilities or obligations as of December 31, 2021.

Contingencies

Claims and Litigation

The Company is party to litigation from time to time in the normal course of business. The Company accrues liabilities related to litigation only when it concludes that it is probable that it will incur costs related to such litigation and can reasonably estimate the amount of such costs. In cases where the Company determines that it is not probable, but reasonably possible that it has a material obligation, it discloses such obligations and the possible loss or range of loss, if such estimate can be made. The Company maintains insurance to cover certain actions and believes that resolution of such litigation in the normal course of business will not have a material adverse effect on the Company's combined consolidated financial statements. The following litigation contingency existed as of December 31, 2021:

Batista v Irwin Naturals (IN Nevada), Case No. 2:20-cv-10737 (U.S. District Court, Central District of California)

Isabella Batista filed a class action lawsuit in the United States District Court for the Central District of California on November 24, 2020. Batista alleges that Irwin Naturals (IN Nevada) makes false and misleading claims on the packaging of its nutritional supplement product Ginkgo Smart. Batista alleges that ginkgo biloba, Ginkgo Smart's main ingredient, does not improve cognitive function, memory or concentration and therefore Ginkgo Smart's label claims are false and misleading. Batista seeks to represent a nationwide class of consumers and a New York subclass who purchased Ginkgo Smart. Batista lives, and purchased the product, in New York. Batista's prayer for relief includes damages, restitution, and/or disgorgement; compensatory and punitive damages; declaratory and injunctive relief; reasonable attorneys' fees and expenses and costs of the suit; and prejudgment interest on all amounts awarded. The Company filed a motion to dismiss the first amended complaint. The motion to dismiss was fully briefed as of March 26, 2021. The court ruled on the motion to dismiss on September 27, 2021, granting the motion in part and denying the motion in part. The Company submitted an answer to the First Amended Complaint in accordance with the direction given in the order from the court on October 19, 2021. Irwin Naturals (IN Nevada) is currently going through discovery with Batista and recently answered Batista's first set of interrogatories and requests for production on March 16, 2022. A deposition of plaintiff will follow shortly, although a date has not been set yet.

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Batista did not allege an enumerated amount of damages as is common with consumer class actions, as such amount is dependent on whether a class is certified, the potential size of the class and the sales of the product. In order to obtain subject matter jurisdiction with the Federal Court, Batista alleged her claim was over \$5,000. Notwithstanding the foregoing, Batista is asking the court or a jury to determine the amount of potential damages and / or attorney fees. Certain New York state statutes provide a minimum of fifty (\$50¹ or \$500¹) per consumer in a class action lawsuit, but any potential total amount is dependent upon a class being certified and an adverse ruling against Irwin Naturals (IN Nevada).

20. SUBSEQUENT EVENTS

The Company has evaluated events occurring after the reporting period. The Company is not aware of any significant events that occurred subsequent to the reporting period that would have a material impact on its combined consolidated financial statements, other than what is noted below.

On March 14, 2022, the Company completed the acquisition of its first ketamine clinic, Midwest Ketafusion, LLC. In consideration of the acquisition, 7,500 proportionate voting shares of the Company ("**Proportionate Voting Shares**") were issued. Each Proportionate Voting Share is convertible into 100 Subordinate Voting Shares of the Company.

Ketafusion's management team will remain in place following the acquisition. The shareholder of Ketafusion will be eligible to receive additional consideration based on certain conditions. First, if in the first 5 years after closing, Ketafusion earns an adjusted EBITDA of USD \$1,000 during a calendar year in the allotted period, Ketafusion would receive Irwin shares having an aggregate value of USD \$5,000. The value of Irwin shares issued for the above mentioned additional consideration is based on the volume weighted average closing price of the subordinate voting shares on the facilities of the CSE or such recognized Canadian or other senior stock exchange on which the subordinate voting shares are then trading for the five trading days immediately prior to the date the clinic satisfies the applicable conditions or such other price as may be mandated by the applicable policies of such exchange.

Ketafusion, located in Iowa City, Iowa is a profitable ketamine clinic with a strong track record.

In April 2022, IN Nevada issued a grid promissory note receivable to Klee that allows for an amount up to but not exceeding \$1,800 to be drawn down in increments of no more than \$300 per month through September 2022. The note receivable is due and payable in full on April 8, 2024, and bears interest on the unpaid principal outstanding beginning on April 8, 2022, at a rate per annum equal to one and three tenths of a percent (1.3%) simple interest. The accrued interest on the unpaid balance of the note is due and payable upon the demand of IN Nevada until the principal balance of the note is paid in full. The note is secured by a pledge of Irwin Naturals, Inc. stock owned by Klee.

In April 2022, the Company announced that it had entered into an agreement through its wholly owned subsidiary IN Cannabis, with The Hive Laboratory, LLC, ("**The Hive**") a California manufacturer and distributor of cannabis products, pursuant to which The Hive will license the Irwin Naturals brand, and will produce and distribute Irwin Naturals' brand famous formulas, such as Power to Sleep, augmented with THC.

¹ Not expressed in thousands

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In April 2022, the Company announced that it had entered into an acquisition agreement with KHC Capital Group, LLC and related entities ("**Ketamine Health Centers**"), which owns a chain of five ketamine treatment clinics in Florida with an additional partnership contract with two affiliate clinics in Mexico.

This agreement with Ketamine Health Centers is subject to certain customary closing conditions and regulatory approvals. As consideration for the acquisition, the Company will issue subordinate voting shares ("**SVS**") and proportionate voting shares ("**PVS**") in the capital of the Company, equivalent to 1,066,667 SVS on an as-converted to SVS basis ("**Closing Consideration Shares**") and assume or pay off approximately \$1,600 of debt at closing. In addition, members of Ketamine Health Center's will be entitled to receive an additional payment equal to the value of 10 times the contracting entities' 2022 EBITDA less the value of the Closing Consideration Shares at the time of closing to be paid in "SVS" and "PVS" as determined by the Company and will be based on the volume weighted average closing price of the SVS on the facilities of the CSE or such recognized Canadian or other senior stock exchange on which the SVS are then trading for the twenty trading days immediately prior to the date the applicable clinic satisfies the applicable conditions or such other price as may be mandated by the applicable policies of such exchange. Such payment shall be made on time at the end of the first quarter in 2023. Ketamine Health Center's management team will remain in place following the acquisition. There are no finder's fees payable by the Company in connection with the transaction.

The pre-acquisition owners of Ketamine Health Centers will be eligible to receive additional consideration based on certain conditions. If in the first three years after closing, the current Ketamine Health Centers team opens and operates additional clinics (to be branded as Irwin Naturals Emergence clinics) that earn \$150 in EBITDA on a per clinic basis, on an annualized basis over a 150 day rolling period, the members of Ketamine Health Centers shall earn \$250 in additional consideration to be paid in SVS and PVS. Such additional consideration is limited to a maximum of 10 additional clinics, and each clinic can only earn the additional consideration one time. Accordingly, up to an additional \$2,500 of SVS may be issuable. The value of Irwin shares that may be issued for the above mentioned additional consideration will be based on the volume weighted average closing price of the SVS on the facilities of the CSE or such recognized Canadian or other senior stock exchange on which the SVS are then trading for the twenty trading days immediately prior to the date the applicable clinic satisfies the applicable conditions or such other price as may be mandated by the applicable policies of such exchange.