

Condensed Combined Consolidated Interim Financial Statements

For the three months ended March 31, 2022 and 2021

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

Irwin Naturals, Inc.





TABLE OF CONTENTS

	<u>Page</u>
Condensed Combined Consolidated Interim Statements of Financial Position	1
Condensed Combined Consolidated Interim Statements of Profit and Comprehensive Income	2
Condensed Combined Consolidated Interim Statements of Changes in Equity	3
Condensed Combined Consolidated Interim Statements of Cash Flows	4
Notes to the Condensed Combined Consolidated Interim Financial Statements	5 - 25

Irwin Naturals, Inc.

Condensed Combined Consolidated Interim Statements of Financial Position

As of March 31, 2022 and December 31, 2021

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

	Notes	March 31, 2022	December 31, 2021
ASSETS			
Current Assets:			
Cash		\$ 853	\$ 625
Other Financial Assets		1	1
Trade Receivables	15	16,273	16,394
Inventory	6	20,003	18,652
Prepaid Expenses and Other Current Assets	5	1,237	1,469
Total Current Assets		<u>38,367</u>	<u>37,141</u>
Non-Current Assets:			
Property and Equipment	7	203	190
Right-of-Use Assets	9	3,552	3,722
Notes Receivable from Shareholders	18	3,272	3,264
Notes Receivable from Related Parties	11	100	-
Goodwill	4	6,114	-
Intangible Assets	11	87	87
Other Non-Current Assets		165	165
Deferred Tax Asset	20	2,337	2,650
Total Non-Current Assets		<u>15,830</u>	<u>10,078</u>
TOTAL ASSETS		<u>\$ 54,197</u>	<u>\$ 47,219</u>
LIABILITIES			
Current Liabilities:			
Trade and Other Payables	10	\$ 15,476	\$ 13,310
Reserve for Returns		491	814
Lease Liability - Current	9	1,488	1,366
Note Payable - Current	14	7	-
Line of Credit	8	3,636	6,178
Total Current Liabilities		<u>21,098</u>	<u>21,668</u>
Non-Current Liabilities:			
Lease Liability - Non Current	9	2,101	2,434
Note Payable - Non Current	14	109	-
Contingent Consideration	4	3,910	-
Deferred Tax Liability	20	20	1
TOTAL LIABILITIES		<u>27,238</u>	<u>24,103</u>
EQUITY			
Multiple Voting Shares	12	59	59
Subordinate Voting Shares	12	0	0
Class B Non Voting Shares	12	13,750	13,750
Accumulated Other Comprehensive Income		4	(9)
Retained Earnings		2,024	681
Total Controlling Interest		<u>15,837</u>	<u>14,481</u>
Non-Controlling Interest	19	11,122	8,635
Total Equity		<u>26,959</u>	<u>23,116</u>
TOTAL LIABILITIES & EQUITY		<u>\$ 54,197</u>	<u>\$ 47,219</u>

Nature of Operations (Note 1)

Commitments and Contingencies (Note 21)

Subsequent Events (Note 22)

Approved on behalf of the Board on May 27, 2022

The accompanying notes are an integral part of these unaudited Condensed Combined Consolidated Interim Financial Statements.

Irwin Naturals, Inc.

Condensed Combined Consolidated Interim Statements of Profit and Comprehensive Income

For the Three Months Ended March 31, 2022 and 2021

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

	For the Three Months Ended	
	March 31,	March 31,
	2022	2021
Operating Revenue	\$ 22,594	\$ 24,135
Cost of Sales	(11,548)	(12,388)
Gross Profit	11,046	11,747
Operating Expenses:		
Selling, General and Administrative Expenses	8,520	7,944
Income from Operations	2,526	3,803
Other Expense:		
Interest Expense	(249)	(28)
Total Other Expense	(249)	(28)
Profit before Income Taxes	2,277	3,775
Income Tax Expense (Note 20)	(696)	(60)
Net Profit	1,581	3,715
Less: Net Profit Attributable to Non-Controlling Interest	(237)	-
Net Profit Attributable to Controlling Interest	\$ 1,344	\$ 3,715
Foreign Currency Translation Differences	4	-
Total Comprehensive Income	1,585	3,715
Less: Comprehensive Income Attributable to Non-Controlling Interest	(237)	-
Comprehensive Income Attributable to Controlling Interest	\$ 1,348	\$ 3,715
Earnings per share - basic	\$ 1.32	\$ 3.72
Earnings per share - diluted	\$ 0.00	\$ 3.72
Weighted average number of shares outstanding- basic	1,200,001	1,000,000
Weighted average number of shares outstanding - diluted	321,368,241	1,000,000

The accompanying notes are an integral part of these unaudited Condensed Combined Consolidated Interim Financial Statements.

Irwin Naturals, Inc.

Condensed Combined Consolidated Interim Statements of Changes in Equity

For the Three Months Ended March 31, 2022 and 2021

(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
	Shares	Amount	Number of Shares										
			Class B Non-Voting	Multiple Voting	Subordinate Voting	Proportionate Voting	Amount						
Balance at January 1, 2021	1,000,000	\$ 1	-	-	-	-	\$ -	\$ 14,771	\$ -	\$ -	\$ 14,772	\$ -	\$ 14,772
Comprehensive Income	-	-	-	-	-	-	-	-	-	3,715	3,715	-	3,715
Distributions to Shareholders	-	-	-	-	-	-	-	-	-	(1,219)	(1,219)	-	(1,219)
Balance at March 31, 2021	1,000,000	\$ 1	-	-	-	-	\$ -	\$ 14,771	\$ -	\$ 2,496	\$ 17,268	\$ -	\$ 17,268
Balance at January 1, 2022	-	\$ -	320,000,000	18,240	1,200,001	-	\$ 16,809	\$ -	\$ (9)	\$ 681	\$ 14,481	\$ 8,635	\$ 23,116
Issuance of Shares	-	-	-	-	-	7,500	2,248	-	-	-	-	2,248	2,248
Comprehensive Income	-	-	-	-	-	-	-	-	-	1,585	1,585	-	1,585
Foreign Currency Translation Differences	-	-	-	-	-	-	-	-	13	(5)	8	2	10
Non - Controlling Interest Allocation	-	-	-	-	-	-	-	-	-	(237)	(237)	237	-
Balance at March 31, 2022	-	\$ -	320,000,000	18,240	1,200,001	7,500	\$ 19,057	\$ -	\$ 4	\$ 2,024	\$ 15,837	\$ 11,122	\$ 26,959

The accompanying notes are an integral part of these unaudited Condensed Combined Consolidated Interim Financial Statements.

Irwin Naturals, Inc.

Condensed Combined Consolidated Interim Statements of Cash Flows

For the Three Months Ended March 31, 2022 and 2021

(Expressed US Dollars, rounded in thousands)

	For the Three Months Ended	
	March 31,	March 31,
	2022	2021
Net Profit	\$ 1,581	\$ 3,715
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	405	354
Change in Allowance for Doubtful Accounts	58	69
Change in Inventory Reserve	(355)	-
Deferred Tax Asset	332	-
Non-Cash Share Capital from Ketafusion Acquisition	2,248	-
Interest Income	(8)	-
Interest Expense	38	28
Income Taxes Expense	696	60
Changes in Working Capital:		
Trade Receivables	63	192
Inventory	(996)	(766)
Prepaid Expenses and Other Assets	231	242
Trade and Other Payables	1,547	3,656
Reserve for Returns	(323)	(7)
Changes in Other Non-Current Assets	-	(29)
Net Cash Provided by Operating Activities	<u>5,517</u>	<u>7,514</u>
Cash Flow from Investing Activities:		
Purchases of Property and Equipment	(40)	-
Contingent Consideration	3,910	-
Goodwill	(6,114)	-
Net Cash Used in Investing Activities	<u>(2,244)</u>	<u>-</u>
Cash Flow from Financing Activities:		
Proceeds from Line of Credit	13,338	622
Payments on Line of Credit	(15,880)	(7,122)
Notes Receivable from Related Parties	(100)	-
Distributions to Shareholders	-	(1,097)
Payments on Lease Liability	(419)	(325)
Net Cash Used in Financing Activities	<u>(3,061)</u>	<u>(7,922)</u>
Effect of Foreign Exchange on Cash	16	-
Net Increase in Cash	228	(408)
Cash at Beginning of the Period	625	442
Cash at End of the Period	<u>\$ 853</u>	<u>\$ 34</u>

Supplemental Disclosure with Respect to Cash Flow (Note 16)

The accompanying notes are an integral part of these unaudited Condensed Combined Consolidated Interim Financial Statements.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

(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, 2021 through March 31, 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 that date were consolidated with the Company’s other subsidiaries and presented as Irwin Naturals, Inc. combined consolidated financial statements. All amounts presented as of March 31, 2022 and 2021 or for the year ended December 31, 2021 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.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

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. Refer to Note 4 for information related to the acquisition made by the Company in Q1 2022 and Note 22 for the latest developments related to IN Emergence in 2022 by the Company.

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 late 2022. Refer to Note 22 for the latest developments related to IN Cannabis in 2022 by the Company.

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 share-based payment 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 condensed combined consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("**IAS 34**") as issued by the International Accounting Standards Board ("**IASB**"). The financial statements do not contain all disclosures required by International Financial Reporting Standards ("**IFRS**") and accordingly should be read in conjunction with the audited combined consolidated financial statements for the year ended December 31, 2021 and the notes thereto.

The condensed combined consolidated interim financial statements of the Company for the three months ended March 31, 2022 and 2021 were authorized for issue by the Board of Directors on May 27, 2022.

Basis of Measurement

These condensed combined consolidated interim 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 within the audited combined consolidated financial statements for the year ended December 31, 2021.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

These condensed combined consolidated interim financial statements are based on the IFRS issued and effective as of May 27, 2022, the date these condensed combined consolidated interim financial statements were authorized for issuance by the Company's Board of Directors.

Basis of Consolidation

These condensed combined consolidated interim 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 the Company has the authority or ability to exert power and make financial and / or operating decisions (i.e., control). The condensed combined consolidated interim 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 condensed combined consolidated interim 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. In accordance with IFRS 8, as of March 31, 2022, 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

The preparation of these condensed combined consolidated interim financial statements in conformity with IAS 34 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:

- i) *Fair value of equity-like instruments*: Fair value of financial assets and financial liabilities recorded in the condensed combined consolidated interim statements of financial position,

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

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.

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

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

operating results remain uncertain at this time. In addition, it is possible that estimates in the Company's condensed combined consolidated interim 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 condensed combined consolidated interim 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 condensed combined consolidated interim 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 condensed combined consolidated interim 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 condensed combined consolidated interim financial statements.

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.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

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 March 31, 2022, there has been no impact to the Company's condensed combined consolidated interim 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 March 31, 2022 the amount of debt subject to IBOR reform is \$3,636 (reference Note 8, "Credit Facility").

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 (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)

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

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 represented, 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 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. ACQUISITION

A summary of the purchase price allocation and further notes related to the acquisition of Midwest Ketafusion LLC (“**Ketafusion**”) completed during the three months ended March 31, 2022 is provided below:

	For the Three Months Ended March 31, 2022
Purchase price allocation	Ketafusion
Assets acquired:	
Cash	\$ 105
Trade receivables, net	36
Prepaid expenses and other current assets	2
Property and equipment	20
Right-of-use assets	23
Goodwill	6,114
Contingent consideration	(3,910)
Liabilities acquired	(116)
Other liabilities assumed	(25)
Consideration transferred	\$ 2,248

The purchase price allocation is preliminary and certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be reevaluated in subsequent periods, not to exceed one year from the acquisition date.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

2022 acquisition

On March 14, 2022, the Company successfully completed the acquisition of its first ketamine clinic, 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.

Total consideration for Ketafusion consisted of 7,500 proportionate voting shares of the Company ("**Proportionate Voting Shares**") totaling \$2,248. 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 is also eligible to receive additional consideration based on certain conditions. 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 will 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.

In accordance with IFRS 3, IN Emergence recognized a contingent liability of \$3,910 calculated using the net present value of the \$5,000 contingent consideration described above. This liability will be adjusted each reporting period until the target EBITDA is reached and the consideration is paid or the five-calendar year term expires.

Additionally, IN Emergence, as part of the purchase accounting, recognized goodwill of \$6,114. This includes \$2,204, the excess on the consideration of \$2,248 PVS shares paid and \$44 of net asset received as well as \$3,910 related to the contingent liability described above.

The Company accounted for the acquisition of Ketafusion as a business combination. Prior to Ketafusion being purchased by the Company it operated a medical treatment facility, utilizing inputs and advanced processes and well as receiving fees for treatment of patients. The Company will operate the facility without substantial change to the acquired business. Ketafusion meets the standard for an acquired business that is properly accounted for as a business combination under IFRS 3.

The acquisition remains subject to post-closing adjustments, and the Company is still in the process of finalizing purchase price accounting.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consists of the following as of March 31, 2022 and December 31, 2021:

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

	March 31, 2022	December 31, 2021
Prepaid expenses	\$ 656	\$ 723
Prepaid insurance	127	78
Prepaid marketing	94	126
Prepaid inventory	40	270
Other receivables	320	272
Total Prepaid Expenses and Other Current Assets	\$ 1,237	\$ 1,469

6. INVENTORY

Inventory consists of the following as of March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Raw materials	\$ 3,457	\$ 3,794
Finished goods	16,546	14,858
Inventory, Net of Reserve	\$ 20,003	\$ 18,652

The amounts of additional reserve and reversals that are recognized during the three months ended March 31, 2022 and 2021, are included in cost of sales in the condensed combined consolidated interim statements of profit and comprehensive income as follows:

	March 31, 2022	December 31, 2021
Beginning balance	\$ 6,073	\$ 6,032
Provisions made during the period	384	2,196
Disposals and sales during the period	(577)	(2,155)
Ending balance	\$ 5,880	\$ 6,073

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of March 31, 2022 and December 31, 2021:

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

	Furniture & Fixtures	Computers & Equipment	Machinery & Equipment	Vehicles	Leasehold Improvements	Total
Cost						
Balance, January 1, 2021	\$ 406	\$ 856	\$ 137	\$ 135	\$ 1,192	\$ 2,726
Additions	-	36	-	-	16	52
Disposals	-	(60)	-	-	-	(60)
Balance, December 31, 2021	\$ 406	\$ 832	\$ 137	\$ 135	\$ 1,208	\$ 2,718
Cost						
Balance, January 1, 2022	\$ 406	\$ 832	\$ 137	\$ 135	\$ 1,208	\$ 2,718
Additions	16	26	-	-	-	42
Disposals	-	-	-	-	-	-
Balance, March 31, 2022	\$ 422	\$ 858	\$ 137	\$ 135	\$ 1,208	\$ 2,760
Accumulated Depreciation						
Balance, January 1, 2021	\$ (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)
Accumulated Depreciation						
Balance, January 1, 2022	\$ (401)	\$ (730)	\$ (137)	\$ (70)	\$ (1,191)	\$ (2,529)
Depreciation	(0)	(19)	-	(7)	(2)	(28)
Disposals	-	-	-	-	-	-
Balance, March 31, 2022	\$ (401)	\$ (749)	\$ (137)	\$ (77)	\$ (1,193)	\$ (2,557)
Net Book Value						
Balance, December 31, 2021	\$ 5	\$ 102	\$ -	\$ 65	\$ 17	\$ 190
Balance, March 31, 2022	\$ 21	\$ 109	\$ -	\$ 58	\$ 15	\$ 203

8. CREDIT FACILITY

In December 2021, the Company entered into an agreement for a two-year line of credit with a financial institution in the amount of the lesser of \$20,000 or the Company's borrowing base, as 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 (3.5% at March 31, 2022) plus 1%, for a total interest rate at March 31, 2022 of 4.5%, 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 line of credit was funded in January 2022 and the Company had used \$3,636 as of March 31, 2021. The Company is also in the process of ending the banking relationship with the financial institution that held the previous line of credit.

9. 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 in California. 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 Company's other ROU asset is a suite where the principal operations of Ketafusion are performed in Iowa. The current lease on this suite has a term of 16 months from

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

commencement of February 2022 expiring in May 2023. The following is a continuity schedule of the right-of-use assets for the three months ended March 31, 2022 and the year ended December 31, 2021.

	March 31, 2022	December 31, 2021
Balance - Beginning of Period	\$ 3,722	\$ 2,047
Lease Additions / Adjustments	208	2,981
ROU Amortization	(378)	(1,306)
Balance - End of Period	\$ 3,552	\$ 3,722

Lease Liabilities

The following is a continuity schedule of lease liabilities for the three months ended March 31, 2022 and the year ended December 31, 2021.

	March 31, 2022	December 31, 2021
Balance - Beginning of Period	\$ 3,800	\$ 2,146
Lease Additions / Adjustments	131	2,981
Lease Payments	(352)	(1,383)
Interest Expense on Lease Liabilities	10	56
Balance - End of Period	\$ 3,589	\$ 3,800
Current Portion	1,488	1,366
Non-current Portion	2,101	2,434

The following is a maturity schedule of leases as of March 31, 2022.

Maturity analysis for lease liabilities	Scheduled payments
One year or less	\$ 1,521
One to five years	2,114
More than five years	-
Total undiscounted lease liability	3,635
Impact of discount	(46)
Lease liability at March 31, 2022	3,589
Less: current portion of lease liability	(1,488)
Lease liability net of current portion	\$ 2,101

When measuring lease liabilities, the Company discounts lease payments using its incremental borrowing rate. For leases recognized during the year ended December 31, 2021, the weighted average rate applied was 3.11%. In 2022, the Company obtained a new valuation of the incremental borrowing rate and applied the rate of 1.12% for the lease on the building in California and 0.79% for the lease on the suite in Iowa. The Company recorded rent expense of \$500 and \$392 for the three months ended March 31, 2022 and 2021, respectively, which included expenses for short-term leases for the three months ended March 31, 2022 and 2021 of \$122 and \$69, respectively.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

10. TRADE AND OTHER PAYABLES

Trade and other payables consist of the following as of March 31, 2022 and December 31, 2021:

Trade and Other Payables	March 31, 2022	December 31, 2021
Trade Payables	\$ 8,289	\$ 6,025
Accrued Compensation	1,257	1,652
Customer Refunds	284	223
Interest Payable	-	8
Accrued Promotions	4,467	4,456
Other Accrued Expenses	1,179	946
Total Trade and Other Payables	\$ 15,476	\$ 13,310

11. 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 three months ended March 31, 2022 and 2021 the remuneration and other payments to the Company's directors and other key management personnel were as follows:

	March 31,	
	2022	2021
Wages and salaries	\$ 531	\$ 843

In April 2021, the Company issued two executives separate promissory notes receivable in the amount of \$1,620 each (reference Note 18, "Notes Receivable from Shareholders").

In March 2022, the Company issued an IN Emergence employee a secured promissory notes receivable in the amount of \$200, to be paid in two installments. The first installment of \$100 was due and paid on March 31, 2022. The second installment of \$100 is due on September 15, 2022.

Related Party Contribution

On April 1, 2021, Klee contributed his interest in 5310 Holdings and all assets owned by 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, 2021, combined consolidated financial statements include 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 consolidated

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

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, 2021.

As of December 31, 2021, amounts included from 5310 Holdings in the combined consolidated financial statements include intangible assets of \$87 and equity 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 March 31, 2022, contributed interests from 5310 Holdings of \$87 were classified as intangible assets in the Company's condensed combined consolidated interim statement of financial position.

12. SHARE CAPITAL

Issued and Outstanding

As of March 31, 2022, the Company had 1,200,001 Subordinate Voting Shares, 7,500 Proportionate 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 321,968,241 Subordinate Voting Shares issued and outstanding (specifically, on 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 and 7,500 Proportionate Voting Shares on a 100:1 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 three months ending March 31, 2022, the Company had basic and diluted earnings per share of \$1.32 and \$0.00, respectively (basic and diluted at March 31, 2021 were both \$3.72).

13. 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.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

14. NOTE PAYABLE

In March 2022, as a part of the acquisition of Ketafusion, the Company acquired an outstanding Small Business Administration (“SBA”) loan. The outstanding balance as of the date of the acquisition and included in the purchase accounting as described in Note 4 above was \$116. The SBA loan was effective on June 18, 2020 and is due and payable 30 years from that date. Installment payments were due beginning twelve months after the effective date including interest that is accruing at a rate of 3.75% per year.

15. 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 of Directors 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 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 March 31, 2022 and December 31, 2021 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
March 31, 2022	\$ 13,606	2,694	257	96	66	(446)	\$ 16,273
December 31, 2021	\$ 14,050	2,068	(215)	431	449	(389)	\$ 16,394

The carrying amount of cash and trade receivables represent the maximum exposure to credit risk, and as of March 31, 2022 and December 31, 2021, this amounted to \$17,126 and \$17,019, respectively.

Three customers accounted for approximately 22% of the Company's sales for the three months ended March 31, 2022. Three customers represented approximately 48% of the trade receivables balance as of March 31, 2022.

Two customers accounted for approximately 31% of the Company's sales for the three months ended March 31, 2021. Two customers represented approximately 42% of the trade receivables balance as of March 31, 2021.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

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 March 31, 2022 and December 31, 2021, the Company has \$853 and \$625 of cash, respectively. The Company is obligated to pay trade and other payables, lease liabilities, line of credit, contingent consideration, and note payable with a carrying amount of \$27,218 and \$24,103 as of March 31, 2022 and December 31, 2021, respectively.

	Carrying Amount	Contracted Cash Flows	< 1 year	1 - 2 years	2 - 5 years	>5 years
Trade and other payables	\$ 15,476	\$ 15,476	\$ 15,476	\$ -	\$ -	\$ -
Accrued liabilities	491	491	491	-	-	-
Lease liabilities	3,589	3,635	1,521	1,583	532	-
Line of credit	3,636	3,636	3,636	-	-	-
Contingent consideration	3,910	5,000	-	5,000	-	-
Note payable	116	193	7	7	21	159
Total	\$ 27,218	\$ 28,431	\$ 21,130	\$ 6,590	\$ 552	\$ 159

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	For the Three Months Ended	
	March 31, 2022	March 31, 2021
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 36	\$ 28
Cash paid for income taxes	16	60
Supplemental disclosure of non-cash investing and financing activities:		
Stock issued for Ketafusion Acquisition (reference Note 4)	2,248	-

17. 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 three months ended March 31, 2022 and 2021. Employer matching contributions totaled \$30 and \$23 for the three months ended March 31, 2022 and 2021, respectively.

18. 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

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

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 at March 31, 2022 was \$32. 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 March 31, 2022 condensed combined consolidated interim statement of financial position. Both notes receivable remained outstanding as of March 31, 2022.

19. 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 as of March 31, 2022 and December 31, 2021.

	March 31, 2022	December 31, 2021
Subordinate Voting Shares	\$ 3,000	\$ 3,000
Proportionate Voting Shares	2,248	-
Class B Non Voting Shares	5,518	5,518
Retained Earnings	118	119
Current Year Net Income Allocation	237	-
Accumulated Other Comprehensive Income	2	(2)
Total Non-Controlling Interest	\$ 11,122	\$ 8,635

20. 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 condensed combined consolidated interim 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 condensed combined consolidated interim 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 state rate adjusted for federal tax benefit is 6.3%. A provision for state income tax has been included in these condensed combined consolidated interim financial statements.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

Income tax expense

This note provides an analysis of the Company's income tax expense for the three months ended March 31, 2022 and 2021:

	March 31,	March 31,
	2022	2021
Current Income Tax:		
Current tax on profits for the year - US	\$ 248	\$ -
Current tax on profits for the year - States	116	60
Deferred Income Tax:		
Deferred tax expense - US	284	-
Deferred tax expense - States	48	-
Total Income Tax Expense	\$ 696	\$ 60

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 \$12,713 for the three months ended March 31, 2022 and 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.

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 three months ended March 31, 2022 and 2021.

The following table reconciles the expected income tax expense at the Canadian statutory income tax rates to the amounts recognized in the condensed combined consolidated interim statement of profit and comprehensive income for the three months ended March 31, 2022 and 2021:

	For the Three Months Ended	
	March 31,	March 31,
	2022	2021
Income before taxes	\$ 2,276	\$ 3,776
Statutory tax rate	26.5%	26.5%
Expected income tax expense	603	1,001
Non-deductible items	-	(2)
Difference in foreign tax rates	18	(943)
Change in prior year tax expense	75	4
Total income tax expense / (recovery)	\$ 696	\$ 60

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

The significant components of income item temporary differences for which income tax liabilities have been recognized as of March 31, 2022 and December 31, 2021 are as follows:

	March 31,	December 31,
	2022	2021
Property and equipment and intangibles	\$ 1	\$ 1
Right-of-use assets	20	-
Total	\$ 21	\$ 1

The significant components of deductible temporary differences for which income tax assets have been recognized as of March 31, 2022 and December 31, 2021 are as follows:

	March 31,	December 31,
	2022	2021
Inventory	\$ 2,015	\$ 2,089
Returns and Allowances	133	218
Trade Receivables	121	104
Compensation	61	213
State Income Tax	7	26
Total	\$ 2,337	\$ 2,650

The Company is subject to taxation in the United States and various states and foreign jurisdictions. As of the date of these condensed combine consolidated financial statements the Company is not under examination by any tax authority. As of March 31, 2022, the tax years 2018, 2019 and 2020 are subject to examination by the United States tax authorities. For the various states the tax years subject to examination extend one tax year to 2017. With few exceptions, as of March 31, 2022, the Company is no longer subject to United States federal examinations for tax years before 2018 and state, local, or foreign examinations by tax authorities for tax years before 2017.

21. COMMITMENTS AND CONTINGENCIES**Commitments**

The Company had no guarantee contracts, derivative instruments, or off-balance sheet arrangements as of March 31, 2022. The Company had contingent considerations of \$3,910 as of March 31, 2022 as described above in Note 4.

ContingenciesClaims 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

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

Company's condensed combined consolidated interim financial statements. The following litigation contingency existed as of March 31, 2022:

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

Isabella Batista ("**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'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. 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).

Irwin Naturals (IN Nevada) is looking to aggressively defend itself and its counsel, Call & Jensen, has 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. Irwin Naturals (IN Nevada) 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 Batista will follow shortly, although a date has not been set yet.

Reese v Irwin Naturals (IN Nevada) – Product Liability Case No. 21STCV25158

Herman and Jasmine Reese ("**Reese**") filed a products liability lawsuit in Los Angeles County, California on July 8, 2021 alleging that Reese sustained certain injuries caused by his use of Irwin Naturals' (IN Nevada) product Libido Max. Irwin Naturals (IN Nevada) was served with the complaint on July 23, 2021.

Reese seeks to represent Herman and Jasmine Reese, husband and wife, who claim injuries to his heart and certain limbs, including injuries which resulted from surgery allegedly caused by Irwin Naturals' (IN Nevada) products. Reese's causes of actions include strict product's liability, negligence, breach of express and implied warranty, failure to warn / negligent failure to recall, and loss of consortium. Reese's prayer for relief includes economic and special damages, loss of earnings and impaired earning capacity, medical and related care including life care, expenses (past and future), punitive or exemplary damages, costs of suit and other recoverable elements of

¹ Not expressed in thousands

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

damages according to common law all to be proved at trial. Reese did not enumerate a specific amount to be sought in the complaint. It should be noted that this claim has been reported to Irwin Naturals' (IN Nevada) insurance carrier and they are currently handling the claim, meaning any potential liability to Irwin Naturals (IN Nevada) would be limited to Irwin Naturals' (IN Nevada) \$25 self-insured retention.

As is our usual approach, Irwin Naturals (IN Nevada) is looking to vigorously defend itself in this lawsuit. Although Irwin Naturals (IN Nevada) is at the beginning stages of this lawsuit and does not have Reese's medical records or other relevant information, the alleged injuries are not consistent with the suggested use of this product and Irwin Naturals (IN Nevada) stands behind the safety of our products. In response to Irwin Naturals' (IN Nevada) Demurrer and Motion to Strike, Reese filed a First Amended Complaint effectively complying with Irwin Naturals (IN Nevada) arguments in its initial pleadings. Irwin Naturals (IN Nevada) and Reese are currently going through discovery.

Reese served Irwin Naturals (IN Nevada) with a second lawsuit over the same facts on May 5, 2022 (Case No. 22ST CV09338). Irwin Naturals (IN Nevada) will look to meet and confer with Reese and request Reese to dismiss the complaint, but if needed will file a demurrer to get the complaint dismissed by the court.

22. 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 condensed combined consolidated interim financial statements, other than what is noted below.

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, and in May 2022, the Company announced that it had entered into additional agreements through its wholly owned subsidiary IN Cannabis, with Assurance Laboratories, LLC ("**Assurance**"), a New Mexico based manufacturer and distributor of cannabis products, Larsen Group II, LLC ("**Larsen**") a Colorado manufacturer of cannabis products, and BeneLeaves Ltd ("**BeneLeaves**"), an Ohio based manufacturer of cannabis products pursuant to which The Hive, Assurance, Larsen and BeneLeaves will license the Irwin Naturals brand in their respective states, and will produce and distribute Irwin Naturals' brand famous formulas, such as Power to Sleep, augmented with THC.

In May 2022, the Company announced that it completed the acquisition of 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 an affiliate clinic in Mexico.

Irwin Naturals, Inc.

Notes to the Condensed Combined Consolidated Interim Financial Statements

As of and For the Three Months Ended March 31, 2022 and 2021

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

As consideration for the acquisition, the Company issued 667 subordinate voting shares (“SVS”) and 10,660 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 assumed approximately \$1,600 of debt of which \$1,000 was repaid 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 \$125 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.

In May 2022, the Company announced it had entered into a binding agreement to acquire the assets of New England Ketamine PLLC (“NEK”), a healthcare clinic in Salem, New Hampshire. The agreement is subject to certain customary closing conditions and regulatory approvals. The transaction is back-end loaded, aligning the sellers’ interest with the Company and its shareholders. The total consideration is to be paid in a combination of cash and stock, with the maximum payable contingent on a number of milestones related to profitability and operational goals. Further detail will be provided upon closing.