

December 5, 2022



Irwin Naturals Files Q3 2022 Financials

Successful Execution on Ketamine Clinic Rollup Strategy and Cannabis Licensing to Accelerate Future Growth

LOS ANGELES, Dec. 05, 2022 (GLOBE NEWSWIRE) -- **Irwin Naturals Inc. (CSE: IWIN) (OTC: IWINF) (FRA: 97X)** (“Irwin” or the “Company”) announced the Company filed results for its third quarter of fiscal 2022, the period ended September 30, 2022 on www.sedar.com.

Sean Sand, CFO, stated, “Despite cost pressures continuing through the quarter, we were able to grow our Gross Margins by +4.8% over Q3 2021. The Gross Margin increase can be attributed to sales mix coupled with the early success of a targeted price increase across the market. In addition, we were still able to maintain positive Operating Profits despite the additions in the cost base to support the early phases of the Emergence and Licensing businesses.”

Mr. Sand continued, “Our balance remains strong, and have access to considerable working capital to fund our accelerated growth plans. To date we have closed or announced agreements to acquire entities or assets amounting to 18 clinics and anticipate several more closing as we exit 2022 and in the coming quarters. In addition, we are continuing our rollout of our licensing deals, which now sees us in six states and in Canada.”

Financial Summary

<i>(in thousands)</i>	Three months ended				Nine Months Ended			
	September 30,		\$	%	September 30,		\$	%
Combined Statement of Profit	2022	2021	Change	Change	2022	2021	Change	Change
Non-CBD operating revenue	\$20,346	\$20,899	\$ (553)	-2.6%	\$61,205	\$66,334	\$(5,129)	-7.7%
CBD operating revenue	1,679	2,774	(1,095)	-39.5%	5,221	8,067	(2,846)	-35.3%

Total Operating Revenue	22,024	23,673	(1,649)	-7.0%	66,427	74,401	(7,974)	-10.7%
Gross Profit	10,603	10,117	486	4.8%	31,208	33,970	(2,762)	-8.1%
Income from Operations	622	1,232	(610)	-49.5%	3,653	8,170	(4,517)	-55.3%
Net Profit / (Loss)	(583)	(1,466)	883	60.2%	1,109	5,226	(4,117)	-78.8%

	As of	As of	\$	%
Statement of Financial Position	Sept 30, 2022	Dec 31, 2021	Change	Change
Total assets	71,527	47,219	24,308	51.5%
Total liabilities	41,027	24,103	16,924	70.2%

Klee Irwin, CEO, commented, "In Q3, Irwin Naturals moved close to becoming the world's largest chain of dedicated psychedelic mental health clinics. In addition, we are rapidly on our way to doubling our profits from last year on an annualized basis based on potential acquisitions in the psychedelic mental. The mental healthcare industry is a 1.5 trillion dollar behemoth in desperate need of a disruptive sea change. With standard treatments having an average effectiveness of approximately 17%, the drastic improvements of results from psychedelic treatments is that sea change. We currently have no meaningful competitors in our rearview mirror and intend to be the world's first chain of clinics in this sector to exceed 100 locations."

Financial Highlights

- The 7% decline in overall operating revenues were due largely to supply issues in the CBD segment, related to a reduction in supply at a key supplier. The decline, though still down from prior year, is recovering quarter over quarter. Production of CBD products has restarted at the Company's manufacturer. Other factors impacting sales related to order timing and the loss of distribution of certain non-CBD mass market products.
- Income from operations in Q3 2022 came in at \$0.6 million, as compared to \$1.2M million for the same period in the prior year. The reduction in income was driven primarily by the aforementioned decrease in business volume and startup costs related to Emergence by Irwin Naturals (ketamine clinics) and Irwin Naturals Cannabis (intellectual property licensing to the cannabis industry).
- The overall decrease in business volume paired with startup costs related to the Company's initiatives in cannabis and the aforementioned startup costs, resulted in a decrease in Adjusted EBITDA¹ to \$0.5 million.

<i>(in thousands)</i>	Three months ended				Nine months ended			
	September 30,		\$	%	September 30,		\$	%
	2022	2021	Change	Change	2022	2021	Change	Change
Net Profit	\$ (583)	\$(1,466)	\$ 883	60.2%	\$1,109	\$5,226	\$(4,117)	-78.8%
Interest Expense	181	34	147	432.4%	541	91	450	494.5%
Income Tax Expense	1,024	162	862	532.1%	2,003	351	1,652	470.7%
Depreciation and Amortization	468	353	115	32.6%	1,299	1,061	238	22.4%
EBITDA	\$1,090	\$ (917)	\$ 2,007	218.9%	\$4,952	\$6,729	\$(1,777)	-26.4%
Foreign Exchange (Gain) / Loss	(33)	-	(33)	100.0%	(45)	-	(45)	100.0%
Listing Expenses	-	2,502	(2,502)	0.0%	-	2,502	(2,502)	0.0%
Other Income	-	-	-	100.0%	-	-	-	0.0%
Adjusted EBITDA	\$1,057	\$ 1,585	\$ (528)	-33.3%	\$4,907	\$9,231	\$(4,324)	-46.8%

¹EBITDA is a non IFRS metric that management believes provides a metric for rapid analysis of the underlying strength of the business. A reconciliation from IFRS to EBITDA is provided in the accompanying table above and at the end of this release.

- Cash provided by operating activities by Irwin were \$3.6 million and \$14.6 million for the nine months ended September 30, 2022 and 2021, respectively. The decrease in operating cash flows is primarily due to lower operating revenue and temporary unfavourability to working capital led by the timing of payments to the Company's primary product manufacturer couple with increased cash related to Emergence startup costs.

Operational Highlights & Subsequent Events

Irwin Naturals is executing on an aggressive expansion strategy into the high-growth cannabis and psychedelics sectors. The Company intends to leverage its household name brand status to drive an aggressive rollup of mental health clinics (the Company is focused on ketamine clinics, as this is currently the only FDA-approved and/or regulated psychedelic substance). Furthermore, the Company has begun executing on its brand licensing strategy throughout the US. To date, the Company has announced agreements to acquire entities or assets; or completed the acquisition of such entities or assets amounting to 17 clinics, as well as the signing of seven brand licensing deals that will see Irwin Naturals products enhanced with THC be offered in California, Colorado, New Mexico, Mississippi, Ohio, Michigan and Canada.

State	Clinic Acquisitions
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Florida	Ketamine Health Centers (5 clinics) Florida Mind Health (3 clinics) Dura Medical (1 clinic)
Iowa	Midwest Ketafusion
New Hampshire	New England Ketamine
Mexico	Ketamine Health Centers
Vermont	Preventive Medicine
Georgia	Invictus Clinics (2 clinics)
Washington	Tri-Cities Infusion
Idaho	Ketamine Infusions of Idaho
Ohio	Happier You
Kentucky	Serenity Health

State	Brand License Recipients
California	The Hive Laboratory, LLC
Colorado	Larsen Group II, LLC
Ohio	BeneLeaves, Ltd
New Mexico	Assurance Laboratories, LLC
Canada	Entourage Health Corp.
Mississippi	Mockingbird Cannabis, LLC
Michigan	42 Degrees Processing, LLC

Business highlights and subsequent events

NOV 30, 2022 - [Irwin Naturals Leverages Household Brand Status in Effort to be World's Largest Chain of Psychedelic Mental Health Clinics](#)

NOV 09, 2022 - [Irwin Naturals Looks to Add Pacific Northwest Ketamine Clinic to Its National Footprint](#)

NOV 07, 2022 - [Irwin Naturals THC Products to be Available In Mississippi Dispensaries](#)

NOV 03, 2022 - [Irwin Naturals Looks to Add to Florida Foothold in Expanding Chain of Healthcare Clinics](#)

NOV 01, 2022 - [Irwin Naturals Looks to Add to Florida Foothold, Expanding Chain of Healthcare Clinics](#)

OCT 04, 2022 - [Irwin Naturals Agrees to Add Idaho Clinic to Its National Chain of Psychedelic Mental-Health Clinics](#)

SEP 29, 2022 - [Irwin Naturals Acquiring Ketamine Media](#)

SEP 23, 2022 - [Company Announces Normal Course Issuer Bid for Subordinate Voting Shares of the Corporation](#)

SEP 06, 2022 - [Irwin Naturals Emergence to Add Ohio Ketamine Clinic](#)

About Irwin Naturals

Irwin Naturals has been a household name and best-in-class nutraceutical company since 1994. It is now leveraging its brand into both the cannabis and psychedelic sectors. On a

mission to heal the world with plant medicine, Irwin has operated profitably for over 27 years¹. The growing portfolio of products is available in more than 100,000 retail doors across North America, where 80% of households know the Irwin Naturals brand². In 2018, the Company first leveraged its brand to expand into the cannabis industry by launching hemp-based CBD products into the mass market. The Company is now leveraging its famous halo of brand trust to become, perhaps, the first household name brand to offer THC-based products. Its rapidly growing national chain of psychedelic mental health clinics is called Irwin Naturals Emergence.

For investor-related information about the Company, please visit ir.irwinnaturals.com/

To contact the Company's Investor Relations department, please call toll-free at (800) 883-4851 or send an email to Investors@IrwinNaturals.com.

"Klee Irwin"

Klee Irwin
Chief Executive Officer
T: 310-306-3636
investors@irwinnaturals.com

IR Information

Press Contact

Irwin Naturals Investor Relations
Cassandra Bassanetti-Drumm
T: 310-306-3636
investors@irwinnaturals.com

Regulatory Overview

The following is a brief summary of regulatory matters concerning ketamine in the United States ("US"). Under the Controlled Substances Act (21 U.S.C. § 811) (the "CSA"), ketamine is currently a Schedule III drug as well as being listed under the associated Narcotic Control Regulations, and psilocybin is currently a Schedule I drug.

Most US States have enacted Controlled Substances Acts ("**State CSAs**") which regulate the possession, use, sale, distribution, and manufacture of specified drugs or categories of drugs and establish penalties for State CSA violations and form the basis for much state and local drug laws enforcement activity. State CSAs have either adopted drug schedules identical or similar to the federal CSA schedules or, in some instances, have incorporated the federal scheduling mechanism. Among other requirements, some US States have established a prescription drug monitoring or review programs collect information about prescription and dispensing of controlled substances for the purposes of monitoring, analysis and education.

In the United States, facilities holding or administering controlled substances must be registered with the US Drug Enforcement Agency ("**DEA**") to perform this activity. As such, medical professionals and/or the clinics in which they operate, as applicable, are also

required to have a DEA license to obtain and administer ketamine (a "**DEA License**"). While ketamine is a controlled substance in the United States, it is approved for general anesthetic induction under the US Food, Drug, and Cosmetic Act. Once a drug is approved for use, physicians may prescribe that drug for uses that are not described in the product's labelling or that differ from those tested by the manufacturer and approved by the Food and Drug Administration (the "**FDA**"). Licensed medical practitioners may prescribe ketamine legally in Canada or the United States where they believe it will be an effective treatment in their professional judgment.

Please see Irwin's filing statement on its SEDAR profile for more information on the regulatory environment and regulations surrounding the US THC industry.

Forward-Looking Information

This news release contains certain forward-looking statements that reflect the current views and/or expectations of management of the Company with respect to performance, business and future events. Forward-looking statements can often be identified by words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words. Forward-looking statements are based on the then-current expectations, beliefs, assumptions, estimates and forecasts about the business and the industry and markets in which the Company operates. The Company does not undertake any obligation to release publicly any revisions for updating any voluntary forward-looking statements, except as required by applicable securities law.

Neither the CSE nor its Market Regulator (as that term is defined in policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

SOURCE: Irwin Naturals Inc.

EBITDA and Adjusted EBITDA - Reconciliation

The Company defines EBITDA and Adjusted EBITDA as per the table below. It should be noted that these performance measures are not defined under IFRS and may not be comparable to similar measures used by other entities. The Company believes that these measures are useful financial metrics as they assist in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net earnings or cash flows as determined under IFRS. The reconciling items between net earnings, EBITDA, and Adjusted EBITDA are as follows:

<i>(in thousands)</i>	Three months ended				Nine months ended			
	September 30,		\$	%	September 30,		\$	%
	2022	2021	Change	Change	2022	2021	Change	Change
Net Profit	\$ (583)	\$(1,466)	\$ 883	60.2%	\$1,109	\$5,226	\$(4,117)	-78.8%

Interest Expense	181	34	147	432.4%	541	91	450	494.5%
Income Tax Expense	1,024	162	862	532.1%	2,003	351	1,652	470.7%
Depreciation and Amortization	468	353	115	32.6%	1,299	1,061	238	22.4%
EBITDA	\$1,090	\$ (917)	\$ 2,007	218.9%	\$4,952	\$6,729	\$(1,777)	-26.4%
Foreign Exchange (Gain) / Loss	(33)	-	(33)	100.0%	(45)	-	(45)	100.0%
Listing Expenses	-	2,502	(2,502)	0.0%	-	2,502	(2,502)	0.0%
Other Income	-	-	-	100.0%	-	-	-	0.0%
Adjusted EBITDA	\$1,057	\$ 1,585	\$ (528)	-33.3%	\$4,907	\$9,231	\$(4,324)	-46.8%

Irwin Naturals Unaudited Condensed Combined Consolidated Interim Statements of Financial Position

	Notes	September 30, 2022	December 31, 2021
ASSETS			
Current Assets:			
Cash		\$ 1,205	\$ 625
Other Financial Assets		-	1
Trade Receivables	15	14,236	16,394
Inventory	6	23,547	18,652
Prepaid Expenses and Other Current Assets	5	2,182	1,469
Total Current Assets		41,170	37,141
Non-Current Assets:			
Property and Equipment	7	247	190
Right-of-Use Assets	9	4,200	3,722
Notes Receivable from IN Nevada Shareholders	18	5,349	3,264
Goodwill	4	18,154	-
Intangible Assets	11	87	87
Other Non-Current Assets		255	165
Deferred Tax Asset	20	2,065	2,650
Total Non-Current Assets		30,357	10,078
TOTAL ASSETS		\$ 71,527	\$ 47,219
LIABILITIES			
Current Liabilities:			
Trade and Other Payables	10	\$ 15,767	\$ 13,310

Reserve for Returns		491	814
Lease Liability - Current	9	2,110	1,366
Line of Credit	8	10,209	6,178
Total Current Liabilities		<u>28,577</u>	<u>21,668</u>

Non-Current Liabilities:

Lease Liability - Non Current	9	2,182	2,434
Note Payable - Non Current	14	489	-
Contingent Consideration	4	8,908	-
Deferred Tax Liability	20	871	1
Total Non-Current Liabilities		<u>12,450</u>	<u>2,435</u>

TOTAL LIABILITIES		\$ 41,027	\$ 24,103
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EQUITY

Subordinate Voting Shares	12	3,689	3,000
Proportionate Voting Shares	12	5,610	-
Multiple Voting Shares	12	59	59
Class B Non Voting Shares	12	13,750	13,750
Accumulated Other Comprehensive Income		(33)	(11)
Retained Earnings		855	189
Total Controlling Interest		<u>23,930</u>	<u>16,987</u>
Non-Controlling Interest of IN Nevada	19	6,570	6,129
Total Equity		<u>30,500</u>	<u>23,116</u>
TOTAL LIABILITIES & EQUITY		\$ 71,527	\$ 47,219

Irwin Naturals Unaudited Condensed Combined Consolidated Interim Statements of Profit and Comprehensive Income

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Operating Revenue	\$ 22,024	\$ 23,673	\$ 66,427	\$ 74,401
Cost of Sales	(11,421)	(13,556)	(35,219)	(40,431)
Gross Profit	10,603	10,117	31,208	33,970
Operating Expenses:				
Selling, General and Administrative Expenses	9,981	8,885	27,555	25,800
Income from Operations	622	1,232	3,653	8,170

Other Expense:				
Interest Expense	(181)	(34)	(541)	(91)
Listing Expense	-	(2,502)	-	(2,502)
Total Other Income / (Expense)	(181)	(2,536)	(541)	(2,593)
Profit / (Loss) before Income Taxes	441	(1,304)	3,112	5,577
Income Tax Expense (Note 20)	(1,024)	(162)	(2,003)	(351)
Net Profit / (Loss)	(583)	(1,466)	1,109	5,226
Less: Net Profit / (Loss) Attributable to Non-Controlling Interest of IN Nevada	(90)	(142)	(441)	-
Net Profit / (Loss) Attributable to Controlling Interest	\$ (673)	\$ (1,608)	\$ 668	\$ 5,226
Foreign Currency Translation Differences	(33)	39	(45)	39
Total Comprehensive Income / (Loss)	(616)	(1,427)	1,064	5,265
Less: Comprehensive Income / (Loss) Attributable to Non-Controlling Interest of IN Nevada	(90)	(142)	(441)	611
Comprehensive Income / (Loss) Attributable to Controlling Interest	\$ (706)	\$ (1,569)	\$ 623	\$ 5,876
Earnings per share - basic	\$ (0.39)	\$ (1.22)	\$ 0.73	\$ 4.35
Earnings per share - diluted	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ 0.02
Weighted average number of shares outstanding - basic	1,509,516	1,200,001	1,509,547	1,200,001
Weighted average number of shares outstanding - diluted	323,529,359	312,218,241	322,483,202	312,218,241

Irwin Naturals Unaudited Condensed Combined Consolidated Interim Statements of Cash Flows

For the Nine Months Ended

	September 30, 2022	September 30, 2021
Net Profit	\$ 1,109	\$ 5,265
Adjustments to Reconcile Net Profit to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	2,230	1,061
Change in Allowance for Doubtful Accounts	11	97
Change in Inventory Reserve	(3,766)	-
Deferred Tax Asset	585	-
Non-Cash Share Capital from Share-Based Payment Transaction	-	3,012
Non-Cash Share Capital from Acquisitions	(689)	-
Interest Income	-	-
Interest Expense	499	92
Income Taxes Expense	1,424	351
Changes in Working Capital:		
Trade Receivables	981	3,526
Inventory	(1,130)	(1,731)
Prepaid Expenses and Other Assets	(713)	615
Trade and Other Payables	3,475	2,320
Reserve for Returns	(323)	(7)
Changes in Other Non-Current Assets	(90)	(29)
Net Cash Provided by Operating Activities	<u>3,603</u>	<u>14,572</u>
Cash Flow from Investing Activities:		
Purchase of Investments	-	(1)
Purchase of Property and Equipment	(142)	(47)
Contingent Consideration	8,908	-
Goodwill	(18,154)	-
Net Cash Used in Investing Activities	<u>(9,388)</u>	<u>(48)</u>
Cash Flow from Financing Activities:		
Proceeds from Line of Credit	686	18,614
Payments on Line of Credit	6,863	(23,924)
Notes Receivable from Related Parties	(2,085)	-
Distributions to Shareholders	-	(8,021)
Payments on Lease Liability	955	(991)
Net Cash Used in Financing Activities	<u>6,419</u>	<u>(14,322)</u>
Effect of Foreign Exchange on Cash	(54)	-
Net Increase in Cash	580	202
Cash at Beginning of the Period	<u>625</u>	<u>442</u>

Cash at End of the Period

\$	1,205	\$	644
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¹ Under several corporate structures, Klee Irwin has operated the Irwin brand profitably since 1994, as measured by EBITDA adjusted for extraordinary costs.

² Based on a Company survey with a sample size of 500 randomly selected adults.



Source: Irwin Naturals