

May 31, 2023



Irwin Naturals Reports Q1 2023 Financial Results

LOS ANGELES, May 31, 2023 (GLOBE NEWSWIRE) -- **Irwin Naturals Inc. (CSE: IWIN) (OTC: IWINF) (FRA: 97X)** ("Irwin" or the "Company") today reported its financial results for the first quarter and year ended March 31, 2023, on www.sedar.com.

Financial Highlights for Q1 2023 (all comparisons are for the year ended December 31 unless otherwise indicated):

- Q1 2023 revenue was \$22.5 million, down 0.4% from \$22.6 million in Q1 2022.
- Income from operations decreased \$4.0 million from \$2.5 million in Q1 2022 to a loss of \$1.5 million in Q1 2023. The decrease is primarily attributed to the continued startup costs related to the Company's 2022 and 2023 Acquisitions at Irwin Naturals Emergence (the company acquired 13 mental health clinics and one advertising platform) and Irwin Naturals Cannabis (intellectual property licensing to the cannabis industry).
- Q1 2023 net loss of \$7.7 million includes \$6.5 million of impairment charges related to the 2022 Acquisitions.

Financial Highlights for Q1 2023 and Year to Date 2023

- Secured a credit facility as of February 1, 2023 with its existing commercial lender for \$40 million, with the potential of being up to \$60 million.
- Completed the acquisition of Serenity Health, LLC, one of the leading ketamine clinics in Louisville, KY on February 17, 2023.
- Announced the successful acquisition of Keta Media, LLC, dba Ketamine Media, the nation's foremost advertising company dedicated to raising awareness about the clinical use of ketamine, on March 17, 2023.

Operational Highlights

Irwin Naturals has commenced its expansion into the high-growth cannabis and psychedelics sectors. During the first quarter of 2023, the Company launched the first products to the continental cannabis market and has signed ten brand licensing deals that will see Irwin Naturals products enhanced with THC be offered in places like California, Colorado, Mississippi, Michigan, New Mexico, Oregon, Oklahoma, and Canada. Additionally, to date, the Company has announced the acquisition of thirteen clinics and one advertising company specializing in ketamine clinics. The Company will continue to build upon this solid foundation and make the necessary investments to support our growth objectives within the

psychedelics sector.

Sean Sand, CFO, stated, “During the first quarter of 2023, we launched the first products related to our licensing in our cannabis sectors. We expanded our mental health clinics footprint in Kentucky through an acquisition and acquired an advertising platform to expand our customer outreach at our mental health clinics.”

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 its nutraceutical business profitably for over 28 years. 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 brand. 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”

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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:

	Three Months Ended March 31		\$ Change	% Change
	2023	2022		
Statement of Profit				
Net (loss) income	\$ (7,698)	\$ 1,581	\$ (9,279)	(100.0+)
Interest expense, net	511	249	262	100.0+
Income taxes (recovery)	(639)	696	(1,335)	(100.0+)
Depreciation and amortization	769	405	364	89.9
EBITDA	(7,057)	2,931	(9,998)	(100.0+)
Foreign currency translation adjustments	18	4	14	100.0+
Gain on contingent consideration	(390)	—	(390)	(100.0)
Intangible assets impairment	3,739	—	3,737	100.0
Goodwill impairment	2,810	—	2,810	100.0
Adjusted EBITDA	\$ (880)	\$ 2,935	\$ (3,815)	(100.0+)

Irwin Naturals, Inc.
Consolidated Statements of Financial Position
As of December 31, 2022 and 2021
(Expressed in US Dollars, rounded in thousands except share data)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash	\$ 6,529	\$ 800
Trade receivables, net	16,347	21,311
Inventory	21,671	22,506
Prepaid expenses and other current assets	3,344	2,932
Total current assets	<u>47,891</u>	<u>47,549</u>
Non-current assets:		
Property and equipment, net	353	271
Right-of-use assets	4,741	4,194
Notes receivable from shareholders	6,935	6,014
Notes receivable from related parties	505	255
Goodwill	21,190	10,215
Intangible assets, net	6,160	7,677
Deferred tax asset	2,367	2,367
Other non-current assets	277	259
Total non-current assets	<u>42,528</u>	<u>31,252</u>
TOTAL ASSETS	<u>\$ 90,419</u>	<u>\$ 78,801</u>
LIABILITIES		
Current liabilities:		
Trade and other payables	\$ 13,747	\$ 17,997
Reserve for returns	1,891	2,036
Lease liabilities, current	1,495	1,817
Line of credit, net of debt issuance costs	26,373	16,448
Notes payable due to acquiree	5,500	—
Notes payable, current	45	36
Total current liabilities	<u>49,051</u>	<u>38,334</u>
Non-current liabilities:		
Lease liabilities, non-current	3,431	2,529
Notes payable, non-current	656	498
Contingent consideration	5,764	6,154
Notes payable due to acquiree	7,000	—
Deferred tax liability	983	983
Total non-current liabilities	<u>17,834</u>	<u>10,164</u>
TOTAL LIABILITIES	<u>\$ 66,885</u>	<u>\$ 48,498</u>
EQUITY AND NONCONTROLLING INTEREST		
Class B Shares, 320,000,000 shares authorized, issued and outstanding	\$ 13,750	\$ 13,750
Subordinate Voting Shares, 3,389,224 shares authorized, issued and outstanding	7,984	7,068
Multiple Voting Shares, 18,240 shares authorized, issued and outstanding	59	59
Proportionate Voting Shares, 2,085,200 shares authorized, issued and outstanding	5,610	5,610
Warrants reserve	30	30
Accumulated other comprehensive income	21	3
Retained (deficit) earnings	(10,955)	(3,324)
Total controlling interest	<u>16,499</u>	<u>23,196</u>
Noncontrolling interest	7,035	7,107
TOTAL EQUITY AND NONCONTROLLING INTEREST	<u>23,534</u>	<u>30,303</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 90,419</u>	<u>\$ 78,801</u>

Irwin Naturals, Inc.
Consolidated Statements of Profit and Comprehensive Income
For the Years Ended December 31, 2022 and 2021
(Expressed in US Dollars, rounded in thousands except share data)

	Three Months Ended March 31,	
	2023	(Restated) 2022
Operating revenue	\$ 22,506	\$ 22,594
Cost of sales	(11,399)	(11,548)
Gross profit	11,107	11,046
Selling, general and administrative expenses	12,572	8,520
Income (loss) from operations	(1,465)	2,526
Other (income) expenses:		
Interest expense (income), net	511	249
Loss (gain) on foreign currency exchange	2	—
Goodwill impairment	2,810	—
Intangible assets impairment	3,739	—
Intangible assets amortization	200	—
Gain on contingent liabilities	(390)	—
Total other expenses (income)	6,872	249
Net (loss) income before income taxes	(8,337)	2,277
Income tax (recovery) expense	(639)	696
Net (loss) income	(7,698)	1,581
Less: net (loss) income attributable to non-controlling interest	(72)	237
Net (loss) income attributable to controlling interest	(7,626)	1,344
Comprehensive Income		
Net (loss) income	\$ (7,698)	\$ 1,581
Foreign currency translation adjustments	18	4
Total comprehensive (loss) income	(7,680)	1,585
Less: net (loss) income attributable to non-controlling interest	(72)	237
Comprehensive (loss) income attributable to controlling interest	\$ (7,608)	\$ 1,348
(Loss) earnings per share, controlling interest – basic	\$ (2.27)	\$ 1.12
(Loss) earnings per share, controlling interest – diluted	\$ (2.27)	\$ 0.00
Weighted average number of shares outstanding – basic	3,358,211	1,200,001
Weighted average number of shares outstanding – diluted	3,358,211	321,376,574

Irwin Naturals, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed US Dollars, rounded in thousands)

	Three Months Ended March 31,	
	2023	2022
Net (loss) income	\$ (7,698)	\$ 1,581
Adjustments to reconcile to net cash (used in) provided by operating activities:		
Depreciation and amortization	769	405
Gain on contingent consideration	(390)	—
Goodwill impairment	2,810	—
Intangible assets impairment	3,739	—
Change in allowance for doubtful accounts	80	59
Change in inventory reserve	211	(193)
Change in deferred tax asset	—	332
Notes receivable from shareholder	(900)	—
Notes receivable from related parties	(250)	(100)
Interest expense, net	(18)	2
Changes to working capital:		
Trade receivables	6,228	99
Inventory	624	(1,159)
Prepays expenses and other current assets	(401)	224
Trade and other payables	(3,770)	2,074
Reserve for returns	(145)	(323)
Other non-current assets	(3)	2
Net cash (used in) provided by operating activities	<u>886</u>	<u>3,003</u>
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(4,384)	105
Purchases of property and equipment	(15)	(20)
Net cash used in investing activities	<u>(4,399)</u>	<u>85</u>
Cash flows from financing activities:		
Proceeds from line of credit	35,773	17,497
Payments to line of credit	(25,165)	(20,035)
Payments to notes payable	(124)	—
Payments of debt issuance costs	(733)	—
Payments on operating leases	(461)	(341)
Purchase of treasury stock	(66)	—
Net cash provided by (used in) financing activities	<u>9,224</u>	<u>(2,879)</u>
Effect of foreign exchange on cash	18	19
Net increase in cash	5,729	228
Cash at beginning of the year	800	625
Cash at end of the year	<u>\$ 6,529</u>	<u>\$ 853</u>



Source: Irwin Naturals